



Legislative Council  
of the  
Hong Kong Special Administrative Region  
Finance Committee

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Report on the examination  
of the Estimates of Expenditure 2005-06

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June 2005

*Finance Committee*

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Estimates of Expenditure 2005-06*

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## **Chapter I : Introduction**

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1.1 At the Legislative Council meeting on 16 March 2005, the Financial Secretary of the Hong Kong Special Administrative Region Government introduced the Appropriation Bill 2005. Following the adjournment of the Bill at Second Reading and in accordance with Rule 71(11) of the Rules of Procedure, the President of the Legislative Council referred the Estimates of Expenditure to the Finance Committee for detailed examination before the Bill was further proceeded with in the Council.

1.2 The Finance Committee set up under Rule 71(1) of the Rules of Procedure comprises all Members of the Council except the President. The Committee held 19 sessions of special meetings over four days from 11 to 14 April 2005 to examine the Estimates. The purpose of these special meetings was to ensure that the Administration was seeking a provision no more than was necessary for the execution of the policies of the Government for 2005-06.

1.3 To facilitate the smooth conduct of business, members of the Committee were invited to submit written questions on the Estimates and a total of 1887 written questions were received and forwarded to the Administration for replies. Both the hard and the electronic copies of the written replies by the Controlling Officers were also forwarded to members prior to the special meetings for reference. The replies can also be browsed at the Council's website.

1.4 Each session of the special meetings from 11 to 14 April 2005 was dedicated to a specific policy area and attended by the respective Director of Bureau and his/her key Controlling Officers. The schedule of the 19 sessions is given in **Appendix I**. At the start of each session, the Director of Bureau/Controlling Officer concerned gave a brief presentation on the spending priorities and provisions sought under his/her programme areas. The Chairman then invited members to put questions to the Administration. A full record of the proceedings of the 19 sessions is given in Chapters II to XXI. Questions which were not dealt with and requests for further information were referred to the Administration for written replies after the meetings while broad policy issues raised during the meetings were referred to the respective panels for follow up, where necessary.

1.5 A total of 131 supplementary questions and requests for additional information were referred to the Administration for reply after the special meetings. The majority of the written replies to these questions were forwarded to members prior to resumption of the Second Reading debate on the

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Appropriation Bill 2005 on 20 and 21 April 2005. A summary of the number of the questions and additional requests for information is given in **Appendix II**.

1.6 The attendance of members and public officers at the special meetings is given in **Appendix III**. The corrigenda for 2005-06 Estimates are given in **Appendix IV**. The speaking notes of respective Director of Bureaux or Controlling Officers at the special meetings are contained in **Appendix V**.

1.7 This report, published in both Chinese and English, is presented to the Legislative Council on 29 June 2005 in accordance with Paragraph 53 of the Finance Committee Procedure.

## **Chapter II : Commerce and Industry**

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2.1 At the Chairman's invitation, the Secretary for Commerce, Industry and Technology (SCIT), Mr John TSANG, briefed members on the key areas of work of the Commerce and Industry (CI) Branch of the Commerce, Industry and Technology Bureau (CITB) for the new financial year (Appendix V-1).

### **Hong Kong's post-2004 textiles control arrangement**

2.2 Mr SIN Chung-kai observed that 121 posts were deleted in response to the elimination of textiles quota starting 2005. Noting that the European Commission (EC) had recently announced a set of guidelines setting out the criteria and procedures for the application of the Textile-Specific Safeguard Clause (TSSC) for textiles and clothing, Mr SIN enquired how this would affect Hong Kong in its textiles control arrangement and whether there was a need to adjust its manpower requirement in undertaking new initiatives to cope with China-specific textiles safeguard measures imposed or to be imposed by importing economies.

2.3 In response, the Director-General of Trade and Industry (DG of TI) explained that the 121 posts, which were mainly responsible for administering quota and textiles licensing under the previous textiles control system, as well as general office support, were deleted as a result of the restructuring of Hong Kong's textiles control system upon the global elimination of textiles quotas effective from 1 January 2005.

2.4 As regards TSSC, SCIT highlighted that the recently announced criteria and procedures only applied to imports from the Mainland under its Accession Protocol to the World Trade Organization and it did not cover textile and clothing products from Hong Kong. DG of TI advised that notwithstanding the global elimination of textile quotas, the China-specific safeguard measures that were or might be taken by importing economies against textiles products originating from the Mainland had brought uncertainties to the textiles sector. In view of such uncertainties, and in order to protect Hong Kong's legitimate trade interests, it was necessary to retain a regulatory system, albeit a more streamlined one, to ensure that textile and clothing products which were of genuine Hong Kong origin could continue to enjoy access to the world market. As such, the Administration would keep in close view the development of China-specific safeguard measures imposed by EC and take follow up actions where appropriate.

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2.5 In reply to the Chairman, DG of TI confirmed that there were now 40 to 50 staff members providing services under the streamlined regulatory system and he considered that this establishment was adequate to cope with the workload even if new China-specific safeguard measures were imposed by importing economies against textiles and clothing products.

### **Promotion of inward investment**

2.6 Mr CHAN Kam-lam noted that of the \$106.2 million budgeted for Invest Hong Kong (InvestHK) for 2005-06, only \$16.2 million had been set aside for promoting investment from the Mainland. In view of the increasing bilateral economic and commercial exchanges between Hong Kong and the Mainland, he questioned if this amount was adequate for strengthening the investment promotion work in the Mainland markets. He also enquired about the target inflow of direct investment from the Mainland in 2005 and details of the investment promotion measures.

2.7 The Acting Director-General of Investment Promotion (DG of IP(Atg)) pointed out that as a result of the robust domestic economy in the Mainland and a closer economic tie between Hong Kong and the Mainland, there had been an upward trend for Mainland enterprises to set up regional headquarters/offices in Hong Kong. In the light of the new investment facilitation policy launched by the Mainland authorities last August, InvestHK had strengthened its investment promotion work in the Mainland, which included investment promotion visits to Mainland enterprises, seminars and other promotional activities. Besides, InvestHK would also assist Mainland enterprises to set up or expand their businesses in Hong Kong on a project basis. On the level of resources set aside for Mainland investment promotion activities, DG of IP(Atg) considered that the present allocation of \$16.2 million was appropriate because InvestHK had to maintain its on-going work in current markets and continue to open new markets. She said that through internal reallocation of resources, InvestHK had increased staff support to serve the Mainland enterprises and it would adjust the manpower requirement further if necessary. As regards the target direct investment inflow from the Mainland in 2005, DG of IP(Atg) explained that it normally took a lead time of 18 to 24 months for Mainland enterprises to set up offices in Hong Kong. While it was not possible to forecast inflows at this stage, InvestHK aimed to assist 45 Mainland enterprises to complete their investment projects in Hong Kong for 2005.

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2.8 Mrs Selina CHOW questioned why out of the 1 098 overseas companies which set up regional offices and 2 511 companies which set up offices in Hong Kong in 2004, only 45 companies had indicated that the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) was one of the factors they had considered when making the investment. She considered that given the initiatives under CEPA should be conducive to investment decision, this figure was far from satisfactory. She urged the Administration to make use of the liberalization measures under CEPA to attract more overseas companies to invest in Hong Kong.

2.9 DG of IP (Atg) pointed out that the quoted figures came from two different sources of information. The number of overseas companies which set up regional headquarters and offices in Hong Kong was extracted from the Survey of Regional Offices Representing Overseas Companies in Hong Kong conducted by the Census and Statistics Department in June 2004. The 45 overseas companies which indicated CEPA as a factor for their investment in Hong Kong were among the 205 companies assisted by InvestHK to set up or expand operations in Hong Kong and had responded to a questionnaire which enquired, inter alia, the reasons for making the investment. Among the 205 companies, 19 gave CEPA as the main reason for their investment while 45 had indicated that CEPA was one of the factors they had considered when making the investment. DG of IP (Atg) nevertheless pointed out that many companies had set up or expand its businesses in Hong Kong without the assistance of InvestHK and some of them might have come to Hong Kong because of CEPA.

2.10 Noting the Administration' clarification, Mrs Selina CHOW considered that the survey should not be confined to the 205 companies which had been assisted by InvestHK but extended to the remaining 3 000 companies in order to assess the impact of CEPA with a view to adjusting the publicity/promotional strategy for CEPA. Given that the survey had taken place in June 2004, Mrs CHOW requested the Administration to conduct another survey for the whole year of 2004 in order to obtain more useful survey data.

2.11 Echoing her view, the Chairman sought further clarification on the number of jobs being created by the 68 Mainland enterprises which were granted approval of coming to invest in Hong Kong between end-August and end-December 2004. In reply, DG of IP (Atg) pointed out that not all the 68 companies were assisted by InvestHK. The Administration therefore did not have the information.

### **CEPA-related information**

2.12 Noting from SCIT's speaking note that the Administration would continue to ensure that up-to-date information in the Mainland would be promptly disseminated to stakeholders, Miss TAM Heung-man pointed out that according to some accounting personnel in small and medium enterprises (SMEs), they could not obtain updated information on Mainland taxation. She enquired if relevant information would be available from CITB or the departments under its purview.

2.13 In response, SCIT remarked that his speaking note referred to CEPA-related information such as legislative and regulatory changes in the Mainland that might affect the application and approval of certificates of origin for eligible goods under CEPA. He advised that Hong Kong SMEs which had encountered problems in relation to Mainland accounting practices should seek assistance from the relevant Mainland authorities.

### **Support for small and medium enterprises**

#### *SME funding schemes*

2.14 On the four SME funding schemes, Mr Jeffrey LAM noted that as at the end of March 2005, over 40 000 SMEs had directly benefited from the SME Loan Guarantee Scheme (SGS), the SME Export Marketing Fund (EMF) and the SME Training Fund. He also noticed that in response to the recent economic recovery, a rising number of exhibitors and buyers had taken part in trade fairs in the past few months. Mr LAM urged the Administration to review the need to support more SMEs to participate in similar trade fairs.

2.15 In response, DG of TI stressed that the Government attached great importance to SMEs and provided them with the necessary support. He said that of the four SME funding schemes, EMF which supported an SME's export promotion activities was the most popular scheme, with an utilization rate of over 60%. DG of TI further advised that after reviewing the operation of the funding schemes, the Administration planned to seek the views of the CI Panel to extend the SGS, EMF and SME Development Fund (SDF) till mid 2007. DG of TI assured members that the Administration and the SME Committee would continue to ensure the efficient operation of the funding schemes.

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2.16 On the assistance available under EMF, DG of TI explained that there was a ceiling amount of \$80,000 for each SME. A SME could submit more than one application but the total amount of grant for the SME should not exceed the ceiling of \$80,000. In response to the suggestion of SMEs to raise the cap of EMF, DG of TI considered the present limit appropriate as this would enable more SMEs to benefit under the scheme. In reply to the Chairman, DG of TI advised that 10 954 applications for EMF had successfully been approved in 2004-05 while 937 cases had been rejected.

2.17 In this connection, the Chairman requested the Administration to provide supplementary information on the number of SMEs the applications of which for EMF had been rejected because of the ceiling and the number of SMEs which had reached the ceiling of EMF.

2.18 Mr CHIM Pui-chung noted that more than 41 000 SMEs had benefited from the SME funding schemes which involved a total guarantee or grant of over \$6.4 billion, and that the Administration planned to transfer/inject a total of \$500 million to EMF and SDF. He considered that the level of financial assistance used in supporting SMEs continued to rise. Mr CHIM sought information on the number of default cases under SGS and measures, if any, taken by the Administration to prevent the occurrence of default cases.

2.19 The Permanent Secretary for Commerce, Industry and Technology (Commerce and Industry) (PSCI) explained that of the \$6.4 billion, \$5.8 billion was the amount of guarantee approved under SGS for loans extended by participating banks and financial institutions to SMEs while \$800 million was actual expenses approved in respect of EMF and SDF. As at end March 2005, the Administration had paid out \$19.4 million to the relevant lending institutions for verified loan defaults. Since repayment to the lending institutions only commenced 1.5 to two years after drawing down of the loans, most of the repayments of the SGS-guaranteed loans processed in 2003 would not be due until end 2005/early 2006. A more meaningful default rate could only be worked out by then.

### ***Business facilitation***

2.20 Mrs Selina CHOW remarked that many SMEs were not aware of the Administration's supportive measures available to them and most SMEs would work hard to solve their problems rather than relying on the assistance from the

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Government. To help SMEs, the most effective way was to improve the business environment by, inter alia, cutting red tape and eliminating over-regulation.

2.21 In response, PSCI advised that as announced in the 2004 Policy Address, the Government had set up the Economic and Employment Council (EEC) under the chairmanship of the Financial Secretary (FS) to spearhead efforts to further improve the environment for doing business in Hong Kong. EEC provided advice on the development and implementation of policies and initiatives to, inter alia, facilitate business and promote economic activities. Pursuant to the deliberations at its first meeting, EEC had set up a Subgroup on Business Facilitation with a view to eliminating outdated, excessive, repetitive or unnecessary government regulations on business. PSCI agreed that SMEs, which usually had relatively limited resources in handling regulatory issues, would benefit from the substantive measures of the “Helping Business Programme” implemented by the Business Facilitation Division under EEC. To highlight the inter-departmental nature and importance of the work of EEC, the Government had merged relevant divisions of different bureaux/departments to form the Economic Analysis and Business Facilitation Unit under the FS’s Office and resources allocated to the Unit had also been incorporated in the Estimate of the FS’s Office for 2005-06.

2.22 Mrs Selina CHOW did not fully subscribe to the Administration’s explanation. She was worried that the high-level committees under the FS’s Office might not be able to offer direct assistance to SMEs. Reiterating that SMEs were relatively inexperienced in handling business regulatory issues, she urged the Administration to be more proactive in ensuring that relevant information/assistance could be directed to the SMEs in need. Mrs CHOW called on the Administration to establish links with different sectors in disseminating information on the various policies formulated to benefit SMEs.

2.23 In addition to business facilitation measures, PSCI highlighted the work of the SME Office under the Trade and Industry Department which assisted SMEs to resolve problems they encountered in daily operation. Besides, two statutory organizations under the purview of SCIT, namely Hong Kong Trade Development Council and Hong Kong Productivity Centre, had also been providing various services support to SMEs in Hong Kong. In reply to the Chairman on performance indicators, PSCI pointed out that each government department had highlighted its key performance targets in the Estimate, e.g. the Trade and Industry Department aimed to complete the processing of certificate of

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origin (CEPA) in 1.5 days. She advised that improvements, if any, to the performance standard of the Business Facilitation Division would have to be initiated by FS's Office.

### **Hong Kong Economic and Trade Offices**

2.24 Mr SIN Chung-kai was concerned about the assignment of responsibilities and staffing arrangement in each Hong Kong Economic and Trade Office (ETO) overseas. Noting that the London ETO was currently tasked to promote Hong Kong's interest not only in the United Kingdom but also in 16 other European countries, with a majority in Eastern Europe while the Brussels ETO was the official representation to the European Communities and the majority of the member states, Mr SIN considered it more cost-effective for Brussels ETO to serve all member states of European Union (EU) having regard to its proximity to the Eastern Europe. To cope with the increased workload, more manpower could be assigned to Brussels ETO. He advised that the Administration should be more forward-looking in promoting Hong Kong's interest in Europe, in particular when more countries were in the pipeline to become a member state of EU.

2.25 In response, PSCI recalled that following the accession of 10 new member states to the EU with effect from 1 May 2004, CITB had reviewed the scope of responsibilities of London ETO and Brussels ETO together with the concerned ETOs. The outcome of the review was to maintain the existing division of responsibilities as it remained the most cost-effective mode of operation. Nevertheless, the Administration would keep the situation under review and take into account of the accession of more countries to EU and revert to CI Panel as necessary.

2.26 In reply to the Chairman on the salary adjustment of staff in overseas ETOs, PSCI explained that the salary of the Hong Kong-based civil servants was adjusted according to the 2005 civil service pay cut. The pay adjustment mechanisms of the locally recruited staff for most ETOs followed the pay adjustment for the civil service in the concerned host governments. She advised that since information on pay adjustment in certain host governments for 2005 was not yet released, the levels of salary adjustment of the locally recruited staff in the ETOs concerned were not yet known. She undertook to revert to the CI Panel once the information was available.

### **Electronic advance cargo information system**

2.27 Noting that the Government had been consulting stakeholders on a proposal to introduce an electronic advance cargo information system for cross-boundary vehicles and the latest round of consultation was conducted in January 2005, Mr WONG Ting-kwong was concerned about the views expressed during the consultation. He also enquired if the Administration would put forward the funding proposal to the Council within this legislative session to develop the system.

2.28 On the outcome of the consultation in question, the Deputy Secretary for Commerce, Industry and Technology (Commerce & Industry) 2 advised that while the trucking industry supported the proposal in principle, the shippers queried the need to provide relevant information two hours before crossing the boundary and the cost implication of the proposal. Nevertheless, both groups agreed to the objective of the initiative which was to improve the efficiency of customs clearance at land boundary control points. Taking into account comments from the stakeholders, the Administration was currently in the course of revising the proposal. Subject to further discussion with them on the revised proposal and their support, the Government would work out an implementation timetable as early as possible. However, she anticipated that the Administration would not be able to table the legislative amendments or funding proposal in the Council within this legislative session.

## **Chapter III : Communications and Technology**

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3.1 At the Chairman's invitation, the Secretary for Commerce, Industry and Technology (SCIT), Mr John TSANG, briefed members on the key areas of work of the Communications and Technology (CT) Branch of the Commerce, Industry and Technology Bureau (CITB) for the new financial year (Appendix V-2).

### **Radio Television Hong Kong (RTHK)**

#### ***Budget for RTHK***

3.2 Referring to the information submitted by CITB in response to the request of the Panel on Information Technology and Broadcasting (ITB Panel) at its meeting on 8 April 2005, the Chairman asked SCIT to elaborate the effect on the services of the departments under his purview, including RTHK, as a result of the reduction in annual provisions in the past few years.

3.3 SCIT advised that due to fiscal deficits in the past few years, there was a need to reduce the operating expenditure for all government departments and RTHK was no exception. He pointed out that as shown in the information paper provided, the extent of reduction in annual allocations for departments under the purview of the CT Branch of CITB was broadly consistent.

3.4 In response to the Chairman's further query on the substantial reduction in the capital account of RTHK for 2005-06, the Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) (PSCT) advised that unlike recurrent expenditure which was approved annually, capital expenditure was non-recurrent and committed on a project basis. Equipment acquired through the capital account would have a life span of a number of years, hence provision for such purposes would not be required on a yearly basis. The Deputy Secretary for Financial Services and the Treasury (Treasury)<sup>1</sup> added that capital spending was necessary to ensure that the bureaux/departments could continue to provide quality services to meet the needs of the community. In the case of RTHK, apart from the capital account, funding was also provided for purposes such as computerization, under the block allocation of the Capital Works Reserve Fund.

3.5 Dr YEUNG Sum also raised concern about the continuous reduction in the annual financial provisions allocated to RTHK. Noting that there was suggestion that RTHK, being a government department, should serve as the

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“mouthpiece” of the Government in promoting its policies, he cautioned that political consideration should not be a factor in determining the level of resources to be allocated to RTHK. In response, SCIT stressed that it was the Government’s policy to uphold freedom of expression and press freedom which were the cornerstones of Hong Kong.

3.6 Dr YEUNG referred to the recent conviction of a RTHK’s contract staff and urged that RTHK should strengthen its supervision of internal operations and improve its staff management. SCIT advised that RTHK would continue to enhance its supervision to achieve efficiency and a high standard of management.

### ***Commercialization of RTHK’s production***

3.7 Mr CHAN Kam-lam concurred that with limited resources support, the competitiveness of RTHK vis-à-vis other commercial broadcasters would be undermined. He reminded the Administration of the opportunity to provide a source of funding for RTHK through capitalizing RTHK’s high quality production. He sought information on the revenue raised from the licensing of RTHK ON INTERNET content vis-à-vis the cost of production. He also enquired if RTHK would consider seeking/accepting commercial advertising during the broadcast of its programmes, and whether the corporatization of RTHK, which was put on hold in the early nineties, would be revived to facilitate the commercialization of RTHK’s productions.

3.8 In response, the Director of Broadcasting (D of B) advised that RTHK had generated about \$3.8 million this year from content licensing, which was able to cover the direct and indirect costs incurred in the process. However, it was not the intention of RTHK to raise sufficient revenue to cover the production cost of the programmes concerned because these programmes were primarily produced for the general public. As selected RTHK programmes would be released in VCD and DVD, he envisaged that income from content licensing would be higher in the coming year.

3.9 PSCT supplemented that like all other public services broadcasters worldwide, RTHK did not accept advertising invitation in order to maintain its editorial independence and impartiality. However, it could accept sponsorship from non-profit making organizations for its programmes.

### **Digital broadcasting**

3.10 Noting that RTHK had not included any provision for the procurement of equipment and related accessories for digital broadcasting in 2005-06, Mr Ronny TONG enquired whether this was due to the need for RTHK to cope with further reduction in its annual provision. He was worried that if broadcasting technology of RTHK could not be enhanced in parallel with other commercial broadcasters, it might not be able to maintain the high quality of production.

3.11 In response, PSCT briefed members on the latest development of digital broadcasting in Hong Kong. He said that at its meeting on 6 July 2004, the Executive Council had decided on the implementation framework for digital terrestrial television (DTT) broadcasting. According to the Administration's plan, simulcasting of both analogue and DTT services by Asia Television Limited (ATV) and Television Broadcasts Limited (TVB) would start within 2007 at the latest. As regards the technical standard to be adopted, the Government's position was that if the Mainland had not promulgated a national standard before the end of 2006, a market-led approach would be adopted. Both ATV and TVB had indicated that if this was the case, they would adopt the European DVB-T technical standard. Both ATV and TVB were now formulating their plans of constructing the broadcasting network with a view to starting digital broadcasting by 2007.

3.12 On the development of digital audio (DA) broadcasting, PSCT pointed out that the Administration would adopt a market-led approach in launching the services. Notwithstanding that the Government had made available L-Band frequencies for DA broadcasting service in Hong Kong and RTHK had conducted DA broadcasting tests in 2004, PSCT advised that the two commercial sound broadcasters did not consider it commercially viable to switch from analogue broadcasting to DA broadcasting at this stage.

3.13 On DTT broadcasting, D of B informed members that RTHK did not run its own television channel but it had made use of the prime time slots in TVB and ATV to broadcast its television programmes. To prepare for DTT broadcasting by 2007, RTHK, with the support of equipment vendors, had already conducted small-scale trials in producing high-definition programmes. It had also partnered with the Digital Media Centre of the Cyberport in post-production works.

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3.14 D of B added that RTHK ran three FM and four AM channels. The AM services had suffered from poor reception, in particular in areas where the broadcasting signals were blocked by high-rise buildings. The development of AM services had lagged behind as broadcasting technology advanced. DA broadcasting was an option to compensate the inadequacy of AM services by offering numerous advantages such as interference-free reception and improved sound quality. However, due to the lukewarm response to DA broadcasting receivers in consumer markets overseas, commercial broadcasters worldwide were not very keen in pursuing the option. That was why the development of DA broadcasting in overseas countries was mainly boosted by public broadcasters. On provision for the procurement of equipment and related accessories for digital broadcasting in 2005-06, D of B explained that RTHK had commenced DA broadcasting tests in 2004 when essential equipment had been acquired. If necessary, RTHK would deploy internal resources to acquire additional equipment for the tests, which would be completed by end August this year.

3.15 Regarding the acquisition of necessary equipment to enhance the competitiveness of RTHK in terms of broadcasting technology development, D of B pointed out that procurement of equipment and related accessories for digital broadcasting was provided for through the capital account, instead of the operating account. Unlike commercial broadcasters which might, in response to market needs, switch over to DTT broadcasting and acquire the necessary equipment more swiftly, public service broadcasters would usually replace and upgrade their plant and equipment progressively in phases.

#### ***National education programmes***

3.16 On national education programmes to be produced by RTHK in 2005-06, Mr Ronny TONG sought information on programme relating to the themes of promoting “One Country, Two Systems” and maintaining “the rule of law in Hong Kong”.

3.17 In response, D of B highlighted that to mark the 15<sup>th</sup> anniversary of the promulgation of the Basic Law, RTHK had produced a series of special programmes, including a variety show and a seminar which were broadcast in the radio channels, as well as the “Basic Law Magazine” broadcast on TV. RTHK also planned to produce a series of television programmes on social policies and social development to be broadcast at prime time slots during the last week of June or early July 2005. RTHK would take into consideration members’ view in deciding on the themes for the five episodes.

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3.18 In this regard, the Chairman requested the Administration to provide further details on national education programmes relating to the rule of law in Hong Kong and interpretation of the Basic Law produced by RTHK in past years.

#### ***Proposed Broadcasting House***

3.19 Mr SIN Chung-kai was concerned about the way forward for reprovisioning RTHK to the proposed Broadcasting House in Tseung Kwan O Area 86. Noting that the project had now been downgraded from Category B to C of the Public Works Programme, Mr SIN was worried that the project would be put on hold indefinitely. He reiterated that the Administration should take forward the project and put up the prime site currently occupied by RTHK at Broadcast Drive for sale in order to raise revenue for the project. Given that the site adjacent to RTHK's current Television House had been included in the Application List for land sale, Mr SIN remarked that if the two sites could be combined into one for acquisition by developers, the Government would be able to generate a much higher land premium. He believed that the revenue, which he estimated to be in the region of several billion dollars, could well finance the proposed Broadcasting House project, which would cost about \$1.1 billion.

3.20 On the status of the proposed Broadcasting House in the Public Works Programme, SCIT understood that if a proposed project was not upgraded to Category A after remaining in Category B for some time, the project would automatically be listed in Category C.

3.21 While acknowledging that Government had the obligation to reduce public expenditure in tackling the fiscal deficit, Mr SIN Chung-kai observed that the Government had always been more flexible in its allocation for non-recurrent projects such as construction of infrastructural works and facilities. Given that it would take a few years to plan and implement the proposed project before the site currently occupied by RTHK could be vacated for sale, Mr SIN urged the Administration to make a decision on the implementation of the proposed project in a more timely manner in order to capitalize on the current flourishing property market.

3.22 SCIT noted Mr SIN's views, but stressed that it was not appropriate for the Government to speculate the property market. Nevertheless, he undertook to examine the accommodation needs of RTHK and review the Broadcasting House proposal within this year having regard to the positive trend in the financial position of the Government.

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3.23 Mrs Selina CHOW noted various concerns on policies affecting the development of RTHK had been raised by members. These concerns covered the reprovisioning of RTHK, recurrent and non-recurrent provision, commercialization of RTHK's productions, implementation of DTT broadcasting and its programming policy. Mrs CHOW urged the Administration to examine the policy issues carefully and discuss them thoroughly with the ITB Panel in due course. Noting that the ITB Panel had scheduled to discuss matters relating to RTHK at its July meeting, the Chairman requested the Administration to provide a comprehensive response to the various issues raised when the subject was further discussed by the Panel.

### **Film services**

3.24 Mrs Selina CHOW noted that the film industry had expressed support for the continuation of Film Development Fund and Film Guarantee Fund which were considered to be beneficial to the long-term development of the film industry. However, she was concerned whether the Funds could help increase the number of local film productions, which had dropped significantly due to the Asian crisis, the downturn of local economy and other complex issues involving copyright infringement.

3.25 In response, the Commissioner for Television and Entertainment Licensing recalled that in early 1990s, the number of films released locally was around 200 a year but it had now dropped to some 60. The Television and Entertainment Licensing Authority had all along been working with the film industry to see how the number of film productions could be boosted, such as exploring new markets and film-financing sources, with a view to strengthening the development of film industry and retaining film-making talents. The Administration expected that Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) would bring about new business opportunities for the local film industry and facilitate co-production of films by Hong Kong and Mainland companies for distribution in the Mainland, but it took time for the impact of the liberalization measures under CEPA to emerge. SCIT highlighted the market-led strategy in production of local films. Given a number of domestic pay television programme service providers had indicated that they would expand their service scope to provide more choices on movies, he believed that this might stimulate the production of more local films.

### **Hong Kong Applied Science and Technology Research Institute (ASTRI)**

3.26 Noting that the Administration planned to construct ASTRI's building at the Hong Kong Science Park (HKSP) Phase 2, Mr SIN Chung-kai was concerned that since many of existing factory premises and industrial estates had not been put to full use, the Administration could acquire or lease space in them for the use of ASTRI instead of constructing a new building at the HKSP.

3.27 In response, the Commissioner for Innovation and Technology advised that ASTRI had already moved to the leased space in Phase 1 of HKSP. Certain land in Phase 2 area had been reserved for ASTRI to construct a new building. ASTRI was now engaging a consultant to prepare a technical feasibility report on the plan. PSCT highlighted that HKSP provided a knowledge-based and campus-like environment where high-technology enterprises and talented people could converge as clusters to generate synergy. Moreover, the buildings in HKSP were uniquely designed to support companies engaging in high-technology industries such as Integrated Circuit design and to allow products to be tested under a low-dust and low-concussion environment, which could not be catered for by existing factory premises.

### **Digital certificates (e-Certs) in smart ID cards**

3.28 Mr Jasper TSANG noted that as at end March 2005, there was an opt-in rate of 27% for one-year free e-Certs embedded in the smart ID cards by card holders. He was concerned about the level of adoption and questioned why the opt-in rate of 27% was used as a target for 2005-06. He also asked if the low opt-in rate was due to the supply of smart card readers being not readily available.

3.29 In response, the Deputy Government Chief Information Officer (Operation) (DGCIO(O)) informed members that so far, the Immigration Department had issued 2.9 million smart ID cards, of which 0.84 million had been embedded the one-year free e-Certs issued by the Hongkong Post Certification Authority (HKPCA). This represented an opt-in rate of 27% by smart ID card holders. For 2005-06, the target of HKPCA was to achieve at least the same opt-in rate of 27% as that of 2004-05. To promote the wider use of e-Certs in the community, the Office of the Government Chief Information Officer had sponsored a new e-Cert usage promotion programme to be launched by HKPCA in May 2005. Various incentives, e.g. free smart card readers and cash coupons, would be provided to encourage e-Cert holders to start using their e-Certs as a

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means of authentication in e-banking and other e-commerce/e-government applications. DGCIO(O) further advised that a wide range of smart card readers at affordable prices were readily available in the market.

## **Chapter IV: Financial Services**

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4.1 At the Chairman's invitation, the Secretary for Financial Services and the Treasury (SFST), Mr Frederick MA Si-hang, briefed members on the proposed budget and major areas of work in respect of financial services in 2005-06 (Appendix V-3).

### **Resource allocation for the Financial Services Branch and departments under its purview**

4.2 Mr CHAN Kam-lam expressed concern about the allocation of resources among the Financial Services Branch (FSB) and departments under its purview in 2005-06. He noted that out of the total provision of \$672 million in the operating expenditure envelope, FSB would be allocated with 10%, Office of the Commissioner of Insurance (OCI) with 8%, Official Receiver's Office (ORO) with 19%, and Census and Statistics Department (C&SD) with 56%. He enquired about the reasons for allocating C&SD with more than half of the provision and expressed concern about insufficient resources for FSB to undertake its work, in particular, for implementing the various legislative proposals in the 2004-05 Legislative Programme.

4.3 On the allocation of resources in 2005-06, SFST explained that C&SD, with a current establishment of over 1 200, needed resources to develop and compile a wide range of statistics, including trade, social, price, industry, service etc, for use by the entire Government. As for ORO, more resources were required for coping with the substantial increase in workload in the past few years due to the surge in number of personal bankruptcies. In respect of OCI, more resources were required for strengthening its supervisory functions to keep pace with the rapid development in the insurance sector of Hong Kong. As regards FSB, it was also running tight budgets in recent years to meet targets of reducing operating expenditure while coping with enormous workload arising from pursuing various new initiatives.

4.4 With a view to reducing operating cost, Mr CHAN Kam-lam asked whether C&SD would consider outsourcing its work to the private sector or exploring co-operation with academic and research institutions in the development and production of statistical information.

4.5 SFST stressed that it was Government's policy to explore the opportunity for outsourcing its services where appropriate and cost-effective. As regards co-operation with academic and research institutions, the Commissioner

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for Census and Statistics (C for C&S) said that C&SD had been seeking these parties' advice on technical aspects for improving its work and ensuring that the survey methodology would meet technical requirements. Nevertheless, given the labour intensive nature of survey work, C&SD still had to undertake the bulk of its work in-house. C for C&S stressed that it was vital that Government's census and statistics systems complied with international requirements in order to secure credibility of the statistical information released by the Government. He added that the annual Article IV Consultation by the International Monetary Fund (IMF) for Hong Kong had covered among other things, assessment on the Government's census and statistics systems for ensuring compliance with international standards.

4.6 On Mr CHAN Kam-lam's suggestion for C&SD to market its statistical information as a measure to raise revenue, C for C&S advised that C&SD had been selling basic data to data vending companies for them to provide value-added services to their customers. He pointed out that on the question of expanding C&SD's chargeable services to the public, it was necessary to consider two important factors, namely the need to provide statistical information at affordable prices, including some at no charge, to the general public as a means to meet the public's right to know and the need to avoid causing unfair competition to the private sector.

### **The 2006 Population By-census**

4.7 Mr Jeffrey LAM enquired about the preparatory work for the 2006 Population By-census and sought reassurance from the Administration that the quality of the by-census would not be adversely affected because of Government's stringent financial position.

4.8 On the preparation for the 2006 Population By-census, C for C&S advised that planning and design work commenced in 2003. The Government was aware that a larger sample size would provide statistics with higher precision. However, with a view to enhancing the cost-effectiveness of the 2006 Population By-census, after careful consideration and consultation with relevant stakeholders, it was decided that the sampling fraction would be reduced from 1/7 as adopted in past by-censuses to 1/10. C for C&S emphasized that the reduction in sampling fraction would not have unduly significant impact on the precision of the survey findings. With careful re-structuring in work flow, as well as aids of advanced data processing and analytic techniques, the precision of required statistics could essentially be maintained.

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4.9                Regarding the resources for conducting the 2006 Population By-census, SFST assured members that given the importance of the exercise in providing vital information on the socio-economic and geographical situations of the population in Hong Kong to facilitate the planning and formulation of policies, the Government would ensure that sufficient resources would be provided for undertaking the exercise. C for C&S stressed that C&SD had extensive experience in conducting population censuses and by-censuses. C&SD would monitor the progress of the by-census closely to ensure its successful implementation.

4.10              Mr Jeffrey LAM noticed that the growing integration between Hong Kong and the Mainland had led to more Hong Kong people working and residing in the Mainland. He enquired whether the Administration would consider studying the patterns and characteristics of this group of people in the 2006 Population By-census.

4.11              C for C&S advised that enhanced computerization of immigration records in recent years had provided comprehensive information on the movement of people between Hong Kong and the Mainland. C&SD had been using such information to compile useful statistics on a regular basis. C for C&S highlighted that the series of benchmarking population censuses/by-censuses, the continuous General Household Survey series and the statistics generated from various administrative record systems would together provide a population data system. While the by-census would not be a suitable vehicle for obtaining specific data on the area which Mr LAM had mentioned, C for C&S said that C&SD would consider allocating additional resources for undertaking dedicated surveys to enrich the population data system for the purpose, where necessary.

### **Administration of bankruptcy cases**

4.12              With the anticipated decline in the number of bankruptcy cases in 2005-06 in the light of improvement in Hong Kong's economy, Miss TAM Heung-man asked whether ORO would review its manpower requirement for the administration of the bankruptcy regime.

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4.13 Official Receiver (OR) pointed out that despite the surge in bankruptcy orders from about 890 in 1998 to over 25 000 in 2002, ORO had not increased its staff to handle the additional bankruptcy cases due to the need to control public expenditure. Although the number of bankruptcy cases was expected to decrease to some 14 500 in 2005, this was still a 17-fold increase in caseload over 1998. Given the considerable backlog of cases built up over the previous years, the existing staffing situation of ORO was already very tight for coping with the huge increase in workload.

4.14 Referring to ORO's proposal of outsourcing self-petition summary bankruptcy cases to private-sector insolvency practitioners (PIPs) as enshrined in the Bankruptcy (Amendment) Bill 2004 currently studied by a relevant Bills Committee (the Bills Committee), Mr Ronny TONG enquired about the impact of the proposal on staff and the budget of ORO.

4.15 OR advised that as a result of the outsourcing proposal, some 50 staff currently involved in administering bankruptcy cases would be re-deployed to take up other duties of ORO. Some of these staff would monitor PIPs in the outsourced cases, while others would be re-deployed to duties, such as work related to disqualification of company directors, insolvency of companies, research and review of policy issues relating to the role of ORO in the insolvency regime. He confirmed that there would be no staff redundancies arising from the implementation of the outsourcing proposal.

4.16 On the financial arrangement of the outsourcing proposal, OR advised that it was ORO's intention to outsource only debtor-petition summary bankruptcy cases to PIPs through competitive open tender making reference to existing schemes of contracting out summary liquidation cases. To enable PIPs to achieve economies of scale, debtor-petition summary bankruptcy cases would be outsourced in batches, say around 1 000 cases per batch. The preliminary thinking was that ORO would deduct the fees and expenses to be incurred by OR, which was estimated in the range of \$2,000 to \$3,000, from the debtor-deposit of \$8,650. The remaining balance plus additional assets realized and income contribution from the bankrupt, if any, would be used to cover expenses and remuneration of PIPs. OR added that the Administration was aware of the concern expressed by the Bills Committee about the need to enhance monitoring of PIPs in outsourced cases. He stressed that there were adequate statutory and non-statutory safeguards to ensure PIPs would carry out their work and exercise their powers in a reasonable and appropriate manner. For instance, there were

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provisions in the Bankruptcy Ordinance (Cap. 6) for removal of the trustee by the court and for any aggrieved persons to appeal to the court against acts or decisions of the trustee. Moreover, ORO would continue to handle enquiries and complaints concerning summary bankruptcy cases, including complaints against PIPs.

### **Improvement in market infrastructure**

4.17 Mr WONG Ting-kwong noted that the Securities and Futures Commission (SFC) had set up the FinNet to facilitate communication between regulatory authorities and market participants. He enquired about details of the network and future development plans.

4.18 The Permanent Secretary for Financial Services and the Treasury (Financial Services) (PSFS) advised that the FinNet was a private computer network developed in phases during the past two to three years connecting regulatory authorities, including SFC, Hong Kong Monetary Authority (HKMA), OCI, Mandatory Provident Fund Schemes Authority (MPFA) and the Hong Kong Exchanges and Clearing Company Limited, with their registrants and licensees for electronic communication, such as application matters, submission of returns, bulk payment transfer among banks etc. He added that SFC and other regulatory authorities were considering plans to upgrade the FinNet and extend its scope to cover more commercial uses and users.

4.19 Noting that SFC had set up a back-up office in Kwun Tong in October 2004 to serve as a first port of call or command centre in case of emergency, Mr Wong Ting-kwong enquired about contingency arrangements for important market infrastructure facilities to ensure their normal operation in the event of emergency.

4.20 PSFS said that regulatory authorities and market operators had put in place appropriate contingency plans, such as alternative or back-up systems, for important infrastructural systems to maintain normal operation in the case of emergency.

### **Promoting Renminbi business and asset management**

4.21 While expressing support for initiatives in the 2005-06 Budget to reinforce Renminbi (RMB) business and promote asset management,

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Mr James TIEN sought elaboration on the benefits to Hong Kong and the provisions required for implementing the initiatives.

4.22 On promoting asset management, SFST advised that the Administration had put forward two major proposals namely, abolition of estate duty and exemption of offshore funds from profits tax. The abolition of estate duty would result in about \$1.5 billion tax revenue foregone each year. The exemption of offshore funds from profit tax would have very little significance on revenue as the actual tax received from offshore funds had all along been very minimal. However, he stressed that the two proposals would generate enormous economic benefits for Hong Kong. Apart from reinforcing Hong Kong's status as an international financial centre (IFC) and promoting development of the financial services industry (an important economic pillar of Hong Kong contributing to about 13% of its Gross Domestic Products), the proposals would help maintain international expertise, enhance the competitiveness of Hong Kong's capital market, and promote employment.

4.23 In respect of efforts for promoting asset management, SFST said that the Administration had been organizing promotional activities in collaboration with the fund industry in the Mainland and overseas markets to promote Hong Kong as a platform for fund investment. Given the good potential and prospect for developing asset management business in Hong Kong, SFST stressed the importance for the Administration, regulatory authorities and the industry to join efforts in capitalizing on the opportunities ahead.

4.24 As regards work for reinforcing RMB business in Hong Kong, SFST advised that the 2005-06 Budget indicated three strategic directions for further development of RMB business. The development needed to be compatible with the process of financial liberalization in the Mainland. HKMA would continue to play a proactive role in exploring with the Mainland authorities ways to expand the scope of RMB business in the three strategic directions.

4.25 Mr James TIEN considered that the two initiatives were vital in reinforcing Hong Kong's status as an IFC and promoting Hong Kong's long-term economic development. He urged the Administration to allocate adequate resources to strengthen work in these areas. SFST took note of Mr TIEN's views and undertook to consider them as and when appropriate.

### Review of institutional set-up of the Office of the Commissioner of Insurance

4.26 Mr Bernard CHAN noted that the Administration had consulted the insurance industry in 2003 on a proposal of making OCI an independent regulator. As the insurance industry had expressed concern about the cost implications on the industry, Mr CHAN enquired about the current position on the proposal and the Administration's proposed way forward.

4.27 SFST advised that at present, OCI was by statute an independent body, but institutionally, it was part of the Government and staffed by civil servants. The institutional arrangement of OCI was not in line with the set-up of financial services regulators in Hong Kong which were independent from the Government, both in law and in finances. These regulators, such as SFC, derived their income from market levies and fees and charges for services provided to the market. SFST added that OCI had been experiencing difficulties in recruiting and retaining staff in recent years due to keen competition from the private sector for talents. SFST stressed that the proposal would provide OCI with more flexibility in operation and recruitment of staff to meet the needs of the rapidly developing insurance market, thus enhancing regulation of the industry and protection of interests of policyholders.

4.28 Commissioner for Insurance supplemented that when the Administration briefed the Panel on Financial Affairs (FA Panel) on the review of OCI at the latter's meeting on 6 November 2003, it also informed members of the proposal of turning OCI into an independent regulator. As the Administration was still studying the proposal at that time, it had undertaken to consult the FA Panel again with more information after further discussion with the industry. SFST advised that it was the Administration's plan to make a decision on the broad direction to be adopted on the subject within the second half of 2005. He assured members that the Administration would conduct further consultation with the industry and the FA Panel.

4.29 In this connection, Mr SIN Chung-kai said that the proposal of making OCI an independent regulator was a move in the right direction. He considered that the proposal would put OCI in line with the institutional arrangement of several other regulatory authorities in Hong Kong, such as SFC, MPFA and the Office of the Telecommunication Authority, whose operation was financed by levies and fees from their regulatees.

### **Operation of the Commercial Credit Reference Agency and the scheme of sharing consumer credit data**

4.30 Noting that the banking industry had implemented the Commercial Credit Reference Agency and the scheme of sharing consumer credit data, Mr SIN Chung-kai enquired about the provision made in 2005-06 for monitoring the two schemes, including undertaking inspections to authorized institutions (AIs) and investigations of suspected breaches of requirements.

4.31 The Executive Director (Banking Development), HKMA advised that HKMA had issued supervisory guidelines to AIs in respect of the procedures and requirements they needed to follow and meet for using data under the two schemes. During the on-site examination of AIs' activities, HKMA would conduct sample inspection on cases of the schemes to check AIs' compliance with the concerned guidelines. As the inspection work formed part of HKMA's on-going supervisory process of AIs, there was no separate provision for undertaking this task.

### **Reimbursement for expenses on maintenance of Vietnamese refugees and repayment of loans from Thailand**

4.32 Responding to Mr CHIM Pui-chung's enquiry, SFST advised that, as far as he understood, the loan of \$US100 million provided to Thailand under a financial package organized by IMF in 1997 had been fully repaid with interests in accordance with the loan agreement. As regards the reimbursement for Hong Kong's expenses incurred for maintenance of Vietnamese refugees, SFST advised that there were outstanding payments owed by the United Nations High Commissioner for Refugees. SFST undertook to liaise with the relevant bureaux in providing supplementary information on the two issues for members' reference. Upon further enquiry, SFST said that he was not aware of other outstanding loans owed to Hong Kong by other countries/organizations or vice versa.

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5.1 At the Chairman's invitation, the Secretary for Financial Services and the Treasury (SFST), Mr Frederick MA Si-hang, highlighted major initiatives in public finance under his purview in 2005-06 (Appendix V-4).

### **Review of the Inland Revenue Ordinance**

5.2 While appreciating that Hong Kong had been maintaining a simple tax regime with low tax rates which was welcomed by the local community and overseas investors, Miss TAM Heung-man noted that no comprehensive review of the Inland Revenue Ordinance (IRO) (Cap. 112) had been conducted in the past 30 years. She pointed out that a number of accounting professional bodies and business organizations had raised concern about operational problems in the existing IRO, particularly, the lack of clarity, inconsistency, and uncertainty in some of the provisions of the Ordinance. Miss TAM urged the Administration to address these concerns and enquired whether provision had been made in the 2005-06 Estimates for conducting an overall review to identify areas for improving the operation of IRO.

5.3 On the review of IRO, SFST advised that notwithstanding that no comprehensive review had been conducted in the past decades, the Administration had been keeping the various tax items under constant review in the context of the annual budget exercises and other review exercises. Over the past years, a number of bills had been introduced and scrutinized by the Legislative Council (LegCo) to enhance the operation of IRO with a view to ensuring that Hong Kong's taxation regime was competitive in the global context and met the needs of changing social and economic environment. Given the highly complex and technical nature of taxation legislation, the Administration had encouraged the establishment of the Joint Liaison Committee on Taxation (JLCT) as the main liaison body between the Administration and the industry on taxation related matters. SFST emphasized that the present approach of keeping various tax items under constant review and through the work of JLCT and other existing channels was effective and efficient. As such, the Administration did not see any genuine need for conducting an overall review of IRO for the moment.

5.4 On the concern about consultation channels for gauging views of relevant stakeholders on taxation matters, the Commissioner of Inland Revenue (CIR) stressed that the Administration had been maintaining close contact with the industry and the business community to engage their views and advice through various channels. JLCT was the main liaison body between the Administration

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and the industry on taxation matters. JLCT was chaired by an independent member of the society and the meetings were attended by representatives from the Inland Revenue Department (IRD) and the Financial Services and the Treasury Bureau (FSTB), as well as from the private sector, including those from chambers of commerce, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong, the Law Society of Hong Kong, and the International Fiscal Association. CIR said that JLCT had recently invited Hon TAM Heung-man to attend its meetings. CIR further advised that JLCT had been functioning well and providing a constructive forum for discussion and consultation of taxation issues through monthly meetings and other activities, such as researches on taxation topics of interest. At JLCT's meeting held in March 2005, members had worked out lists of policy issues on taxation matters and technical issues relating to specific provisions of IRO for the Administration's detailed study with a view to identifying improvements for the operation of IRO. CIR stressed that the Administration was mindful of the need to enhance communication with the industry and taxation professionals. She undertook to consider the need of having annual meeting with more professional bodies in addition to regular contact through JLCT.

5.5 Miss TAM Heung-man expressed concern about the effectiveness of JLCT which was only a consultative body, insufficient resources for carrying out its work, and the lack of representatives from the small and medium sized business enterprises. She further pointed out that although IRD had published a series of Departmental Interpretation and Practice Notes (DIPNs) to set out its views on application of the tax law and the usual practices in conducting the tax assessment functions, these notes were non-statutory and at times not followed by IRD officers.

5.6 As regards concern about the application of DIPNs, CIR said that the notes aimed to enhance IRD's integrity and transparency in exercising its tax-assessing duties. She stressed that tax officials were vested with power under IRO for discharging the tax assessment and collection duties. While making reference to DIPNs, they would make the appropriate assessments and judgments based on the facts of individual cases. There was well established system of objections and appeals available for taxpayers to contest the judgments or assessments. CIR advised that whilst the number of objection cases received by IRD had remained stable in recent years, the number of appeals adjudged by the Board of Review and the courts was on the decline. The figures showed that IRD officers were exercising their duties and power in an appropriate manner.

### Revenue and financial control

5.7 Mr LEE Wing-tat noted that there were discrepancies, at times amounted to as much as 10%, between the estimated and actual expenditure of the Government in the past few financial years and enquired about the reasons involved.

5.8 In response, the Permanent Secretary for Financial Services and the Treasury (Treasury) (PSTsy) explained that when working out the estimated operating expenditure for a financial year, the Government would take into account factors, including forecast in government revenue and needs of the community etc. Fluctuations in Government income in recent years had increased the difficulty in making accurate estimates in the income and expenditure situations. For instance, the fiscal outturns for the financial years of 2000-01, 2001-02 and 2002-03 were below the forecast levels in the relevant Estimates of Expenditure due to significant falls in tax revenue in these years, while the outturns for the financial years of 2003-04 and 2004-05 had exceeded the levels forecast as a result of robust growth in tax revenue.

5.9 Given that bureaux and departments were not allowed to retain their unspent provisions in a financial year for future use, Mr LEE Wing-tat noted that there was a tendency for bureaux and departments to exhaust the provisions before the end of a financial year. He considered this practice not conducive to effective deployment of resources and urged the Administration to devise measures to improve the situation.

5.10 PSTsy advised that unlike estimates in the capital account, where unspent provisions for a financial year would be carried forward for use in the next financial year, unspent provisions in the recurrent account should be returned for reallocation in the next resource allocation exercise. With a view to encouraging savings and better financial control by departments, the Administration had introduced the “Save and Invest” arrangement a few years ago to allow departments to carry forward part of their unspent provisions as “Save and Invest credits”, i.e. certain percentage of the savings in departmental expenses credited for future use. Under the arrangement, departments would be advised of their unspent provisions eligible for “Save and Invest credits” after the government accounts ending 31 March were finalized in the middle of each year. The arrangement was well received by departments in general as they were provided with greater flexibility in the deployment of resources. The

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arrangement had been effective in leading to more optimal use of resources and greater savings.

5.11 Mr LEE Wing-tat concurred that the “Save and Invest” arrangement would provide more incentive for departments to save since their efforts would be rewarded. Responding to Mr LEE’s enquiry about the percentage figures of “Save and Invest credits” adopted, PSTsy advised that the figure was set at 50% of genuine savings in Departmental Expenses in the initial years of implementing the arrangement. He added that the figure was determined having regard to the total unspent provisions and the overall financial position of the Government. To facilitate Members’ understanding of the “Save-Invest” arrangement, the Chairman requested the Administration to provide further information on the arrangement, including its operation, the percentage figures adopted in recent years, and criteria to be taken into account in working out such figures.

### **Taxation matters**

5.12 Mr Jeffrey LAM enquired about the impact of the proposal to abolish estate duty on the staffing of IRD, and whether any staff redundancies would be resulted.

5.13 In response, CIR advised that with the implementation of the proposal, IRD planned to delete by phases the 36 posts in the Estate Duty Office, and the 14 support posts in the Department. Of the 28 posts occupied by departmental grade staff including Assessor, Taxation Officer and Tax Inspector, they would be re-deployed to work in other divisions of IRD, while the 14 clerical grade staff, subject to arrangements made by the Director of General Grades as well the remaining eight other support and administrative staff, would be deployed to work in other divisions of IRD or other Government departments. CIR assured Members that the abolition of estate duty would not result in staff redundancies.

5.14 The Chairman expressed concern about the cost-effectiveness of IRD’s work in respect of collection of taxes, recovery of outstanding taxes, and combating tax evasion. Mr Jeffrey LAM further noted that the Field Audit and Investigation Unit (FAIU) of IRD had successfully recovered back tax and penalties amounted to \$2,059 million in 2003-04. He enquired how far the efficiency of FAIU could be improved with increase in manpower resources.

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5.15 In response, CIR advised that FAIU had an establishment of 250 in 2003-04. She stressed that while increasing the staff resources of FAIU would help improve its efficiency by enhancing its capability to process more cases and complete more investigations, this did not necessarily result in increases in back tax and penalties since the amount of taxes collected and recovered by IRD in a financial year was more influenced by the general economic environment in Hong Kong. CIR assured members that IRD was mindful of the need to ensure cost-effectiveness in carrying out its investigation and field audit duties. She advised that statistics, including number of cases completed, provision per case, and back tax and penalty per case etc, in recent years were set out in the 2005-06 Estimates.

### **Management of departmental quarters**

5.16 Mr CHAN Kam-lam enquired about the estimated expenditure in 2005-06 for improvement and management of the 4 300 newly acquired Home Ownership Scheme (HOS) units for use as departmental quarters.

5.17 The Director of Architectural Services advised that to bring the HOS units in line with the normal standards of departmental quarters, fitting out works involving some \$100 million were undertaken. As regards the management cost for these HOS units in 2005-06, the Government Property Administrator advised that the estimate was about \$30 million covering property management charges, electricity charges for common area, etc. As for the quarters provided in private developments, the estimate for 2005-06 for major renovation works would be \$23 million, which had been worked out based on assessment of management companies of the respective private developments. Upon request by Mr CHAN Kam-lam, the Administration undertook to provide more information on the cost for fitting-out the 4 300 HOS units and the estimate in 2005-06 for managing and maintaining these units.

### **Studies on the implementation of a Goods and Services Tax**

5.18 Mr Vincent FANG noted that the Treasury Branch had made provision in the 2005-06 Estimates for undertaking a consultancy study on the implementation of a Goods and Services Tax (GST) in Hong Kong. He enquired whether the Administration would study other taxes to broaden Hong Kong's tax base and increase revenue.

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5.19 PSTsy advised that the Advisory Committee on New Broad-based Taxes (Advisory Committee) was established in 2000 with the task to consider the suitability of new types of broad-based taxes for introduction in Hong Kong. The Advisory Committee submitted its report to the Administration in early 2002, which was presented to members at the meeting of the Panel on Financial Affairs on 1 March 2002. The Advisory Committee had examined 14 options for broadening the tax base, including increasing rates of salaries tax and profits tax, increasing stamp duty on landed property transactions, reducing personal allowances and concessionary deductions under salaries tax, increasing rates on tenements as well as introducing a number of new taxes, such as GST, Capital Gains Tax, Tax on Interest, Tax on Dividends, Tax Worldwide Income of Businesses and Individuals, Land and Sea Departure Tax, Payroll and Social Security Taxes, Poll Tax, Taxes on Mobile Telephone Services and Signboards. The Advisory Committee concluded in its recommendation that a GST was the only new tax with the long-term capacity to broaden Hong Kong's tax base which was not incompatible with its external competitiveness. The Administration had taken on board the recommendation of the Advisory Committee and conducted internal studies on whether Hong Kong should and how best to implement a GST. PSTsy said that while the Administration would concentrate to examine the implementation of a GST in Hong Kong for the moment, it would consider other tax measures raised by members, if any, where necessary and as appropriate.

5.20 Mr WONG Ting-kwong enquired about the details of the consultancy study on introducing a GST in Hong Kong. In response, PSTsy advised that in view of the wide scope of the subject, involving complicated concepts, policies and implementation details as well as the far-reaching impacts of the tax on Hong Kong's economy, the Administration considered it prudent to undertake a financial consultancy on the subject. In 2004-05, a consultant was appointed through open tender for a period of 12 months with a contract value of \$10 million to conduct the concerned consultancy. PSTsy confirmed that for 2005-06, the remaining term of the consultancy study on GST was three months and the estimated provision for the purpose was \$4,095,000.

### **Replacement of Government vehicles**

5.21 Mr SIN Chung-kai noted that the Administration had made provision to replace 612 vehicles in 2005-06, the number of which represented an increase of 25% as compared with that in 2004-05. With continued downsizing in the civil service, Mr SIN questioned the need to replace such a large number of

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government vehicles and enquired whether there would be room for reduction of replacement vehicles.

5.22 SFST emphasized the Government's commitment to ensuring the cost-effectiveness in procurement and replacement of Government vehicles with due regard to factors including genuine operational needs of departments and serviceable life of existing vehicles. The Director of Government Logistics (DGL) supplemented that there was no direct relationship between the size of the Government's vehicle fleet and the number of establishment in the civil service. She advised that the vast majority of vehicles in the fleet were for uses by departments directly related to performing their daily functions and duties. These vehicles included police patrolling vehicles, ambulances and street cleansing vehicles etc. Cars for use by senior officials represented only a small proportion of the vehicle fleet. Moreover, in recent years, bureaux and departments had been gradually replacing cars by 7-seater cars for conveying officers in undertaking their duties. Furthermore, the standards for the newly procured or replaced vehicles had also been downgraded.

5.23 On the vehicle replacement programme for 2005-06, DGL explained that the increase in number was mainly due to the cyclical nature of the replacement programme. The vehicles to be replaced had all reached the end of their serviceable life based on the assessment of the Economic Life Model which took into account accumulated maintenance cost, vehicle age, mileage and replacement cost. DGL stressed that user departments had to provide justifications for replacing the obsolete vehicles including feasibility of internal deployment of other vehicles to take up the service provided by these vehicles.

5.24 In this connection, the Chairman said that the Public Accounts Committee of LegCo had expressed concern about the procurement of saloon cars for use by Directors of Bureaux. In response, SFST advised that the Administration did not have plan in 2005-06 to procure/replace saloon cars for use by Directors of Bureaux. DGL confirmed that out of the 612 vehicles in the replacement programme, only four cars belonged to this category. Of these four vehicles, two would be provided to the Judiciary for use by judges, one to be used for receiving local and overseas guest/visitors, and one for use by members of the Housing Authority.

### **Contracting out of Government services**

5.25 In response to Mr WONG Kwok-hing's enquiry about the initiative of promoting outsourcing of Government services, PSTsy advised that according to a survey conducted by the Efficiency Unit (EU), as at 1 August 2004, there were 4 512 outsourcing contracts entered by the Government with the private sector with a total contract value of some \$214 billion. He added that this was a policy area of EU, which was established under the Chief Secretary for Administration's Office. As the programme was under Head 142 with the Director of Administration as the Controlling Officer, the Chairman advised Mr WONG to raise his follow-up questions during Session 8 - Miscellaneous of the special meetings of the Finance Committee.

### **Outsourcing of printing services**

5.26 Mr WONG Kwok-hing said that labour unions in the printing sector were increasingly concerned about the trend of outsourcing government's printing services which had been taken up by contractors with work carried out outside Hong Kong, thus undermining the job opportunities of local workers. Noting that about 15.5% of the total cost of Government Logistics Department (GLD)'s printing services was outsourced to the private sector, Mr WONG enquired about the value of outsourced jobs which were carried out locally.

5.27 On the value of outsourced printing jobs carried out locally, DGL advised that since the majority of GLD's outsourced jobs involved small-scale printing and finishing work, the department did not have the required information. As far as she understood, these jobs were mainly taken up by local small contractors, and hence unlikely to be carried out outside Hong Kong.

5.28 Responding to Mr WONG Kwok-hing's suggestion of stipulating in the printing contract the requirement for the outsourced work to be carried out in Hong Kong, DGL explained that as Government's regulations governing procurement of good and services did not impose any restriction on the place of production of the relevant goods/services, it would not be possible to implement the suggestion. SFST pointed out that while FSTB would endeavour to ensure the cost-effectiveness in outsourcing Government services, Mr WONG's concern was related to matters outside the purview of FSTB and that the policies of other bureaux such as the Economic Development and Labour Bureau might be involved.

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5.29            Given the Government's pledge to promote local employment, Mr WONG Kwok-hing considered that bureaux should ensure that their policies and programmes were compatible with the objectives of enhancing employment of local workers and protecting their interests. He urged the Administration to adopt a comprehensive approach in formulating policies which might have impacts on the interests of local workers.

5.30            The Chairman invited Mr WONG Kwok-hing to follow-up this matter under Session 10 - Labour of the special meetings of the Finance Committee.

## **Chapter VI : Civil Service**

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6.1 At the Chairman's invitation, the Secretary for the Civil Service (SCS), Mr Joseph W P WONG, briefed Members on the progress made by the Civil Service Bureau (CSB) in controlling public expenditure, and provided an update on, inter alia, the progress in downsizing the civil service establishment, development of an improved civil service pay adjustment mechanism and review of civil service allowances (Appendix V-5).

### **Containing the size of the civil service**

6.2 Ms Margaret NG referred to the Administration's report on the progress made in reducing the civil service establishment from 170 600 in March 2004 to about 166 000 at present. As the subject would soon be discussed by the relevant Panel, she sought written information on the cost benefit of the reduction, in terms of savings in staff costs, since the announcement of the target to reduce civil service establishment to around 160 000 by 2006-07 in the Chief Executive's 2003 Policy Address. SCS undertook to provide the information.

6.3 Miss CHAN Yuen-han noted that under the general civil service recruitment freeze, exemption was granted for filling 553 civil service posts in 2004-05 and the majority of which were posts in the disciplined services or posts of middle to senior ranks. Expressing a similar view, Mr LEE Cheuk-yan was concerned that the general civil service recruitment freeze would bring about problems of succession planning in civilian grades, thereby affecting the delivery of services. Mr LEE doubted whether approval would be granted for recruitment to fill posts in grades other than the disciplined grades and enquired whether any applications from Heads of Department (HoDs) had been rejected.

6.4 SCS advised that applications for exemption from the general recruitment freeze were considered on a case-by-case basis, and exemption would only be granted in very exceptional circumstances with full justifications from the relevant HoDs/Heads of Grades (HoGs). As a matter of fact, approval had been granted for recruitment to fill posts of both disciplined and civilian grades. He said that while some applications had been trimmed down, no applications had been completely rejected so far. SCS pointed out that one of the reasons for fewer applications for exemption to fill posts at junior ranks might be due to the effect of the Second Voluntary Retirement Scheme (VRS), under which VR grades were subject to a five-year recruitment freeze.

## Chapter VI : Civil Service

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6.5 In response to Mr LEE Cheuk-yan's concern about unfair treatment to civilian grades, SCS stressed that no preference had been given to disciplined grades in processing applications for exemption. He reiterated that all applications were assessed on the basis of justifications given by HoDs/HoGs. SCS pointed out that given the increase in demand for services in some disciplined services departments in recent years, these departments had to recruit additional staff to cope with the demand. For example, additional staff was required in the Immigration Department (ImmD) at immigration control points due to the increase in passenger traffic. SCS pointed out that the continued efforts of bureaux/departments in containing the size of the civil service while maintaining the quality of service should be appreciated.

6.6 Mr James TO noted that the Administration had recently commissioned a study on the potential for further civilianization in each of the five disciplined services departments. He sought information on the progress of the studies, including the target completion date, implementation plans and the number of posts expected to be civilianized.

6.7 The Deputy Secretary for the Civil Service (1) (DS(CS)1) explained that civilianization in the disciplined services was an on-going process. The Secretary for Security had recently completed studies on the civilianization potential in all five disciplined departments. Over 1 000 posts were identified as having civilianization potentials in Phase 1 of the studies for further consideration under Phase 2. In Phase 2 of the studies, about 800 posts out of these 1 000 posts were identified for civilianization. DS(CS)1 advised that civilianization of these posts would be implemented by phases subject to the re-deployment arrangements to be further explored with HoGs of the civilian grades.

6.8 Pointing out that there was certain overlapping in the functions and responsibilities of different disciplined services departments, for example, ImmD and the Correctional Services Department, Mr James TO enquired whether the Administration would explore the feasibility of re-deployment among disciplined services departments in addition to conducting the civilianization studies. SCS responded in the negative and said that Mr TO's concern might be referred to the Security Bureau for consideration.

### **Outsourcing arrangements and employment of non-civil service contract staff**

6.9 Pointing out that a large number of non-civil service contract (NCSC) staff had been employed by bureaux/departments to meet service needs under the general recruitment freeze, Miss CHAN Yuen-han queried why the Administration did not convert NCSC posts with long-term operational needs to civil service posts. She pointed out that the Hospital Authority had recently offered long-term contracts to some 1 900 contract staff. She also recalled that when the subject of employment of NCSC staff was discussed at the Panel on the Public Service (PS Panel) in 2004, SCS had undertaken to review the NCSC Staff Scheme in response to members' request and to consider converting NCSC posts with long-term operational needs to civil service posts. Mr LEE Cheuk-yan echoed that the Administration should offer long-term employment to NCSC staff who had been occupying the posts for three years or more.

6.10 In response, SCS explained that NCSC posts were not part of the civil service establishment. The employment of NCSC staff was subject to a separate management and control mechanism and CSB would provide an information paper on the updated position on employment of NCSC staff for discussion at the meeting of the PS Panel in April 2005. SCS advised that for those posts which had been granted exemption from the general recruitment freeze, all qualified individuals, including those currently working as NCSC staff, could apply for the civil service posts. Regarding Miss CHAN's query about SCS's failure to honour his undertaking at previous meetings of the PS Panel to study the viability of converting the NCSC posts to civil service posts, SCS clarified that he made no such undertaking. The Chairman directed the Secretariat to retrieve the relevant minutes of Panel meetings for onward transmission to the Administration and to Miss CHAN to facilitate follow-up of the subject during the resumption of the Second Reading debate of the Appropriation Bill 2005, where necessary.

6.11 Ms Margaret NG pointed out that notwithstanding efforts to outsource services and engage NCSC staff to meet operational needs, the actual number of employees involved in the delivery of public services in fact had not been reduced. She queried whether these staffing arrangements had created management difficulties in the bureaux/departments concerned and affected the efficiency of service delivery as a result.

## **Chapter VI : Civil Service**

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6.12 In response, SCS explained that the NCSC Staff Scheme was introduced in 1999 to enable HoDs to employ staff on fixed contract terms outside the civil service establishment to meet service needs that were short-term, part-time or under review. He advised that the total number of full-time NCSC staff employed as at 31 December 2004 was 14 807, which had recorded a drop compared with the number employed in 2003. With the reduction in civil service establishment and the drop in number of NCSC staff employed, the total number of staff employed by the Government had reduced significantly in recent years. On the management of NCSC staff, SCS said that employment of NCSC staff was based on fixed-term contracts, and the terms and conditions of service were stipulated in the contracts. In deciding the terms and conditions of service for NCSC staff, HoDs would make reference to the market circumstances and observe the guiding principle that the terms and conditions of service should be no less favourable than those provided for under the Employment Ordinance (Cap. 57). As far as efficiency in service delivery was concerned, there was no feedback that the employment of NCSC staff had affected the quality of service. It was the responsibility of HoDs to ensure that the employment of NCSC staff would not affect the delivery of services.

6.13 Responding to the Chairman's enquiry, SCS said that the Government did not have information on the number of staff employed by its contractors as they were not Government employees. He pointed out that it would not be practicable for the Government to keep track of information of all employees whose remuneration were indirectly paid from the public purse given the large number of employees employed by the various companies/organizations involved.

### **Administration of civil service allowances**

6.14 Noting that the revised estimate for Air-conditioning (A/C) Allowance in 2004-05 had increased by 60% over the actual expenditure in 2003-04, Mr WONG Kwok-hing enquired about the reason for the increase. Mr WONG opined that it was unfair for the Administration to cease/reduce payment of Hardship Allowance for frontline staff but allow increased provision for allowances payable to civil servants at higher ranks, such as the A/C Allowance. The Chairman also asked SCS to explain the cause for a drop in the number of recipients for Hardship Allowance from 11 272 in 2003-04 to 9 916 in 2004-05.

## Chapter VI : Civil Service

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6.15 SCS advised that the A/C Allowance had ceased to be payable to officers appointed substantively to a directorate post on or after 1 May 1999. The number of recipients therefore only constituted a small percentage of the total directorate establishment. As regards the increase in expenditure for A/C Allowance in 2004-05, DS(CS)2 supplemented that the A/C Allowance was only payable to eligible officers once every five years. The fluctuation in the number of recipients under different payment cycles was a reason for the increase in expenditure in 2004-05. The expenditure in 2005-06 was expected to remain at the same level as 2004-05.

6.16 SCS further explained that A/C Allowance as a fringe benefit type of allowance was different from job-related allowances (JRA). The Administration had embarked on a comprehensive review of civil service allowances. The review of JRAs payable to civilians, including Hardship Allowance, had been completed. The eligibility criteria for Hardship Allowance had been reviewed and changes had been effected as a result. As regards the review of fringe benefit type of allowances, DS(CS)2 pointed out that the Administration had formulated some proposals to introduce changes. Given that the Administration had obtained leave to appeal to the Court of Final Appeal (CFA) in respect of the judicial reviews concerning two pieces of civil service pay adjustment legislation, the Administration considered it prudent to await the outcome of the appeals before taking forward the review of fringe benefit type of allowances (including consulting staff on the proposed changes).

6.17 Mr WONG Kwok-hing was gravely dissatisfied with the Administration's response. He questioned the rationale of deferring the review of fringe benefit type of allowances pending the CFA judgment but proceeding with the implementation of the decision on the review of JRAs, including that on Hardship Allowance. He opined that the in taking forward the review of civil service allowances, the Administration was targeting at junior rank staff.

6.18 In response, SCS said that the JRA review was a positive response to address the concerns and recommendations raised by the Director of Audit (D of A) and the Public Accounts Committee of the Legislative Council in respect of the D of A Report No. 33. According to the legal advice obtained by the Administration, JRAs were duty-related allowances and had to be operationally justified. Changes to the payment of these allowances would not contravene Article 100 of the Basic Law. SCS reiterated that the Administration's decision to await the CFA judgment before taking forward the review of fringe benefit type

## **Chapter VI : Civil Service**

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of allowances had been made in a prudent manner having regard to the legal advice it obtained.

6.19 Noting that an expenditure of \$50,897,000 was projected for the payment of Special Allowances for disciplined services staff in 2004-05, Mr WONG Kwok-hing raised concern about the control measures and mechanism. In this connection, Mr WONG sought information on the types of Special Allowances payable to disciplined services staff, such as whether payment of informer's fees were covered under the allowances and if so, the amount of such fees payable in 2004-05. He also requested the Administration to provide further information on the types and amount of expenses payable under "small out-of-pocket expenses". In reply, DS(CS)2 advised that the detailed arrangements for payment of JRAs were made by departments concerned. At the request of the Chairman and Mr WONG, DS(CS)2 undertook to obtain the requested information from the departmental management before the relevant session of the special meeting of the Finance Committee on Security.

### **Training for civil servants**

6.20 Noting that the Administration would provide training assistance for officers on the special unpaid leave scheme to be introduced in 2005-06, Mr TAM Yiu-chung sought information on the estimated number of officers who would benefit under the scheme and the amount of assistance to be provided to each officer in this regard. In reply, DS(CS)1 said that as the scheme had yet to be implemented, the Administration did not have information on the number of officers who would participate in the scheme at this stage. For each eligible officer, the maximum amount of training assistance to be provided would be \$30,000 annually.

6.21 Noting that CSB would launch two new Training Sponsorship Schemes in 2005-06 for frontline staff and junior to middle managers, Mrs Sophie LEUNG opined that in addition to courses that would enhance the education level of frontline staff, sponsorship should be provided to cover a wider range of other training courses as well. In response, DS(CS)3 explained that frontline staff might seek sponsorship in respect of fees for courses that would enhance their education up to Form 5 level or courses that would help improve their personal effectiveness, such as courses on information technology and language. Eligible officers who were junior or middle managers might seek sponsorship for courses that would help enhance their management capability.

## **Chapter VI : Civil Service**

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Responding to Mrs LEUNG's further enquiry on the criteria for assessing the quality of the institutions offering the training courses, DS(CS)3 said that CSB would provide to departments information on the nature of courses as well as the list of qualified institutions covered under the sponsorship schemes.

## **Chapter VII : Housing**

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7.1 At the Chairman's invitation, the Secretary for the Housing, Planning and Lands (SHPL), Mr Michael SUEN, briefed members on the Housing, Planning and Lands Bureau's major activities in relation to housing and the associated financial provisions in 2005-06 (Appendix V-6).

### **Financial situation of the Housing Authority**

7.2 Mr Fred LI opined that the sale of surplus Home Ownership Scheme (HOS) flats, which were public assets, should be resumed early to generate income to improve the Housing Authority (HgA)'s financial situation. In response, SHPL said that while the Administration's decision of not offering surplus HOS flats for sale before the end of 2006 remained unchanged, the resumption of sale was only a matter of time. In preparing its recent financial forecasts, HgA had worked on the assumption that 2 000 unsold and returned HOS flats would be sold each year from 2007-08 onwards. Nonetheless, it should be noted that the figures were adopted for budgetary purpose only to enable HgA to project its financial position in the coming few years, and by no means represented the actual arrangement for flat sale after end 2006. The Administration's current intention was to consult HgA in the latter part of 2006 on the number of surplus HOS flats to be sold and the arrangements for the resumption of sales.

7.3 Messrs Fred LI and LEUNG Kwok-hung expressed concern about the costs incurred from suspension of the sale of HOS flats, in particular the maintenance and depreciation costs. SHPL advised that the suspension had given rise to insignificant interest loss and additional maintenance costs which were necessary to keep the HOS flats in good condition. He however pointed out that the costs were well spent given the recovery of the property market as a result of the re-positioned housing policy. Besides, the value of surplus HOS flats had gone up in line with the rise in property prices as a whole. At the Chairman's request, SHPL agreed to provide supplementary information on the expenditure incurred by HgA for managing and maintaining surplus HOS flats.

7.4 In view of the judicial reviews in relation to the listing of The Link REIT and the rent of public rental housing coupled with the suspension of the sale of HOS flats, Dr YEUNG Sum cast doubt on how HgA could ensure the availability of adequate and stable funding for sustainable development of the public housing programmes, which in his view was essential in maintaining social stability, particularly when the economy was bad. He then enquired about the

## **Chapter VII : Housing**

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progress of talks between HgA and the Government on the long-term financial arrangements for HgA, including the possible injection of fund by the Government.

7.5 In response, SHPL reiterated that the re-positioned housing policy announced in November 2002 was aimed at, among other things, addressing the serious overlapping between HOS and private residential market. Under the re-positioned policy, the production and sale of HOS flats would cease indefinitely from 2003 onwards, except for a small number of unsold and returned flats. This had indeed affected the financial situation of HgA. To this end, HgA had been striving to balance its accounts by streamlining the organizational structure, enhancing efficiency, cutting cost on the one hand and identifying possible sources of income on the other with a view to optimizing the use of available resources to provide quality services to the public. SHPL added that discussion between HgA and the Government was underway to ensure that HgA could continue to be self-sufficient notwithstanding the loss of income as a result of the cessation of HOS sale. However, the outcome of the discussion would hinge on the results of the above judicial reviews, which would have significant implications on HgA's financial situation. In particular, HgA had to review its domestic rent policy and work out a fair rent adjustment mechanism taking into account the outcome of the relevant court case.

7.6 Mr LEUNG Kwok-hung was skeptical about the Administration's use of HgA's financial hardship as an excuse to justify the many measures which had an adverse effect on the public. These included the divestment of HgA's retail and car-parking facilities (the divestment) at a pathetic price. He also expressed concern that all regular land auctions had been suspended since November 2002 in order to boost the property market. He then sought elaboration on the loss in public revenues as a result of the suspension of land sales. SHPL advised that the suspension was part of the re-positioned housing policy to stabilize the property market. Statistics indicated that the number of negative equity cases had reduced from the peak of some 105 700 cases in June 2003 to 19 200 cases in December 2004. The suspension of land auctions had indeed contributed to the recovery of both the property market and Hong Kong's economy. Besides, there should not be loss in public revenue as a result of the suspension because resumption of land auctions after recovery of the property market would be able to generate more revenues for the Government.

### Squatter clearance and squatter control

7.7 Miss CHAN Yuen-han asked why squatter control work in the urban areas and outlying islands was carried out by the Lands Department (LanD) instead of the Housing Department (HgD). In response, the Director of Lands said that the work of squatter clearance and squatter control would be transferred from HgD to LanD in phases. In fact, the first phase of the planned transfer had already taken place with 198 staff of HgD's Squatter Control Team transferred to LanD in April 2002 to carry out squatter control duties in the urban areas and outlying islands. HgD and LanD were actively discussing the timing and arrangements for the second phase of the transfer involving squatter control duties in the New Territories. In view of the significant financial and human resource implications relating to the second phase, the Administration had to be cautious in working out the relevant details to ensure staff acceptance and smooth transition. He further clarified that the transfer exercise had nothing to do with the non-renewal of contracts of a number of Land Executives in 2004. Their contracts were not renewed mainly because the projects for which they were recruited had already been completed. At Miss CHAN's request, the Administration undertook to provide details of the planned transfer, in particular the outcome of the discussion and the implications on contract staff of the two departments.

7.8 Noting that the Buildings Department (BD) had been able to clear more illegal rooftop structures than the set target of 700 single-staircase buildings over the past two years, Mr CHAN Kam-lam asked why BD did not raise the target with a view to clearing more illegal rooftop structures. The Director of Buildings (DB) explained that the target was set in April 2001 when additional staff resources at a cost of around \$23 million a year were allocated under the Comprehensive Strategy for Building Safety and Timely Maintenance to clear the 12 000 illegal rooftop structures on 4 500 single-staircase buildings within seven years. The question of whether the target could be adjusted upwards would hinge on factors, such as the availability of sufficient rehousing resources for clearerees, which fell outside the purview of BD. Mr CHAN stressed the need to send a clear message to the community that it was the sole responsibility of building owners to take good care of their buildings. He then enquired about the financial and manpower resources incurred from clearance of illegal rooftop structures, and the part of costs that could be recovered from the owners concerned. DB agreed to provide the information after the meeting.

### **Review of staff establishment**

7.9 Noting that the total establishment of HgD would be reduced by about 30% and the directorate establishment by 37% by March 2007, Dr KWOK Ka-ki asked if HgD would have sufficient manpower to cope with the possible increase in workload as a result of soaring property prices. This might include the need to review the housing policy and relaunch HOS to meet the home ownership aspirations of low-income households which could not afford private housing.

7.10 In response, SHPL said that the decision to cease the production and sale of HOS flats was made not only to address the serious overlapping between HOS and the private residential market but also to uphold the principle of rational utilization of public resources. It was therefore unlikely that HOS would be relaunched. As regards affordability, he stressed that the Administration had been making efforts to maintain a proper balance between supply and demand to ensure stability of the property market. The Administration had been compiling comprehensive supply statistics on residential properties and had been releasing statistics on the supply of private housing in the primary market on a quarterly basis since the end of 2004 with a view to enhancing market transparency. It would continue to closely monitor the prevailing market conditions and to ensure an adequate land supply to support the healthy and stable development of the property market. Where the Application List system was concerned, 35 sites had already been included in the 2005-06 Application List. The Chairman highlighted the importance of preventing domination of the property market by a few major developers with huge land banks.

7.11 Mr Patrick LAU enquired whether the 2 841 posts deleted in HgD over the past years had been made possible by outsourcing of estate management. The Permanent Secretary for Housing, Planning and Lands (Housing) (PSH) explained that apart from outsourcing, the reduction in production of public housing to around 20 000 flats a year had also played an important role. Besides, the streamlining of organizational structure and procedures had further facilitated the reduction. In general, the deleted posts covered different grades and ranks and were in line with the changes in the nature and amount of HgD's work in support of the Government's new housing policy agenda. Hence, HgD could still perform its duties satisfactorily notwithstanding the deletion.

## **Chapter VII : Housing**

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7.12 Mr Patrick LAU then enquired about HgD's further plan to delete 659 posts by March 2007. Mr Alan LEONG also asked if these 659 posts covered the 35 posts to be deleted under the programme of squatter clearance and squatter control. PSH replied in the affirmative. He added that the 659 posts also included posts to be deleted as a result of the divestment. The Chairman asked whether the delay in listing of The Link REIT would affect the above plan. PSH explained that as the deletion would be mainly achieved through natural wastage, except for contract staff, the delay in listing would not affect the plan. At members' request, the Administration, agreed to provide information on the details of the 35 posts and the number of architect and surveyor grade posts to be deleted as part of the 659 posts.

## **Chapter VIII : Planning and Lands**

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8.1 At the Chairman's invitation, Mr Michael SUEN, the Secretary for the Housing, Planning and Lands (SHPL), briefed members on the Housing, Planning and Lands Bureau's work in the policy areas of buildings, lands and planning in the coming year and its main focus on priority tasks (Appendix V-7).

### **Harbour-front Enhancement Committee**

8.2 Dr KWOK Ka-ki noted with concern the limited financial provision of \$836,000 for the Harbour-front Enhancement Committee (HEC). He questioned how HEC could effectively perform its role with such provision, particularly in protecting the Victoria Harbour for public enjoyment. In reply, the Permanent Secretary for Housing, Planning and Lands (Planning and Lands) (PSPL) said that since its establishment in May 2004, HEC had organized a wide range of meetings and activities. In particular, it had formulated a set of Harbour Planning Principles to reflect the changing community aspirations on the planning and development of the Victoria Harbour and its waterfront areas. In respect of the South East Kowloon Development Review and the Wan Chai Development Phase II Review, HEC had launched enhanced public engagement programmes in the reviews. Despite the substantial groundwork being done by HEC, these planning reviews took time to complete. SHPL assured members that resources would be earmarked for the implementation of the plans after these had been finalized.

### **Urban renewal**

8.3 Mr James TO noted that many residents in old districts looked forward to redevelopment to improve their living environment. However, it seemed that the focus of urban renewal had shifted from redevelopment to rehabilitation. He enquired about the rationale behind the shift and whether it was attributed to financial considerations. In response, SHPL reaffirmed the Urban Renewal Authority (URA)'s commitment to urban redevelopment. He however pointed out that not all residents welcomed redevelopment as in the case of the H15 project in Wanchai, where the planned redevelopment of the so-called Wedding Card Street was opposed by some affected parties which stressed the need for URA to give due regard to the characteristics and conditions of an old district before deciding on redevelopment. As such, URA adopted a holistic approach in taking forward urban renewal projects through revitalization of older districts, redevelopment of dilapidated buildings, rehabilitation of poorly maintained buildings and preservation of buildings with architectural or historical

## **Chapter VIII : Planning and Lands**

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significance where appropriate. To complement URA's role, SHPL also saw a need to relax the arrangements governing compulsory purchase by private developers under the law to enable their greater participation in urban renewal.

8.4 Mr James TO expressed concern that compensation offered to residents affected by land resumption by private developers might not be comparable to that offered by URA. SHPL advised that private developers had all along played an important role in urban renewal. He did not agree that affected residents of urban renewal projects implemented by private developers had been treated unfairly. On the contrary, developers were more ready to offer better compensation to affected residents in exchange for early evacuation.

### **West Kowloon Cultural District**

8.5 Referring to the media reports which stated that the West Kowloon Cultural District (WKCD) project featuring a canopy was considered infeasible by a technical panel appointed by the Government to study the technical feasibility of the entries in the West Kowloon Reclamation Concept Plan Competition in 2001, Mr LEE Wing-tat held the view that the Administration should not have included the canopy as a pre-requisite requirement of the WKCD's Invitation for Proposals document if its feasibility was questionable. In reply, SHPL explained that the technical panel's views were intended for reference only. The jury responsible for adjudicating the entries of the competition had taken into account the technical panel's views. Besides, under the Invitation for Proposals for the Development of WKCD, the proponents were required to demonstrate technical feasibility of their proposals, including the canopy. Proponents' technical assessment and solutions would be considered.

8.6 Mr LEE Wing-tat considered it absurd for the Administration to ignore the views of the technical panel specifically formed to study the technical viability of the entries. In response, SHPL emphasized that the jury of the competition had taken into account a wide range of factors, including the technical panel's views, in adjudicating the entries. Moreover, the main objective of the competition was to identify the best design concept for further development. On Mr LEE's request for the provision of the technical panel's report, PSPL said that the Administration was bound by the rules of the competition. Details of assessment could not be disclosed. Members agreed to refer the issue to the Subcommittee on West Kowloon Cultural District Development for follow up.

### Buildings

8.7 Mr Patrick LAU enquired about the additional resources deployed to speed up enforcement actions against unauthorized building works (UBWs), and whether a “repair first and recover costs later” approach would be adopted. In reply, the Director of Buildings (DB) said that \$830 million for a period of five years starting from 2006-07 would be allocated to the Buildings Department (BD) for the removal of some 180 000 UBWs. Part of the work, such as inspection and supervision of the removal of UBWs, would be outsourced to private consultants. To safeguard public safety, where the owners’ corporation or building owners of a building had difficulties in organizing themselves to carry out building repairs, BD would adopt the proactive “repair first and recover costs later” approach by mobilizing government contractors to carry out the necessary repairs. To reduce the number of outstanding removal orders involving UBWs, BD had stepped up prosecution action against those owners who were in default of such orders. At Mr LAU’s request, the Administration agreed to provide information on the number of building repairs carried out under the “repair first and recover costs later” approach as well as the costs so incurred and the progress in recovering the costs from the owners concerned.

8.8 Noting that there were some 700 000 UBWs in Hong Kong, Ir Dr Raymond HO questioned why BD had only targeted at removing 40 000 unauthorized structures and issuing 10 000 warning notices each year. In response, DB affirmed that the Administration was committed to improving building safety as evidenced by the allocation of additional resources to deal with the problem of UBWs. In fact, over 150 000 UBWs had been removed in the past and continuous efforts would be made in this respect. Besides, all illegal rooftop structures on single-staircase buildings would be cleared by 2009. Ir Dr HO held the view that the targets were too low, and that it would take BD at least 20 years to clear all UBWs in Hong Kong at that pace. The situation would be further aggravated if new UBWs emerged. DB advised that under the existing policy, priority would be given to removal of new UBWs. He added that with the coming into operation of the Buildings (Amendment) Ordinance 2004 in late December 2004, BD would issue and register with the Land Registry warning notices against UBWs which did not warrant priority enforcement action so as to encourage building owners to remove them voluntarily. He expected that this new initiative would help speed up the clearance of existing UBWs.

## **Chapter VIII : Planning and Lands**

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8.9 Mr Patrick LAU enquired about the progress of measures to facilitate the business sector by way of streamlining the building approval process, in particular the resources required to advance the time for processing building plans by a week. In response, DB pointed out that a number of measures in this regard had already been introduced. In fact, the present statutory time limits for the processing of new building proposals and for amendments or re-submission, at 60 and 30 days respectively, were already quite reasonable. While the Administration was willing to examine how to further improve BD's service in this regard in consultation with the construction industry, the process of checking involved consulting other relevant government departments and co-ordinating their requirements before BD could decide whether the plans could be approved. As such, any proposal to further shorten the approval process would affect not only BD but also other relevant government departments. Since BD had not carried out the necessary assessment on the feasibility and resource implications of the proposal with all these departments, BD was unable to provide an estimate on the additional resources required.

### **Lands**

8.10 Mr James TO expressed concern about unauthorized occupation of government land by extension of shops to pavement. As far as he knew, persons who had uninterrupted and unchallenged possession and occupation of a piece of land for 20 years might claim for adverse possession. He therefore urged the Administration to recover such land to plug the loophole on the one hand and to improve the environment on the other. The Director of Lands (D of L) explained that as unauthorized shopfront extensions involved occupation of government land by unauthorized permanent attachments to private structures, the Lands Department (LanD) had to work with BD, which was responsible for clearance of UBWs. DB supplemented that action had been taken to clear these unauthorized attachments, particularly in densely populated areas such as Yaumatei. However, due to the complexity of the problem which straddled a number of departments, including the Home Affairs Department, coupled with the heavy caseload of BD, clearance of such UBWs would take longer time. At Mr TO's request, the Administration undertook to provide information on the number of successful cases on clearance of unauthorized attachments to ground floor shops in the past few years as well as the financial and manpower resources so incurred.

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8.11 Mr Albert CHAN opined that the LanD had not been effective in managing government leases to ensure compliance with the lease conditions. By way of illustration, the developer of Cairnhill had felled all trees in the site but LanD was not aware of the malpractice until inspections were carried out to ensure the development could meet the conditions for issuing the certificate of compliance. To improve the performance of LanD in this regard, Mr CHAN opined that consideration should be given to increasing the establishment and financial provisions for LanD. In reply, D of L confirmed that LanD would conduct periodic inspections to private development projects to ensure compliance with the lease conditions. However, given its wide scope of work and heavy workload, LanD inevitably had to rely on authorized persons for the development projects to ensure compliance with land lease conditions by private developers. This was particularly the case where felling of trees was concerned because the act could occur overnight and it was not practicable for LanD to monitor all development sites all the time. Mr CHAN however maintained that increased frequency of inspections made possible by increased resources could help deter non-compliance with lease conditions and safeguard public interests.

### **Miscellaneous**

8.12 Mr WONG Kwok-hing was disappointed that the Administration had decided not to set up a registration scheme for lift-escalator workers. He expressed concern that some lift/escalator contractors would employ lift/escalator workers with no proper training in order to save costs, thereby jeopardizing the safety of lifts and escalators. He therefore called upon the Administration to seriously reconsider the registration scheme. Noting that the Director of Electrical and Mechanical Services was not present to respond to Mr WONG's question, the Chairman suggested the Administration to consider attendance of the relevant government officials in the forthcoming special meetings of the Finance Committee to answer members' questions. The Administration was also requested to provide a written response to Mr WONG's question after the meeting.

8.13 Mr WONG Yung-kan expressed concern about the design and safety of the public pier in Sai Kung. He pointed out that poor design of the drainage system and the substandard materials used for planks had made the pier a breeding ground of mosquitoes. In response, the Director of Civil Engineering and Development advised that care had been taken in designing public piers and in selecting materials for constructing these piers. In particular, durable

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materials had been used for the planks, and the cement pier deck underneath had been made slightly inclined to prevent the accumulation of stagnant water. He nevertheless undertook to look into the problems of the Sai Kung public pier and carry out remedial works where necessary. He also agreed to provide estimates on the costs so incurred, and to examine how the design of public piers could be further improved.

### **Outsourcing of government services**

9.1 Mr WONG Kwok-hing recapped his concern about the impact of the outsourcing of Government services on the civil service establishment. To understand the situation, he sought information on the following -

- (a) the total number of government outsourcing contracts in 2004;
- (b) the expenditure involved in the outsourcing contracts; and
- (c) the total number of staff engaged under the outsourcing contracts.

9.2 The Head, Efficiency Unit advised that according to an outsourcing survey conducted by the Efficiency Unit in August 2004, there was a total of 4 512 government outsourcing contracts involving an annual expenditure of \$46.48 billion. The total value of the contracts was some \$214 billion. Of the 4 512 contracts, 65% were capital works contracts, 16% were building management service contracts, 5% were environmental hygiene service contracts and 5% were infrastructure maintenance service contracts. He said that the Government did not maintain statistics on the number of staff employed by contractors undertaking government outsourcing contracts, and there were practical difficulties to compile such information due to the wide range of services involved. Besides, in most cases, the departments concerned only specified the required output levels. It was up to the contractors to decide the number of staff to be deployed for delivering the required services.

9.3 Mr WONG Kwok-hing said that the number of staff engaged in government outsourcing contracts was important information for analyzing the current situation. The Chairman requested the Administration to explore if such information could be made available to members and provide a written reply.

### **Legal aid services**

9.4 Regarding the performance targets for processing legal aid applications, Ms LI Fung-ying noted that the planned percentage of applications processed within a specified period for 2005 was 85% for civil cases and 90% for criminal cases. These planned percentages were lower than the actual percentages achieved in years 2003 and 2004. Ms LI questioned whether it was

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due to resource constraints that the performance targets for 2005 were set at a lower level than that achieved in 2003 and 2004.

9.5 In reply, the Director of Legal Aid (DLA) advised that the planned performance targets for the processing of legal aid applications for 2005 were arrived at in the light of past experience, having regard to the procedures and complexity of the cases involved. This had little to do with the level of resource provision and in fact, there was no particular resource problem in this area of work. The processing of legal aid applications included the need to obtain information from the applicants and third parties for the conduct of the means and the merits tests. The planned performance targets for 2005 were considered to be realistic having regard to these factors. He assured members that the Legal Aid Department (LAD) would continue to use its best endeavours in making sure that all applications for legal aid would be processed in a timely manner.

9.6 Ms Margaret NG noted that in 2003-04, LAD paid \$255.6 million to assigned solicitors and counsel for legally-aided civil cases. She was concerned whether there was a mechanism to ensure fair distribution of cases assigned out to solicitors and counsel and therefore sought information on the distribution of the civil cases assigned out in 2003-04 among solicitors and counsel in terms of the number of cases assigned out and the amount of fees paid.

9.7 DLA agreed to provide, after the meeting, the information requested by Ms NG. He also advised that pursuant to LAD's assessment criteria, the number of legal aided cases assigned to individual solicitor or counsel was subject to an upper limit. However, where the legally-aided person concerned specifically requested for the case to be assigned to a particular solicitor firm or counsel, LAD would make an exception and accede to the request as far as possible, even if the lawyer had assignments exceeding the "upper limit".

9.8 Mr James TO expressed concern that the practice of assigning out cases to specific solicitor firms or counsel according to the request of legally-aided persons was susceptible to abuse and might give rise to unfairness. He pointed out that some solicitor firms might advertise aggressively to attract customers and then encourage the persons approaching them for legal advice/assistance to apply for legal aid. The solicitor firms might further assist the persons in completing the legal aid application procedures in return for being named by the persons to be the solicitor firm to be assigned the case. Mr TO requested LAD to bear in mind this possible problem.

### Staffing of Independent Commission Against Corruption

9.9 Mr James TO said that it was reported by the press recently that quite a large number of officers working in the Operations Department of the Independent Commission Against Corruption (ICAC) intended to leave ICAC to join other disciplined services. He sought details on the staff wastage situation in ICAC.

9.10 The Commissioner, ICAC (C, ICAC) advised that with over 98% of the staff in ICAC were employed on agreement terms, the turnover of staff in the Commission was more susceptible to changes in the labour market than Government departments where majority of staff were employed on pensionable terms. For this reason, the wastage rate of ICAC staff had always been higher than that of the civil service. The average ICAC staff wastage rate for the past five years was around 6% and the wastage rate in each of these years was as follows –

<u>Year</u>	<u>Wastage rate</u>
2000	6.8%
2001	7.4%
2002	4.7%
2003	4.9%
2004	7.3%

9.11 C, ICAC further advised that based on the information provided by the officers departing ICAC on their initiative in the years 2002 to 2004, a small number of them had joined other government departments, some had joined organizations in the private sector and public bodies, and most of them left for personal reasons such as emigration and further studies.

9.12 Mr James TO questioned whether the relatively high wastage rate in 2004 was attributable to the increasing workload and high work pressure of the Operations Department of ICAC. C, ICAC responded that there had been incremental increase in the number of pursuable corruption reports received by the Commission from 1998 to 2001. The situation had stabilized since 2003. In 2004, the number of corruption reports received had reduced by 13%. He acknowledged that while the situation had improved recently, the Operations Department had been subject to considerable work pressure in the past few years.

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Nevertheless, based on the information gathered by himself and the senior management of ICAC through communications with staff members, the work pressure was not so great as to induce a strong motivation among staff members to leave ICAC. On the other hand, the employment situation in the private sector, in particular that of certain professions, had much improved recently and this might have increased the incentives for some staff members to seek alternative employment with better remuneration.

9.13 C, ICAC considered that the overall staffing situation of ICAC was stable at present and assured members that the management of ICAC would continue to keep a close watch over the staffing situation and take timely actions if any unusual turnover situation was observed. Meanwhile, ICAC would continue to recruit and promote deserving officers to fill vacancies and provide officers with professional and management training to maintain their overall effectiveness.

### **Presentation of petitions and staging demonstrations at the Central Government Offices**

9.14 Mr LEE Wing-tat said that he understood that under the existing arrangements, the Administration would not allow groups and individuals to enter the Central Government Offices (CGO) compound to present petitions or stage demonstrations on working days. He however pointed out that there could be special circumstances that would warrant special arrangements. He therefore asked whether the Director of Administration (D of Adm) and/or other Government officials had the discretion to allow groups or persons to present a petition to or have an urgent meeting with the responsible Government official on working days, and whether there had been any precedent case of this kind.

9.15 In response, D of Adm advised that the Administration recognized and accepted the need to facilitate public expression of opinions at CGO while maintaining the orderly and effective operation of CGO. To strike a balance between these considerations, the Administration had designated an area at the CGO West Gate near Battery Path as a public activity area for individuals and groups to stage petitions or demonstrations. Members of the public might use the area for these purposes anytime. On Sundays and public holidays when CGO was not in operation, requests to enter the CGO compound for public meetings or processions would be accommodated where possible, as set out in the Guidance Notes to Applications for Permission to Use the Central Government

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Offices Compound for Public Meetings/Processions, which was public information. Furthermore, as also explained in the Guidelines, for those Tuesday mornings when the Executive Council meetings were held, special arrangements had also been made to allow interest groups and individuals to send representatives to go into the designated area outside the main entrance of the CGO Main Wing to voice their opinions or hand in petition letters directly to Executive Council Members. The arrangements applied to all groups and individuals. Members of the public who had an agreed meeting with Government officials would have smooth access to CGO as visitors.

9.16 As to whether there could be exceptional treatment, D of Adm said that those made during meetings of the Executive Council on Tuesday mornings were the special arrangements. She reiterated the need to maintain effective operation of the Government Secretariat at CGO and hence to divert proposed public meetings or processions to non-working days or public holidays. Alternatively, the public activity area at the CGO West Gate might be used at all times. In response to Mr LEE Wing-tat's enquiry on whether there was any channel available to discuss urgent or special petition cases, D of Adm said that Legislative Council (LegCo) Members might call her office. Should Members consider it useful, she could also consider the proposal for a separate hotline. In reply to the Chairman's enquiry, D of Adm said that she could not undertake that petition requests put through the hotline would be given exceptional treatment. The arrangements to handle requests for petitions or public activities at CGO were set out in the Guidance Notes for equitable application.

9.17 Mr LEE Wing-tat said that he could not entirely agree to the approach adopted by D of Amin for the matter. He considered that since special arrangements could be made during meetings of the Executive Council on Tuesday mornings, similar special arrangements could also be made on other working days, though restrictions might need to be imposed on the number of persons involved.

9.18 D of Adm responded that for presentation of public petitions at CGO, the groups and individuals concerned might consider making prior arrangements with the relevant government office or bureau to agree on the representative who should receive the petition. If there were no specified arrangements, for petitions addressed to the Chief Executive (CE), the CE's Office would send a Police officer to receive the petitions. For other petitions intended for the bureaux, the Administration Wing would make arrangements to receive the petitions on their behalf.

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9.19 The Chairman commented that the present arrangements as described by D of Adm appeared to be very different from the arrangements adopted before the Handover in 1997. D of Adm responded that the security arrangements for CGO were reviewed from time to time having regard to the prevailing circumstances. For each review, a security risk assessment would be made by the Security Bureau.

9.20 Ms Margaret NG expressed strong dissatisfaction with D of Adm's response to Mr LEE Wing-tat's questions. Ms NG referred to an incident on 26 April 2005 in which she and three other LegCo Members and Ms Gladys LI, SC of the Article 45 Concern Group requested to hand in a letter to the Acting CE but were refused. In the incident, they had waited outside the CGO compound for over 20 minutes but were told that according to the relevant rules, they could not enter into the CGO compound for their petition. The Administration had not made any apology thereafter. She considered that good working relationship between LegCo and the Administration was very important, and all along, LegCo had adopted an accommodating and conciliating attitude towards the requests of the Administration. However, in the incident, the Acting CE and other responsible government officials had failed to offer courtesy to the LegCo Members. She criticized that such an arrogant attitude of the Administration towards LegCo Members was inconceivable.

### **Business facilitation**

9.21 Mr WONG Ting-kwong said that over the past year or so, there had been some discussions between the Administration and various trades over the idea of issuing composite licences. He noted that the Administration did not anticipate that any composite licensing proposal would have significant financial implications vis-à-vis the current licensing regimes. He thus enquired whether the composite licensing arrangement could soon be implemented.

9.22 The Head, Business Facilitation Division (H, BFD) advised that under the steer of the Economic and Employment Council (EEC) and its Subgroup on Business Facilitation, regulatory reviews relating to the construction, retail and entertainment business sectors were currently being conducted. Composite licensing had been identified as one of the possible improvement opportunities to facilitate business. At present, the Administration was examining, inter alia, the feasibility of composite licensing in respect of the sectors concerned. There was no implementation timetable yet, but the Administration aimed to come up with a concrete proposal by the end of 2005.

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9.23 In reply to the Chairman's enquiry, H, BFD advised that the Subgroup on Business Facilitation planned to submit a preliminary proposal on composite licensing for the food retail business for consideration by EEC at its meeting in June 2005.

### **Official residence for the Chief Executive**

9.24 Ms Margaret NG enquired about the Administration's stance on whether there should be a permanent official residence for future CEs, instead of leaving to an incumbent CE to decide where his/her residence should be.

9.25 The Private Secretary to Chief Executive (PS to CE) said that since the Administration did not have any plan and provision to build a new official residence for CE, the Government House was the only available option of official residence for the new CE. The Administration's plan was to carry out some works on the facilities in Government House as part of the routine maintenance programme.

9.26 Ms Margaret NG commented that the matter should not be handled in such a personalized manner. As in the case of the Chief Secretary for Administration, the Financial Secretary and the Secretary for Justice, there should be an official residence for CE which should not only be the place of his/her residence, but also a venue where official visitors of the Government were received. She then asked whether there was an established policy regarding the official residence for CE, and who/which was the authority to decide the official residence for CE.

9.27 PS to CE reiterated that the Administration's current plan was to provide the new CE to be elected with an option to reside at the Government House.

9.28 The Chairman asked D of Adm to help explain the policy on official residence. D of Adm said that it had been the practice of the Government to provide a specific official residence for certain senior government officials. There was a change in the use of the Government House since 1997. In the circumstances, PS to CE, though being the Controlling Officer of CE's Office, was not in a position to alter the current use of the Government House and designate it as, for example, the official residence for the new CE.

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9.29 Ms Margaret NG questioned whether D of Adm was the appropriate officer to answer her question. The Chairman requested the Deputy Secretary for Financial Services and the Treasury (Treasury) 1 (DS(Tsy)1) to follow up Ms NG's question, i.e. whether there was a policy regarding the official residence for CE, and who/which was the authority to decide the matter, and arrange for a written reply to be provided by the relevant officer.

9.30 Ms Margaret NG also requested the Administration to provide information on the usage, utilization situation and management costs of the Government House in 2003-04 and 2004-05. Details on the types of functions and categories of users should be included. PS to CE agreed to provide the requested information.

### **The Legislative Council Commission**

9.31 The Chairman enquired about the prevailing practice and the financial provisions for the maintenance and improvements works in respect of the LegCo Building and the equipment and furniture for use by LegCo.

9.32 The Secretary-General, Legislative Council Secretariat (SG, LegCo) advised that \$1,848,000 had been earmarked for the maintenance of office equipment and furniture used by LegCo, of which \$1,679,000 was for maintenance of computing facilities, and \$32,000 for maintenance of furniture. He pointed out that the provision did not cover maintenance and renovation of the LegCo Building, as the Administration would undertake such works on the basis that the Building was let to The LegCo Commission (the Commission) at a nominal rental.

9.33 In reply to the Chairman's further enquiry, SG, LegCo advised that the LegCo Secretariat conducted regular checks and reviews of the need for maintenance and improvement works for LegCo. Relevant proposals would be put to the Commission for its approval to write off worn out or obsolete assets and to procure replacement equipment and furniture.

9.34 The Chairman said that while LegCo should spend very prudently, proper maintenance and repair and timely improvements should be undertaken to facilitate the smooth operation of LegCo and the use of the facilities by the public. She therefore requested SG, LegCo to give special attention to the matter, and where appropriate, draw up plans for the necessary improvement works and

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procurement of new equipment and furniture, and seek the required funding from the Administration.

9.35 D of Adm said that whenever LegCo considered that it was necessary to carry out any regular or non-regular maintenance and repair, improvement or upgrading works, LegCo could raise the matter with the Administration for follow-up action as appropriate.

9.36 As regards provisions for equipment and furniture, DS(Tsy)1 referred members to the approved commitment of \$9,276,000 under Head 112 – Legislative Council Commission, Subhead 885, for “Replacement of simultaneous interpretation/public address and voting systems in the Chamber and Conference Room A of the Legislative Council Building”, and advised that this was a new item of capital expenditure approved for implementation in 2005-06.

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10.1 At the Chairman's invitation, the Secretary for Economic Development and Labour (SEDL), Mr Stephen IP, briefed members on the main initiatives of the programmes under the Policy Area: Economic Development (Appendix V-8).

### **Tourism**

10.2 Members noted that the provision for the Hong Kong Tourism Board (HKTB) in 2005-06 would be \$727.3 million, an increase of 33.8% over the revised estimate for 2004-05. The main reason for the substantial increase was that HKTB would take forward a series of global marketing and strategic promotion campaigns. To this end, funds of \$440 million had been earmarked for such campaigns to be carried out in 2005-06 and 2006-07. In addition, to strengthen Hong Kong's reputation as the "Shopping Paradise" and to enhance consumer protection to visitors, an additional funding of \$30 million had been earmarked for HKTB to enhance the Quality Tourism Services Scheme in 2005-06 and 2007-08.

10.3 Mr Fred LI considered that while it was important to promote Hong Kong tourism, it was highly risky to entrust such a huge sum of money (\$440 million) to a single agency to formulate and implement promotion measures. He was worried that the problems occurred in the Hong Kong Harbour Fest event would recur. He therefore sought details on the mechanism for monitoring the operations and spending of HKTB.

10.4 Miss TAM Heung-man shared the concern of Mr LI and asked whether any cost-benefit analysis had been conducted on the proposed provision of \$440 million and how far HKTB's activities were subject to value-for-money audits.

10.5 In response, SEDL said that a series of major tourism projects, including the Hong Kong Disneyland, Phase 2 of the Hong Kong Wetland Park and the Tung Chung Cable Car System, would come into operation in 2005 and 2006. Moreover, the newly designed "A Symphony of Lights" Phase II would be launched in December 2005. These new attractions would greatly enhance the appeal of Hong Kong as a tourist destination. To capitalize on this new opportunity and the extensive implementation of the Individual Visit Scheme in the Mainland, the Administration considered it opportune to make vigorous efforts to promote tourism in the coming two years. The strengthening of Hong

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Kong's tourism promotion work was also necessary amid the increasing competition from other countries/places in the Asia Pacific region. He fully appreciated members' concerns and assured members that proper mechanisms and procedures were in place to ensure the cost-effectiveness of HKTB's promotion and marketing activities.

10.6 The Executive Director of HKTB (ED/HKTB) advised that the campaigns to be launched in 2005 and 2006 were expected to bring about 1.2 million additional visitor arrivals, 2 million additional nights of extended stay and \$10 billion additional tourism spending in the next two years, meaning that for every dollar of the government funding, a \$20 return would be achieved. Moreover, the impact of these campaigns would sustain beyond 2006. Hence, the campaigns were value-for-money.

10.7 Regarding the monitoring of HKTB's operations, ED/HKTB advised that the operations of HKTB were closely monitored by its Board. There were quantitative indicators for evaluating the effectiveness of each campaign/event. The Board also made on-going reviews and modifications to HKTB's marketing direction and strategies having regard to relevant indicators and results.

10.8 The Commissioner for Tourism (C for Tourism) affirmed that for each campaign and major event launched by HKTB, there were quantitative indicators for evaluation of results. For example, for the global publicity campaign entitled "2006 Discover Hong Kong Year", HKTB had set the target that the relevant TV commercials could reach some 44 million prospective visitors. C for Tourism further advised that under the Board of HKTB, there were various committees, including the Audit Committee and the Staff and Finance Committee (FC), tasked to oversee the various aspects of HKTB's operations. The management of HKTB reported its work to these committees on a regular basis with relevant cost-benefit analyses and audit review reports.

10.9 In view of members' concerns about the operations and the monitoring over HKTB's spending, Mrs Selina CHOW, who was the incumbent Chairman of HKTB, said that it would be desirable for members of FC to visit HKTB so that the latter could explain in detail its work and the monitoring mechanism. Mrs CHOW stressed that the projections made by HKTB on additional visitor arrivals and tourism spending had been drawn up meticulously based on objective data obtained at the latest market surveys.

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10.10 The Chairman thanked Mrs Selina CHOW for her suggestion and said that FC would decide whether and how it should follow up the matter after the visit.

10.11 Mr FANG Kang said that many local residents in Hong Kong were not familiar with the tourist attractions in Hong Kong. He considered that encouraging local consumer spending was also important for the local economy. He thus enquired about the relevant work plan and financial provision.

10.12 ED/HKTB said that apart from promoting Hong Kong as a tourist destination in the Mainland and overseas places, HKTB also recognized the importance of familiarizing the Hong Kong public with HKTB's campaigns and events and encouraging them to actively participate in the events. To this end, HKTB would first publicize any campaign or event newly launched among the Hong Kong public through TV commercials and other marketing activities.

10.13 C for Tourism supplemented that in the past, the Hong Kong public had actively participated in many events organized by HKTB. This could partly be attributed to the wide exposure of HKTB's marketing activities within the Hong Kong community. SEDL added that the website of HKTB was an important channel for dissemination of travel information on Hong Kong worldwide. HKTB had made sustained efforts to maintain an informative and user-friendly website.

10.14 Referring to the Northern New Territories Tourism Development Programme, Mr WONG Kwok-hing sought details on the estimated expenditure of the programme, the number of potential visitors and the economic benefit that could be brought to Northern New Territories (NT).

10.15 C for Tourism advised that the programme would be implemented in stages. The Stage One projects included enhancement of basic facilities, development of an island-hopping sight-seeing itinerary and complementary conservation and educational initiatives. The proposed enhancement works included improvement to pier facilities, toilets, signage, shelters and seating facilities etc. The estimated total cost was around \$12 million. There was no specific project vote for these enhancement works, as the costs would be met by the respective subject departments' minor works block allocations. The island-hopping sight-seeing itinerary was proposed by HKTB, which would collaborate with the tourism trade and the local communities concerned to explore

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the feasibility of different options. The initiative was still at the inception stage. The current thinking was to provide regular boat tours with local communities' participation in providing catering services and organizing heritage-related activities at various tourist spots when the itinerary had been well developed.

10.16 As regards estimates on the number of visitors and economic benefit brought about by the programme, C for Tourism advised that as the various initiatives under the programme were still at the early development stage, the Administration currently did not have such estimates. She however undertook to report the results of the programme to the Panel on Economic Services (ES Panel) in due course.

10.17 Mr WONG Kwok-hing expressed concern that the enhancement works mentioned by C for Tourism were only minor works and thus would not substantially increase the attractiveness of Northern NT for tourists. C for Tourism explained that in the discussions with local organizations and green groups, it was generally agreed that as the objective of the programme was to promote green tourism, the natural environment should be preserved as far as possible and thus it would not be appropriate to implement large-scale construction works at the various tourist spots in Northern NT. As such, the enhancement works were confined to those necessary for the provision of basic facilities.

10.18 Referring to the Stanley Waterfront Improvement Project, the construction works of which had commenced in August 2004, Miss CHAN Yuen-han recalled that when the project proposal was discussed at the Public Works Subcommittee, members had raised concerns over the design of the proposed improvement works, and she had specifically asked for the retention of the structure of the temporary market. She asked whether the final design of the improvement works had been reported to Legislative Council (LegCo) Members and the relevant District Council (DC).

10.19 In response, C for Tourism advised that after the funding proposal for the project had been approved by FC, the Administration had reported the progress of the project to the Southern DC. As regards the design of the development at the site currently occupied by the structure of the former temporary market, she advised that the Tourism Commission was still discussing the design with the Architectural Services Department. The views of LegCo Members and DC members would be taken into account in finalizing the design.

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The Administration would report to Southern DC on further progress of the project in due course.

### **Airport and aviation services**

10.20 Mr LAM Kin-fung pointed out that at present, the Hong Kong International Airport (HKIA) was only operating at about 50% of its designed capacity. With further growth of passenger and cargo traffic, the Airport Authority (AA) might be able to lower airport charges, thereby strengthening the competitiveness of the airport. Bringing in more passengers and cargo to Hong Kong was also conducive to the development of the local economy. He therefore enquired about the Administration's work to expand HKIA's aviation network.

10.21 In reply, SEDL and the Deputy Secretary for Economic Development and Labour (Economic Development)<sup>2</sup> advised that the Government was responsible for air services negotiations to enable both local and overseas airlines to expand their network of services into and out of Hong Kong. This was complemented by AA's marketing activities. However, it remained the commercial decisions of airlines whether to introduce new routes or add service frequencies. Over the past two years, the Government had reached agreements with some 25 aviation partners to expand traffic rights and/or to abolish existing restrictions on service frequencies and new routes. The new air services arrangement concluded with the Mainland in 2004-05 had substantively expanded local airlines' access to the Mainland market. In 2005-06, the Government had already arranged with some 25 aviation partners to conclude new air services agreements or to expand traffic rights under existing agreements to enable airlines to launch or increase services readily in response to market demand.

### **Electricity**

10.22 Mr James TIEN pointed out that the public was very concerned about the future development of the local electricity market upon expiry of the existing Scheme of Control Agreements with the two power companies in 2008. In particular, the public was concerned whether competition could be introduced into the electricity market. He opined that in formulating the relevant policy and strategies, the Administration should go beyond the existing market structure and regulatory framework, and explore various possible arrangements having regard to overseas experiences. He enquired whether funding had been earmarked for

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commissioning relevant studies to support the Administration's work in this regard.

10.23 SEDL concurred with Mr TIEN on the need to explore various options for the post-2008 electricity market. He advised that over the past few years, the Administration had carried out a number of relevant studies, some by engaging outside consultants and some by deployment of in-house resources. The Administration had published in January 2005 the public consultation paper on "Future development of the electricity market in Hong Kong : Stage I consultation" to gather views from the public on various issues pertaining to the future development of the electricity market. Taking into account the views received, the Administration would draw up proposals with detailed analyses on the future direction which would be put out in the Stage II of the public consultation. The Energy Advisory Committee (EnAC) had been consulted throughout the review of the electricity market. EnAC consisted of persons conversant with the operation of the local and overseas electricity markets. When needed, the Administration would consider engaging outside experts to carry out relevant studies.

10.24 The Permanent Secretary for Economic Development and Labour (Economic Development) (PSED) further advised that in conducting the electricity market review over the past two years, the Administration had commissioned a few studies on specific topics and had undertaken certain in-house studies. Based on findings of these studies, the Administration had prepared 19 working papers for consideration by EnAC. These papers were now open to public view at the EDLB website. The above-mentioned Stage I consultation paper was published after consultation with EnAC. For the Stage II public consultation, it was anticipated that the Administration might need to engage outside consultants to give advice on certain financial issues. Advice on technical issues could be obtained from experienced professionals in the Electrical and Mechanical Services Department (EMSD).

### **Weather services**

10.25 Noting that a provision of \$5.3 million had been earmarked for the Hong Kong Observatory (HKO) to acquire advanced meteorological equipment in 2005-06, Mr WONG Ting-kwong enquired how the new equipment could enhance HKO's ability in the provision of weather forecasts and issue of warnings to the public and specific user groups during hazardous weather.

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10.26 The Director of the Hong Kong Observatory (D of HKO) advised that in 2004, public opinion surveys showed a perceived forecast accuracy score of 80%, which was a substantial improvement compared to the score of 72% 15 years ago. With the acquisition of a new lightning location system, HKO could start providing the public and individual sectors with lightning location information covering the Pearl River Delta in mid 2005. The public could view lightning locations and the movements of lightning strikes on HKO's website. Relevant information would also be broadcast through the mass media. A backup Light Detection and Ranging system would also be acquired to ensure uninterrupted provision of data for windshear detection for HKIA.

10.27 D of HKO further advised that HKO's work in windshear detection was at the forefront among the weather services agencies worldwide. The work had been reported in a recent quarterly newsletter of the United Nations World Meteorological Organization. As an indication of the high standard of HKO's weather services, HKO had been invited to attend an international conference recently held in Beijing, the purpose of which was to identify the most advanced weather forecast systems to support the 2008 Olympic Games to be held in Beijing.

10.28 Mr WONG Ting-kwong commented that while the accuracy of HKO's weather forecasts had much improved over the years, it was most important that typhoon and rainstorm warnings were issued at appropriate timing, so as to avoid causing unnecessary troubles to the public and disruption to economic and social activities.

10.29 D of HKO assured members that while HKO's services were founded on scientific data and analyses, staff of HKO always bore in mind HKO's mission of serving the public wholeheartedly and would devote their best to safeguard the life and property of the public during hazardous weather.

### **Electrical safety**

10.30 Regarding the registration of electrical workers, contractors and competent persons under the Electricity Ordinance (Cap. 406), Ms LI Fung-ying noted the information on the numbers of registration applications processed by EMSD in years 2002 to 2004 as set out in the Administration's written reply EDLB(ED)020. She requested the Administration to provide further information on the numbers of rejected renewal applications in the same years and the reasons for rejecting the applications.

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10.31 The Director of Electrical and Mechanical Services agreed to provide the information requested by Ms LI after the meeting.

### **Cruise terminal facilities**

10.32 Mr Howard YOUNG noted that \$6 million had been earmarked for consultancy studies on cruise terminal facilities development for Hong Kong, of which \$1.77 million had been allocated to the Phase 1 study in 2004-05. He enquired about the progress and findings of the Phase 1 study and the relevant plan for development of additional cruise terminal facilities in Hong Kong.

10.33 SEDL and C for Tourism advised that the Phase 1 study had been completed. According to the study, Hong Kong was likely to require an additional berth in the medium term (2009 to 2015) and one to two more berths in the longer term (beyond 2015). It had long been the Administration's intention to develop cruise terminal facilities in South East Kowloon (i.e. the Kai Tak area). However, pursuant to the Court of Final Appeal's judgment on reclamation within the Victoria Harbour, it was necessary to review the development plans for South East Kowloon and the planning review was being undertaken by the Planning Department. It was expected that the entire planning review process and the statutory procedures would be completed in 2008. In order to meet the market needs for cruise terminal facilities in the medium term as soon as possible, the Administration planned to invite initial proposals from interested parties on the location (other than the Kai Tak area), construction method and timetable for developing a cruise terminal. The Administration would conduct public consultation after receiving the initial proposals. Thereafter, the project would be taken forward by an open tender exercise.

10.34 Mr Howard YOUNG enquired whether consultants' services would be required for the purpose of the invitation for proposals exercise. SEDL advised that at this stage, the Administration did not envisage the need to engage consultants for the exercise. An interdepartmental committee would be set up to assess the initial proposals.

### Consultancy studies

10.35 Mr Albert CHAN expressed concern that public funds had been wasted on certain consultancy studies due to poor planning and coordination within the Administration in taking forward new initiatives. He referred to the “Consultancy Study on the Development of Spa and Resort Facilities” which cost about \$1.15 million, and criticized that while the Administration was still undertaking public consultation on the Concept Plan for Lantau, the said consultancy study had examined the provision of spa and resort facilities in Cheung Sha of Lantau. He also referred to the “Technical Assessment Study for the Proposed Development of a Domestic Heliport in Sheung Wan” which cost about \$1.6 million, and criticized that the study had been commissioned before the proposal for developing a domestic heliport had been fully discussed at LegCo and the relevant DC, and in fact both LegCo and the relevant DC had expressed objection to the proposal recently. He opined that in taking forward any major project, the Administration should first put forward a concept plan for public consultation on the merits of the project before commissioning consultancy studies to examine the technicalities of the project. He therefore questioned whether proper procedures were in place for prudent decisions on commissioning consultancy studies to ensure that public funds would not be wasted on abortive studies.

10.36 PSED clarified that the “Technical Assessment Study for the Proposed Development of a Domestic Heliport in Sheung Wan” was aimed to assess the domestic helicopter traffic demand in Hong Kong and it did not cover the identification of suitable sites for the development of a domestic heliport. After completion of the study, the Administration had conducted a comprehensive site search and identified a suitable site in Sheung Wan. The Administration had consulted the ES Panel and the Central and Western DC on the proposal to develop a domestic heliport at the Sheung Wan site.

10.37 SEDL and C for Tourism stressed that the Administration did not have any preconceived plan of developing spa and resort facilities in Lantau. The “Consultancy Study on the Development of Spa and Resort Facilities” was initiated in response to the comments from some tourists that Hong Kong lacked this type of facilities. The consultant study was tasked to explore the market demand for spa and resort facilities, and to make recommendations on the provision of such facilities at international standards in Hong Kong. The study was still in progress and had initially identified three potential sites for

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development of spa and resort facilities, namely High Island Detention Centre in Sai Kung, Cheung Sha Beach in South Lantau and Tai A Chau of Soko Islands. A workshop for relevant industries, green groups and local organizations had recently been held to discuss the initial findings of the study. The public would be further consulted when a more substantive proposal was available. C for Tourism added that it was also suggested in the Concept Plan for Lantau that there was opportunity to develop resort facilities in South Lantau.

10.38 Taking note of the Administration's advice, Mr Albert CHAN pointed out that the Concept Plan for Lantau was only a concept plan but the study on spa and resort facilities was essentially a technical study. Also, contrary to PSED's answer, the title of the "Technical Assessment Study for the Proposed Development of a Domestic Heliport in Sheung Wan" clearly revealed the purpose of the study. He criticized that there was an apparent lack of proper procedures within the Administration for commissioning consultancy studies. As a result, public money had been wasted on some abortive consultancy studies.

### **Logistics**

10.39 Noting that the Administration had commissioned a feasibility study for the Lantau Logistics Park (LLP) project and the study cost around \$7.2 million, Ms Miriam LAU had serious doubt on the viability of the project and expressed concern that the feasibility study and other related work would become abortive. She pointed out that the proposed LLP would involve substantial site formation works, including reclamation, and the works would only be completed in 2009/2010 according to the Administration's current schedule. She was concerned that the future charges for the facilities in LLP would be high due to costly site formation works. As a result, logistics enterprises would not choose to locate their activities at LLP. Moreover, while the LLP project would take quite a long time to implement, there would continue to be rapid development of logistics infrastructure facilities in the Mainland and other neighbouring places. Hong Kong might thus lose out to its neighbours in developing the logistics industry. In this connection, she noted that in December 2004, the Administration had conducted an Expression of Interest (EoI) exercise to seek industry views on the operational characteristics and planning parameters of LLP, but by the end of the consultation period (i.e. end February 2005), only 35 responses had been received. She considered that the lukewarm response of the industry might be due to the uncertainty about the future charges for the facilities in LLP and the long time frame for the implementation of the project.

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10.40 SEDL and PSED advised that before proceeding with the implementation of the project, the Administration considered it appropriate to gauge the industry's interest in the project and understand their expectations and concerns. The EoI exercise also invited comments on the operational characteristics and planning parameters of the proposed LLP. To address industry concern on the implementation programme, the Administration was proceeding with the preparatory work for the LLP project. The detailed feasibility study for the project was commissioned to fulfill the statutory requirements for the subsequent zoning and reclamation of the site for LLP. The findings would also shed light on the infrastructure facilities required on site and development cost. Until the study was completed, there was no basis for estimating the land premium or rental of the future facilities in LLP.

10.41 As regards the responses received from the industry on the proposed LLP, PSED advised that the majority of them expressed support for the planning parameters of LLP and activities to be undertaken in it as proposed in the EoI document. Some of the responses were received from industry organizations with a wide representation. Out of the 35 responses, only two expressed objection to the project.

## **Chapter XI : Labour**

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11.1 At the invitation of the Chairman, the Secretary for Economic Development and Labour (SEDL), Mr Stephen IP, briefed members on the key features to improve employment, promote labour relations, protect employees' rights and benefits, and enhance occupational safety and health (Appendix V-9).

### **Employment services**

11.2 Mr WONG Kwok-hing opined that more should be done by the Labour Department (LD) to encourage major employers in Hong Kong, particularly the Government, to engage local service providers when the need for outsourcing of work arose so as to create more employment opportunities for local workers. He was disappointed that the Printing Department, with 15.5% of its printing jobs being outsourced, had failed to award its contracts to local printing companies. In reply, the Permanent Secretary for Economic Development and Labour (Labour) (PSL) explained that as a signatory to the World Trade Organization (WTO) Agreement on Government Procurement, Hong Kong had to open up Government procurement to international competition.

11.3 Mr WONG Kwok-hing urged the Administration to award Government contracts, particularly those public works contracts of less than \$1.3 million which were exempted from the WTO requirement, to local service providers where practicable. SEDL and PSL said that the matter had previously been discussed by the Panel on Manpower. As this was a complex issue which straddled a number of bureaux, further examination was required and the Panel would be informed of the outcome in due course. Meanwhile, the Administration would continue to boost Hong Kong's economic development with a view to creating more job opportunities.

11.4 Mr LAU Chin-shek noted that of the 297 186 vacancies registered with LD in 2004, only 86 257 placements were secured for able-bodied job-seekers. He asked if the low placement rate was attributed to age discrimination, and if so the measures which LD would take to tackle the problem. In response, PSL pointed out that the placement rate was by no means low. He said that as the 297 186 vacancies were not exclusive to the employment service of LD, some of these vacancies could be filled through other channels and would not be brought to the notice of LD if the employers concerned did not notify LD. In fact, the placement of 86 257 job-seekers into employment was an all-time high for LD and a great improvement over the figure of 66 000 in 2003. The number of vacancies registered with LD had also increased to 1 500 per working day

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in 2004 as labour market sentiments improved. PSL added that through the Job Matching Programme, LD was providing more in-depth counselling assistance to the long-term unemployed. However, whether a job-seeker could successfully secure a job would very much depend on his aspiration and capability. By way of illustration, a construction worker would have difficulty securing a placement in other fields unless he was willing to receive retraining. At the request of the Chairman, the Administration agreed to provide details on the unfilled jobs such as the number and the job nature, etc.

11.5 As regards age discrimination in employment, PSL said that there were divergent views on how the problem should be addressed. Some considered that legislation should be enacted to deter age discrimination while others opined that stepping up education and publicity would suffice. In this connection, the Administration would need to take into account all views received in further examining the issue.

11.6 Mr Andrew CHENG held the view that a comprehensive policy should be mapped out to tackle the problem of age discrimination in employment in the long run. He then questioned the efficacy of the Re-employment Training Programme in assisting middle-aged job-seekers, given that only 16% of the trainees could remain in their job placements under the Programme for more than six months. In response, SEDL reiterated that the difficulty faced by middle-aged job-seekers was not due to age discrimination but mismatch in supply and demand in the labour market as a result of economic restructuring. As such, legislating against age discrimination was not the solution. Instead, retraining and improvement in employment services, such as organization of job fairs and installation of search terminals for job vacancies at the district level, should be provided to cater for their needs. Mr CHENG remained of the view that middle-aged job-seekers would face fewer obstacles in securing employment if age discrimination could be minimized. Besides, overseas experience showed that legislation against age discrimination could help these job-seekers to rejoin the workforce.

11.7 Mr LEUNG Yiu-chung noted that out of the 5 000 applications received, only 1 475 applicants could enroll under the Youth Self-employment Support Scheme (YSSS). However, the financial provision of \$16 million for YSSS in 2005-06 was significantly less than the provision of \$30 million in 2004. He considered that more funding should be allocated to YSSS to benefit more applicants. PSL clarified that the \$30 million was in fact a lump-sum grant for

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the launching of YSSS on a pilot basis for a period of two years. As only about \$14 million had been used in the first year, the remaining \$16 million should be sufficient for the second year. As regards the enrolment rate, PSL explained that not all applicants had the potential for self-employment. Hence, a panel comprising social workers and youth workers had been set up to assess the eligibility of applicants for YSSS taking into account their creativity, potential and attitude. So far, over 900 of the 1 475 trainees had completed training and started their hands-on practices in self-employment. They had secured over 4 000 business transactions generating a net profit of \$2 million. The Administration had commissioned the City University of Hong Kong to conduct a review of YSSS. Should it be found effective, the Administration would consider seeking additional funding for the continuation of YSSS to benefit more young people.

11.8 Mr Jasper TSANG asked whether special measures were taken to help ethnic minorities tackle the difficulties they faced in seeking employment, such as language barrier. He was particularly concerned about certain trade practices which had unduly affected the employment opportunities of ethnic minorities. By way of illustration, Nepalese construction workers were not able to secure job placements in the construction industry because vacancies were rarely put up for open recruitment due to the industry's unique contractor system. In response, PSL assured members that the Administration recognized the special needs of ethnic minorities and had put in place various measures to assist them. These included the designation of a special counter in each of the 10 job centres to provide assistance for ethnic minorities and new arrivals. Tailor-made courses under the Youth Pre-employment Training Programme and training in occupational safety were also made available for them. As regards the plight of Nepalese construction workers, PSL said that the relevant industry-based Tripartite Committee was already examining whether special assistance could be given to these workers in finding employment in certain trades to which they were best suited. At the Chairman's request, the Administration agreed to provide information on success cases of job placement for ethnic minorities.

### **Wages**

11.9 Mr LEE Cheuk-yan expressed concern about the low wages of the 27 198 placements secured through direct referrals by LD given that the monthly salary of 6 730 placements were below \$4,000. He asked if LD could refuse to register jobs with wages obviously out of line with market rates, and whether LD

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could negotiate with the employers concerned to raise the wages. In response, PSL said that while every effort would be made to ensure jobs registered with LD would carry reasonable salaries, job-seekers who required direct referrals by LD were mainly those with special difficulties in securing employment, such as middle-aged persons and persons with lower education and skills or limited work experience. As such, the salaries of these placements had reflected the average market wage level. Besides, placements with monthly wages below \$4,000 were mainly part-time jobs. At members' request, the Administration undertook to provide details of the 6 730 placements, such as whether these were part-time or full-time jobs and the job nature etc., as well as the criteria which LD had adopted in declining registration of job vacancies.

11.10 Miss CHAN Yuen-han and Mr LEUNG Kwok-hung held the view that the problem of unreasonably low wages was attributed to the absence of a minimum wage system. Miss CHAN cautioned that the Active Employment Assistance (AEA) programme under the Support for Self-reliance Scheme could never succeed if wages were lower than the allowances under the Comprehensive Social Security Assistance (CSSA) Scheme. In reply, PSL pointed out that AEA was tailor-made to encourage able-bodied CSSA recipients to rejoin the workforce. CSSA recipients who had joined AEA would have their first month's income earned from a full-time job totally disregarded. To assist AEA registrants to access to information on job vacancies, LD had made available vacancy search terminals in every Social Security Field Unit of Social Welfare Department (SWD) and later in all Public Enquiry Centres of District Offices. SWD staff also had access to all vacancy information of LD. SEDL added that as announced by the Commission on Poverty, all relevant bureaux and departments would work together to tackle poverty. LD and SWD were working together to examine measures to enhance the success of the Scheme. As regards the minimum wage system, PSL said that the Administration kept an open mind and the issue was being examined by the Labour Advisory Board.

### **Labour relations**

11.11 Ms LI Fung-ying opined that to maintain good labour relations, a preventive approach should be adopted to avoid disputes. She asked if adequate manpower resources were allocated in this regard. In reply, PSL confirmed that sufficient front-line staff were deployed to organize various publicity and education activities to promote good people management practices among employers and specific industries with a view to fostering harmonious labour

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relations and strengthening labour-management communication and co-operation. These activities included the “Good People Management Award” which was a major event to commend employers for their good management practices, Announcements of Public Interest, workshops, briefings as well as meetings with industry-based Tripartite Committees and Human Resource Managers Clubs etc.

11.12 Ms LI Fung-ying cast doubt on the efficacy of the industry-based Tripartite Committees, which in her view were dominated by employers who might not be keen to address employees’ concerns. She therefore considered it necessary for LD to take a more proactive role in fostering good labour relations. In response, PSL said that the industry-based Tripartite Committees were operating smoothly as evidenced by their many efforts, such as the production of the CD-ROMs on good people management practices for the catering industry and the tourism industry. SEDL agreed to examine further measures to enhance labour relations.

11.13 The Chairman enquired about the number of cases handled through the frontline conciliation service. PSL said that labour relations had been improving as a result of educational and promotional activities. The number of labour disputes mediated by LD had dropped 37% as compared to that of 2003. The number of claims handled had also dropped 16%.

## **Chapter XII : Education and Manpower**

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12.1 At the invitation of the Chairman, the Secretary for Education and Manpower (SEM), Professor Arthur LI, briefed members on the Government's expenditure on the policy areas of education and manpower in the coming financial year (Appendix V-10).

### **Planning and provision of school places**

#### ***School Improvement Programme***

12.2 Mr Patrick LAU noted that 22 schools which had carried out improvement works costing some \$500 million under the School Improvement Programme (SIP) stopped Primary 1 (P1) admission in the school years 2003-04 and 2004-05. As these schools might eventually be closed down due to low admission, he was gravely concerned that the resources put into the improvement works would eventually be wasted. He also queried the lack of coordination among different government departments in handling such school projects.

12.3 In response, SEM highlighted that the purpose of SIP was to upgrade and improve the physical environment of existing sub-standard school premises for the benefit of students studying in these schools. It would be unfair to exclude schools with low admission of students from SIP as this might deprive schools of the opportunity to improve their environment and enhance their competitiveness to attract enrolment of students. However, SEM assured members that resources would not be wasted since those schools which had carried out SIP but were closed subsequently could be taken up by other school sponsoring bodies (SSBs). Moreover, other organizations could also apply for the use of the school premises for purposes such as running training courses. As regards the possible closure of the 114 schools which had stopped admitting P1 students, SEM remarked that these schools might change their mode of operation if they could meet the relevant requirements. The Permanent Secretary for Education and Manpower (PSEM) supplemented that some of the 114 schools were originally bi-sessional schools which had merged the morning and afternoon sessions for whole-day schooling and hence, had stopped admitting P1 students for one of the sessions.

12.4 Mr Tommy CHEUNG shared the concern about the lack of coordination among different government departments in that SIP was carried out in schools facing reduction in classes or eventual closure. To better ascertain how the matter was being coordinated, Mr CHEUNG requested the Administration

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to provide information on those schools which had stopped P1 admission in the school years 2001-02 to 2004-05 but which had carried out SIP, specifying the respective dates of the decision to stop P1 admission and to carry out SIP. In this regard, SEM assured members that if a decision had been made for a school to stop P1 admission, the Administration would not proceed with the SIP works in the school concerned.

12.5 Regarding the use or intended use of the schools which were/would be closed, PSEM supplemented that in line with the current practice, the premises of closed rural schools situated on private land would be returned to the relevant owners. Disposal of the sites occupied by dilapidated school premises would be considered by the Lands Department or the Government Property Agency. Other school premises might be allocated to SSBs for whole-day primary schooling, reprovisioning, decanting or other educational purposes, as well as made available for community uses. Furthermore, if the proposed reforms in senior secondary education and higher education were implemented, the demand for school premises would be greater. Some secondary schools had already indicated their intention to use the premises of the closed primary schools to accommodate additional classes in future. In view of forthcoming developments in the education sector, the Administration would formulate a policy on how the premises of closed schools would be used. At members' request, the Administration would provide further information on the use or intended use of the 24 schools which were closed in the schools years 2001-02 to 2004-05.

12.6 Mr CHEUNG Man-kwong and Mr LEUNG Yiu-chung maintained their concern about the cost-effectiveness of carrying out SIP works on the one hand, and the eventual closure of the schools concerned on the other. While reiterating the purpose of SIP works, PSEM recapped that SIP had the support of Legislative Council Members who had, on past occasions, urged the Administration to expedite its implementation. She further pointed out that as it normally took several years to complete a building project, changes which were not foreseeable at the time of project initiation might occur. Nevertheless, having regard to the latest population forecast which had pointed to a declining school-age population, the Administration had already withheld about 100 SIP projects.

### *School Building Programme*

12.7 Referring to the situation in Shatin, Southern District and Yuen Long, Mr CHEUNG Man-kwong pointed out that while many schools already experienced P1 admission problem and might eventually stop admitting P1 students, six new through-train schools would be built in the coming years in these districts. Such an arrangement would result in an oversupply of school places and further aggravate the student admission problem. SSBs also had difficulties in competing for student intake, given the abundant supply of school places. Mr CHEUNG remarked that schools which faced class reduction included not only schools which had carried out SIP, but also those built on Year 2000 design. He considered that the Administration had committed a serious mistake in planning for the provision of school places and questioned whether the Administration had critically reviewed the School Building Programme (SBP) in the light of changing circumstances.

12.8 In this connection, SEM stated that SBP was subject to on-going review. In planning for the provision of school places, one of the Administration's policy objectives was to provide diversity and choices in the education system to cater for individual differences and preferences. He remarked that even in those districts referred to by Mr CHEUNG Man-kwong, some schools were over-subscribed while some other schools experienced admission problem. The availability of more schools would provide greater choice for parents, lead to a certain degree of competition among schools in pursuit of higher quality and inject diversity into Hong Kong's education system. SEM further said that the ultimate decision was with the parents who would decide on the schools most suitable for their children.

12.9 Mr CHEUNG Man-kwong queried whether it was reasonable for the Administration to provide more choices for parents which could lead to the possible closure of more than 100 schools due to low admission and the wastage of more than \$500 million in SIP works. He did not consider it justifiable to create an oversupply of school places in order to promote competition among schools and provide a choice to parents. Mr CHEUNG doubted whether this was a prudent approach to handle public resources and opined that the cost-effectiveness of the Administration's implementation of SBP and SIP warranted scrutiny by the Director of Audit. Mr CHEUNG was of the view that provision of new school premises should only be allowed for the purposes of reprovisioning/redevelopment of existing schools and the provision of whole-day

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primary schooling. He also urged the Administration to critically review the existing system of allocating schools to SSBs to avoid the building of surplus new schools.

12.10 In response, SEM and PSEM informed members that the school building programme was reviewed regularly. Most of the new schools built in recent years were for the purpose of providing whole-day primary schooling. To keep Members posted of developments, the Administration would revert to the Panel on Education on the review of the school building programme in the next legislative session.

12.11 On the arrangements for school allocation, PSEM explained that in the past, SSBs used to be notified of the result of school site allocation only shortly before the target operation date of the schools. To facilitate preparatory work by SSBs, the Administration had for some time provided a longer lead time by allocating new schools to SSBs several years in advance of the target operation date. As such, the SSBs concerned could be involved at a much earlier stage and could also provide their input on the design of the new school. PSEM pointed out that pursuant to this approach, the new schools under construction had in fact been allocated to SSBs some years ago.

12.12 To provide a better perspective on the demand and supply of school places and the number of new schools built, the Administration agreed to consolidate information in this respect from the written replies. The Chairman also advised that the relevant information should also be incorporated in the Administration's paper to be provided to the Panel on Education for future discussion. The Administration was also requested to review its policy on SBP and SIP and revert to the Panel on Education as soon as possible.

### **Education for students with special needs**

12.13 Dr Fernando CHEUNG expressed concern that there was a decrease of 6.4% in the financial provision for special education when comparing the 2004-05 revised estimate against the 2003-04 actual expenditure. In response, PSEM advised that the reduction in the provision for special education was mainly due to the mainstreaming of four practical schools and three skills opportunity schools. The associated expenditure had therefore been removed from the expenditure on special education to secondary education. She added that discounting these schools, there was in fact an increase in the provision earmarked for special education in 2005-06.

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12.14 Noting that under the integrated education programme, more students with special education needs would attend ordinary schools, Mr LEUNG Yiu-chung enquired if the Administration had provided sufficient resources for these ordinary schools to facilitate integration. In reply, PSEM informed members that under the integrated education programme, over 730 students with special education needs were now studying in 80 primary schools and 37 secondary schools. Some surplus teachers from schools providing special education were employed by these mainstream schools and a special grant would be provided to schools joining the programme. PSEM further advised that to support the implementation of the integrated education programme, an additional teacher was provided for each school admitting five or more students with special needs, and an additional teacher assistant was provided for each school admitting eight or more such students. The annual expenditure for this programme in the 2003-04 and 2004-05 school years was \$30 million and \$31 million respectively.

### **Training for pre-primary school teachers**

12.15 Mr CHEUNG Man-kwong noticed that among kindergarten teachers, untrained kindergarten teachers had a higher annual wastage rate than qualified kindergarten teachers. With only 1 438 (18.3% of the total) kindergarten teachers being holders of the Certificate in Education (Kindergarten), Mr CHEUNG enquired whether the Administration would provide more subsidized places for in-service kindergarten teachers to study for the Certificate course, having regard that training was an important incentive for teachers to stay on the job. He also noted that resources for academic programmes in kindergarten education at the sub-degree level in the 2005-06 academic year was \$55 million less than that for the 2004-05 academic year. Mr CHEUNG therefore enquired whether the Administration would re-deploy the \$55 million to provide more subsidized training places for in-service kindergarten teachers, bearing in mind that most of them only received a modest salary. The Chairman also remarked that currently, only some 100 fully subsidized places were provided by the Hong Kong Institute of Education (HKIEd) for kindergarten teachers which were far from sufficient if Hong Kong was to upgrade the quality of pre-primary school teachers.

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12.16 In reply, SEM said that it was the Administration's plan that all kindergarten teachers should acquire the Certificate in six years. Currently, subsidized courses were available for in-service kindergarten teachers. PSEM added that apart from the places offered by HKIEd, the Administration had committed resources to providing 400 additional in-service subsidized Certificate places in 2005-06 and the Education and Manpower Bureau would invite tenders to select the course provider(s). Some members nevertheless reiterated the financial difficulties which kindergarten teachers might have in paying for the training expenses. At members' request, PSEM would provide the titles, the number of intakes and the planned number of training places for subsidized (fully or partially) pre-service and in-service kindergarten teacher training courses for the academic years 2002-03 to 2007-08.

### **English proficiency of teachers in primary and secondary schools**

12.17 Mr Jasper TSANG noted that at present, about 60% of the English teachers in primary and secondary schools had met the Language Proficiency Requirement (LPR). The remaining 40% who had not yet attained LPR could meet the qualification through other modes, such as attainment by exemption, passing the assessment and completing the authorized training. As it was the Administration's requirement that all English teachers must attain LPR by 1 September 2006, Mr TSANG enquired whether there would be sufficient qualified English teachers available by the 2006-07 school year and the Administration's estimate as to when the remaining 40% would attain LPR.

12.18 In response, PSEM explained that under the proposed "specialized teaching" scheme to be introduced by the Administration for various subjects, English teachers would specialize in teaching the subject of English only and would not be required to teach other subjects. As such, the total number of English teachers required would be reduced, as each teacher could take up more English classes. At present, some teachers with LPR qualification did not teach English but it should be noted that these teachers were also qualified to teach English. For these reasons, the Administration anticipated that overall, there would be enough qualified English teachers by 2006-07, though individual schools would still have to ensure that they had enough qualified English teachers. As for the remaining 40% of the teachers who had yet to attain LPR, PSEM said that around 80% of them would seek to meet LPR through other modes before 1 September 2006.

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12.19 On whether the Administration would consider setting requirements on the language standard for non-language teachers who used English as the medium of instruction, PSEM said that as the consultation period for the “Consultation document on the review of medium of instruction for secondary schools and secondary school places allocation” had been extended by two months to July 2005, it would therefore be more appropriate to examine the issue in the light of the outcome of the consultation exercise. Mr Jasper TSANG considered that since the subject of medium of instruction was now under review, it was opportune for the Administration to also examine the language requirement on non-language teachers using English as the medium of instruction. He opined that in formulating a reasonable and realistic policy, the Administration should take into consideration the prevailing English standard of these non-language teachers.

12.20 In this connection, PSEM said that according to the suggestion of the Working Group on Review of Secondary School Places Allocation and Medium of Instruction for Secondary Schools (the Working Group), the basic requirement for the non-language teachers was that they could communicate their subject content intelligibly and their use of English should not have an adverse impact on students’ learning of the English language. The Working Group had also included a list of suggested qualifications in the consultation document that the teachers should possess in order to be eligible to teach in English medium schools. For those schools which applied to change their medium of instruction from Chinese to English, the Education and Manpower Bureau would conduct quality assurance inspections.

### **Expenditure on certain programme areas**

12.21 Dr Fernando CHEUNG noted that in comparing the 2004-05 revised estimate against the 2003-04 actual expenditure on various programme areas, the reduction in the provision for adult education, teacher training and higher education was 41.7%, 16.3% and 10.8% respectively and there was an increase of 11.2% for “Others”. He enquired about the reasons for the reduction and sought further information on the programme area of “Others”.

12.22 PSEM advised that expenditure items under “Others” included some one-off non-recurrent expenditure. Examples included the injection into the Education Development Fund for the school-based professional support programmes and the Language Fund in 2004-05. For 2005-06, provision for

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introduction of after-school learning and other support services for needy students under the poverty alleviation initiative announced in the Chief Executive's Policy Address 2005 had been included.

12.23 As regards adult education, PSEM clarified that the reduction in terms of the percentage was relatively high as the base figure was small. She nevertheless highlighted that over the years, the Administration had sought to provide a wide range of education and training opportunities for adult learners through different means, such as Project Yi Jin, retraining programmes operated by the Employees Retraining Board and financial assistance under the Continuing Education Fund (CEF). The Administration was also formulating a financial assistance scheme to assist needy adult learners to attend formal evening adult education courses. PSEM assured members that the Government's investment in providing opportunities for continuing education had not diminished but the Administration had adjusted its approach to better suit the needs of adult learners. The Administration was reviewing its role in the provision of adult education and in the light of experience, found that schemes like CEF might be more useful in assisting adult learners to pursue their preferred training, such as language courses which had proved to be most popular.

12.24 Regarding teacher training, PSEM said that the figures represented mainly the costs for the training programmes provided by the Education and Manpower Bureau and HKIEd. Other training activities, such as those funded by the Language Fund, had not been included.

### **Common English Proficiency Assessment Scheme**

12.25 Regarding the Administration's effort to promote the Common English Proficiency Assessment Scheme (CEPAS), Mr MA Lik enquired about the acceptance among employers of the results of the International English Language Testing System (IELTS), which was selected by the University Grants Committee (UGC) as the assessment test, for recruitment purpose. In response, SEM advised that while the Administration would promote CEPAS/IELTS among employers, it would be up to individual employers to decide whether they would accept IELTS results when recruiting staff. The Administration had not collected information from employers in this regard.

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12.26 On measures to encourage students to take part in IELTS, SEM said that the test fee of IELTS would be reimbursed to those graduates taking the test on condition that a statement be printed on their transcripts indicating that they had taken the test.

### **Internationalization of tertiary education**

12.27 Mr MA Lik enquired about the details of the \$40-million matching grant for allocation to the eight UGC-funded institutions to help build up their institutional capacity to recruit more non-local students. In reply, the Secretary-General (SG), UGC advised that under the current plan, each institution would be entitled to a maximum grant of \$5 million, on a matching basis, to strengthen their capacity to recruit more non-local students and engage more partners for student exchange programmes. It would be for individual institutions to develop their own plans and arrangements to foster internationalization of their student body.

12.28 Regarding the arrangements for the balance of the grant not utilized by individual institutions and whether such balance would be re-distributed among other institutions, SG, UGC said that UGC would examine the necessary arrangements in the light of implementation experience of the matching grant.

### **Senior year undergraduate places**

12.29 Referring to the breakdown of additional senior year undergraduate places to be provided in the 2005-06 to 2007-08 triennium for sub-degree holders to further their studies, Dr Fernando CHEUNG pointed out that HKIEd and the Social Work Department in various institutions had not been allocated with any additional place. He sought explanation on the criteria for allocating senior year undergraduate places and was concerned that sub-degree holders in social work would be deprived of the opportunity to further their study, which might ultimately affect their career advancement.

12.30 In response, SG, UGC advised that the criteria for allocating the additional senior year undergraduate places were made known to the UGC-funded institutions before inviting proposals on the allocation of the 840 additional places. The main criteria for the allocation exercise included how well the institution's proposal would fit into its role and the Government's projected manpower requirements for specific economic sectors. In the light of these criteria, it

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would not be appropriate to allocate additional senior year undergraduate places for teachers and social workers to boost the manpower supply as the projected demand for trained personnel in these two sectors could already be met.

12.31 Regarding the “fitness of role” criterion, Dr Fernando CHEUNG stated that as HKIEd had the unique role to provide training for pre-primary school teachers, the Administration should allocate additional places to HKIEd for this purpose so as to improve the quality of pre-primary education in Hong Kong. In this connection, SG, UGC and PSEM informed members that UGC had already granted approval for HKIEd to convert certificate places into a new full-time Bachelor of Education (Honours) (Early Childhood Education) Programme. SEM supplemented that a qualification in early childhood education could be attained through other ways, such as taking postgraduate diploma courses in early childhood education for in-service kindergarten teachers who were degree holders in other disciplines.

12.32 On the number of additional senior year undergraduate places originally requested by HKIEd but subsequently turned down, SG, UGC said that HKIEd had applied for 20 additional places. However, these places were for primary and secondary teacher training programmes, not pre-primary teacher training programmes.

### **Continuing Education Fund**

12.33 Ms LI Fung-ying enquired about the number of applicants for reimbursable courses under CEF for the years 2001-02 to 2003-04. In this connection, PSEM clarified that the requested information had been given in the Administration’s Reply Serial No. 107, in which the number of approved applications totaling 171 237 was the number of successful applicants for reimbursable courses.

12.34 On the academic qualifications of the CEF applicants, PSEM said that at present, the Administration did not collect information in this regard as both degree holders and non-degree holders were eligible to apply for CEF. In response to Ms LI Fung-ying’s concern that the CEF’s intended objective might be defeated if assistance was rendered to degree holders and non-degree holders alike, PSEM said that subject to the availability of funds, the applicants would be eligible for reimbursement as long as they met the relevant residency and age requirements and the courses were included in the list of reimbursable courses.

### **Employees retraining**

12.35 Miss CHAN Yuen-han noted that in 2004-05, only 68% of the retrainees who had completed full-time placement-tied retraining courses were able to secure jobs relevant to their training. As the Administration had anticipated a further drop of the rate to 60% in 2005-06, Miss CHAN enquired about the reasons for the anticipated drop and why the retrainees could not secure jobs relevant to their training.

12.36 In reply, the Executive Director, Employees Retraining Board (ED, ERB), explained that the threshold of 60% was only the planning target set by ERB. Retraining bodies might not be allowed to continue providing retraining courses if this threshold placement rate could not be met. However, experience had suggested that the actual rates were normally higher than the prescribed minimum threshold. As to why retrainees had not been able to find jobs relevant to their training, ED, ERB advised that this might be attributable to a number of reasons. For example, a retrainee might be able to find a job again in his previous trade upon completion of a retraining course, or a retrainee might find conditions in the type of jobs for which he has been trained not meeting his expectations, and hence accept other job offers. Nevertheless, the Administration agreed to provide further information on the reasons why in 2004-05, 32% of the retrainees who had completed training did not secure employment in jobs directly relevant to their training.

12.37 In this connection, ED, ERB further supplemented that to ascertain the suitability of the applicants for the retraining courses, ERB would conduct interviews for the applicants who were also provided with basic information on the relevant trades. As ERB received more than 10 000 job vacancies every month and the vacancies for estate management and local domestic helpers exceeded the number of retrainees taking these courses, ED, ERB said that retrainees for courses such as the aforesaid ones could have a high chance of getting jobs relevant to their training.

### **Industry Training Advisory Committee**

12.38 Referring to the six Industry Training Advisory Committees (ITACs) which had already been set up, Mr WONG Kwok-hing enquired whether their membership included representatives from trade unions which were sufficiently representative of the trades concerned. He was also concerned whether the

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Administration would undertake to appoint representatives from trade unions to ITACs set up in future.

12.39 In response, SEM advised that each ITAC was industry based and comprised representatives from the Government, employers, employees and professional bodies, where appropriate. The Deputy Secretary for Education and Manpower (1) said that most of the employee representatives were members of trade unions. Like other representatives, they were appointed to ITACs on an ad personam basis. He added that employee representatives would continue to be appointed to ITACs formed in future. The Administration also agreed to provide the membership list of each of the six ITACs, including information on the trade unions to which the employee representatives belonged.

## **Chapter XIII : Administration of Justice and Legal Services**

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13.1 At the invitation of the Chairman, the Judiciary Administrator (JA), Mr Wilfred TSUI, and the Secretary for Justice (SJ), Ms Elsie LEUNG, highlighted the key programme areas within their respective purviews for the year 2005-06 (Appendices V-11a and V-11b).

### **Financial provisions for the Judiciary**

13.2 Ms Margaret NG said that financial provisions for the Judiciary should not be subject to the same control as that for other Government departments. She pointed out that the Chief Justice had reiterated in his opening speech for this legal year that further reductions in resource provisions for the Judiciary, resulting in the reduction in the number of deputy judges and judicial officers, would compromise the quality of justice. The Controlling Officer's report of the Judiciary also indicated that the planned waiting times for all types of court cases in 2005 were generally much longer than the actual waiting time in 2004. In this connection, she enquired about the measures to ensure adequate resources for the Judiciary to cope with its workload so that the situation would not be further deteriorated.

13.3 In response, JA said that there had been much concern about the lengthening of waiting times at all levels of court, in particular, civil appeal cases of the Court of Appeal, civil and criminal cases of the Court of First Instance and Magistrates' Court cases. If the estimated provisions of \$944.4 million for 2005-06 were approved, the Judiciary would have the necessary resources to meet pressure points through flexible deployment of resources within its envelope. It would try to contain the waiting time and prevent the situation from further deterioration. There was, however, a limit as to what the Judiciary could do because the number of cases and duration of proceedings could not be controlled administratively. It was a fundamental principle that the quality of justice must be maintained and must not be compromised. If there came a point in time when the waiting times were considered to be unacceptable, the question of additional resources would have to be raised and properly addressed by the Administration and the Legislature. JA further advised in response to members that the estimated provisions for 2005-06 were 3.7% less as compared to 2004-05 which were in turn 4.9% less than 2003-04.

### **Re-fixing of cases listed for trial**

13.4 As the appointment of deputy judges for District Courts was mostly from the lower courts within the Judiciary, Mr Albert HO was concerned that this might have impact on the hearings at the Magistrates' Courts. He found it unacceptable that about 5% of the cases listed for trial had to be re-fixed because they could not be dealt with on the listed day due to the court's lack of time to conduct the hearing. This had resulted in wastage of time and resources, as well as psychological strain on the part of litigants. He therefore enquired about the measures to improve the present situation which might have been the result of an inadequate number of magistrates and/or Magistrates' Courts.

13.5 JA said that while the number of Magistrates' Courts had been reduced following the merger of the Western and Northern District Magistrates' Courts with other Magistrates' Courts, the number of magistrates had not been reduced but had been redeployed to meet operational needs. In view of the lengthening waiting times, the Tsuen Wan Magistrates' Court would not be closed in January 2006 as originally planned. Regarding the concern about the need for re-listing about 5% of the cases due to the court's lack of time, JA said that since it was not possible to estimate the exact number of cases which could be heard in one day, the number of cases to be listed should be balanced with the risks of having idle judicial time. It was unavoidable that a small percentage of cases could not be heard on the day fixed for the hearing. However, these would likely be simple cases as the more complicated cases or those cases in which defendants had been detained pending trial would be dealt with on the listed day. In response to members, JA would provide the number of cases of Magistrates' Courts that had to be re-fixed due to the court's lack of time to deal with them on the day listed for trial for the past three years.

### **Waiting times for court cases**

13.6 Ms LI Fung-ying noted with concern that the waiting time in 2004 with regard to dissolution of marriages cases in Family Court had failed to meet the planned target. She opined that the longer waiting time would adversely have impact on the family, particularly those with children. The Administration's explanation was that such was due to the increase in caseload and the long processing time of some of the cases. However, there had not been any increase in resources to deal with the situation, except for the deployment of one Senior Judicial Clerk in the Judiciary. She enquired if additional resources

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could be provided in an attempt to reduce the waiting times in the Family Court. JA explained that many marriage cases filed in 2002 and 2003 were still going through their proceedings in 2004, resulting in great demand for the court's time. With the reduction in number of cases from 17 670 in 2003 to 16 126 in 2004, it was expected that the situation would improve in 2005. Although the average waiting time for dissolution of marriage cases in 2004 was 68 days which was much longer than the planned target of 35 days, the latest average waiting time recorded for the first quarter of 2005 was 26 days. Hence, he was confident that the average waiting time in 2005 could be within the planned target. He further stated that the deployment of one Senior Judicial Clerk to deal with directions for trial would be able to speed up the trial process given that most family court cases involved preparatory arrangements before trial.

13.7 Ms Audrey EU said that while she shared the concern about the long waiting time and the length of trials, she considered it necessary that indicators on the time-frame between the commencement of legal proceedings to the availability of judgment at different levels of courts should be provided for public information. JA said that as the time frame for delivery of judgment rested with the judge having regard to the nature and complexity of the case, it would not be possible to administratively set a time frame for the delivery. He nevertheless undertook to provide a written explanation on the matter.

13.8 Mr KWONG Chi-kin was of the view that the effect of deletion of judicial, clerical/secretarial posts in the Judiciary had been reflected in the lengthening of waiting time for court cases and such had in fact sacrificed the interest of the public. JA stressed that there was adequate clerical/secretarial support for the Judiciary and the posts intended for deletion in 2005-06 were all vacant permanent posts which would not be filled. He had been keeping track of the workload and staff morale in the Judiciary. The Chairman said that the provision of manpower resources for the Judiciary might need to be further followed up by the Panel on Administration of Justice and Legal Services.

### **Resource Centre for Unrepresented Litigants**

13.9 Ms Audrey EU enquired about the types of service provided by the Resource Centre for Unrepresented Litigants (the Centre) and whether such were able to serve its intended purpose. Since a review would be conducted on the Centre's operation, she enquired if consideration could be given to further extending the service so that apart from the supply of forms, the Centre could

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provide legal information to unrepresented litigants. Consideration could also be given to seeking assistance from law students in the said provision. JA explained that the services provided by the Centre would include advice on legal procedures, provision of forms, internet legal reference service and video presentation on court procedures. Since the establishment of the Centre, it had received over 4 000 walk-in enquiries, 2 500 telephone enquiries, and 161 000 accesses on the webpage. He undertook to convey Ms EU's suggestion of extending the service of the Centre to the Consultative Committee which was set up to review the operation of the Centre.

### **Provision of legal advice by the Department of Justice**

13.10 Ms Miriam LAU noted that the provisions for programme (2) - Civil, which covered a wide scope ranging from representing the Government in all forms of civil litigation and dispute resolution to giving advice on policy and legal matters, was less than that for programme (1) - Prosecution. She enquired whether policy bureaux would seek legal advice from the Department of Justice (D of J) before the policy was introduced or after the policy was implemented. She recalled that the proposal to introduce the Personalized Vehicle Registration Marks Scheme was announced by the Financial Secretary in his budget speech in 2004-05. However, problems such as the need for legislative amendments were identified after the proposal was announced and as such the proposal had yet to be implemented. She enquired whether D of J, with its existing resources, would be able to provide legal advice to the respective policy bureaux prior to the introduction of policies.

13.11 SJ said that D of J would provide legal advice as and when necessary. There was no hard and fast rule on when legal advice should be sought as it would be up to the policy bureaux to decide. On whether legal advice should be sought on policy proposals which had a legislative effect, the Solicitor General (SG) said that policy bureaux would contact the Civil Division and the Legal Policy Division before initiating any legislative reforms. Under Government requirements, they would make their drafting instructions clear before seeking advice from D of J. Responding further to Ms LAU on the requirement to clear policies with D of J before announcement, SG said that there were occasions when a policy was announced before the details were worked out on a legal basis. If a new legislation or a legislative amendment was required, the details would need to be cleared with D of J.

### **Law drafting**

13.12 Noting the 4% reduction in financial provisions for programme (4) - Law Drafting for the year 2005-06, Ms Audrey EU was concerned if this would have impact on the quality of law drafting. SJ explained that it was expected that there would be shift of focus on legislative drafting work in 2005 from that in 2004, as the latter was quite a unique year accommodating the last session before the dissolution of the Legislative Council when members focused on the scrutiny of bills to be passed before the dissolution. It was not expected that overall there would be a significant increase in the workload of the Law Drafting Division in 2005. Emphasis had been placed on training for law draftsmen and arrangement had been in place for an attachment of one of the law draftsmen of D of J to the United Kingdom Law Commission where experienced legislative draftsmen prepared law reform Bills. Meanwhile, a very well-experienced law draftsman who had recently retired was engaged in providing training for law draftsmen.

### **Seeking of interpretation from the National People's Congress**

13.13 Mr Martin LEE said that the term of office for the new Chief Executive (CE), which was five years as set out in the Basic Law, had been changed to the remainder of the term of the preceding CE after seeking interpretation from the National People's Congress (NPC). The seeking of interpretation from NPC was likened to the application of the law of the Mainland to Hong Kong and was contrary to SJ's open statement that "The mission of D of J is to uphold the rule of law, to provide efficient and effective legal service to the Government and to maintain and improve the present legal system."

13.14 SJ said that the term of office of the new CE had been debated at length at the meetings of the Legislative Council and the Panel on Constitutional Affairs. It was the original view of the Government of the Hong Kong Special Administrative Region (HKSAR) that if a new CE was elected to fill a vacancy arising prematurely, his term of office should run afresh for a period of five years and this had been explained to the Mainland authorities. However, after consultation with the legal professionals in the Mainland, including those who were involved in the drafting of the Basic Law, and making reference to evidence which provided for the legislative intent, it had been accepted that the CE who vacated his office prematurely and the CE returned in the by-election could be regarded as consecutive office holders of the same term of office.

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Mr Martin LEE questioned why the Government of HKSAR had not adhered to its original view but had to seek an interpretation from NPC. He said that if there were differences in opinion, it should be up to NPC to seek an interpretation. SJ said that D of J would be maintaining and improving the legal system in Hong Kong by seeking to apply a correct interpretation of the law.

### **Exchanges with legal professionals in the Mainland**

13.15 Given that the legal systems in Hong Kong had inherent difficulties under the “One country, two systems”, Ms Audrey EU enquired whether D of J had a role to play in the interface and the relation with the Mainland, and whether there were sufficient resources for this role, particularly after the implementation of Closer Economic Partnership Arrangement. She also considered it necessary that there should be some interchanges between the legal professionals of Hong Kong and those of the Mainland on the academic and the professional front, in an attempt to minimize and avoid conflicts such as those relating to the term of office for the new CE. SJ said that exchanges between the legal professions of Hong Kong and those of the Mainland should be promoted by the Hong Kong Bar Association and the Law Society of Hong Kong. D of J had been assuming a “facilitator” role and had taken part in the exchanges by arranging visits to the Mainland and receiving the visiting groups from the Mainland. SG said that D of J had been provided with sufficient resources to promote exchanges with the Mainland. Over the last few years, the Department had attended numerous conferences in the Mainland and had visited various provinces to promote the legal services of Hong Kong and to help professional bodies to establish ties. It was part of the work of the Legal Policy Division to promote mutual understanding and resources would be provided to facilitate interchanges on the legal systems on both sides.

### **Claims made under the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment**

13.16 Referring to the judgment made of the Court of Final Appeal regarding claims made under the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT), Mr Albert HO enquired about the mechanism for assessment of claims and the financial provisions for such claims. The Acting Deputy Law Officer (Civil Law) advised that the assessment mechanism was worked out by D of J, in conjunction with the Security Bureau and the Immigration Department to ensure that claims made by

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persons liable to deportation from Hong Kong would be dealt with fairly and the actions taken by the Immigration Department would be fully justified. Legal advice would be provided by D of J where necessary. About 60 claims had been made under CAT and these were being dealt with by one Senior Government Counsel who was experienced in handling litigation cases and judicial reviews, with assistance from the relevant case officers.

### **Court Prosecutor grade**

13.17 Ms Margaret NG sought information on the staffing and expenditure of the Court Prosecutor (CP) grade in 2004-05 as compared to that in 2003-04, including the work done by CPs in relation to departmental summonses. She said that it was the hope of the legal profession that only qualified lawyers should be engaged as prosecutors in the courts. That being the case, the work in relation to departmental summonses could be left to CPs. The Director of Administration and Development advised that there were at present 101 CPs as against an establishment of 108 CP posts, which meant that seven posts had not been filled. There had not been any increase in the number of CPs since 2002 when the establishment of CPs was frozen as a result of the general freeze on civil service recruitment. If deemed appropriate, special approval would need to be sought for recruiting CPs.

13.18 The Deputy Director of Public Prosecutions added that in relation to departmental summonses, some departments had their own prosecution units which undertook prosecution actions on their own while others would rely on CPs. Owing to the shortage of CPs, a number of cases had to be briefed out to the private sector. Over the last two years, there had been a marked increase of about 300% in the number of cases being briefed out to the junior end of the Bar to substitute for CPs in the Magistrates' Courts. The workload of CPs had indeed increased as some new areas, including closed circuit television cases, were prosecuted by CPs rather than by counsel. CPs also dealt with a number of cases referred by the Independent Commission Against Corruption and the Customs and Excise Department.

## **Chapter XIV : Constitutional Affairs**

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14.1 At the Chairman's invitation, the Secretary for Constitutional Affairs (SCA), Mr Stephen LAM, highlighted the priority work of the Constitutional Affairs Bureau (CAB) and the Registration and Electoral Office (REO) in 2005-06 (Appendix V-12).

### **Priority work**

14.2 Mr CHEUNG Man-kwong reiterated the view of Members of the Democratic Party that with the implementation of the accountability system, there was no need for retaining CAB. He pointed out that in the four priority work areas highlighted by SCA, namely, constitutional development, elections, relation with Taiwan and promotion of the Basic Law (BL), the role of CAB could be dispensed with. By way of illustration, constitutional development was actually led by the Chief Secretary for Administration (CS) whereas election matters were taken up by REO. There was also no policy nor progress on relation with Taiwan. The promotion of BL could be carried out by the Education and Manpower Bureau and the Home Affairs Bureau. Mr CHEUNG considered that to achieve savings, CAB should be merged with the CS's Office.

14.3 In response, SCA elaborated the work of CAB in the four areas. He explained that it was Government's conscious decision to retain CAB upon the implementation of the accountability system taking into account the importance of constitutional development. The Constitutional Development Task Force was led by CS, with the Secretary for Justice and SCA as members. CAB was responsible for drawing up policy options and providing research and secretariat support for the Task Force. On election matters, the division of work between CAB and REO was clear. The former was responsible for formulation of policies and legislative proposals and the latter for policy implementation. Over the past three years, the Government of the Hong Kong Special Administrative Region (HKSAR) had continued to enhance exchanges with Taiwan. This facilitated speedy action after the traffic accident last year in Jiu Fen which involved Hong Kong residents. As regards the promotion of BL, although other bureaux were involved, the overall co-ordination work was undertaken by CAB. Mr CHEUNG remained unconvinced of the work done by CAB, claiming that the relevant Taiwan official criticized the ungrateful attitude of the HKSAR Government in the Jiu Fen incident.

### **Constitutional development**

14.4 Expressing disappointment at the lack of progress towards universal suffrage for both the Chief Executive (CE) election and the Legislative Council (LegCo) election, and noting that the Standing Committee of the National People's Congress (NPCSC) had interpreted BL last year and was going to interpret BL again, Mr Martin LEE queried whether any work had been done by CAB in this respect. In reply, SCA said that Hong Kong was taking forward its constitutional development towards the ultimate aim of universal suffrage. In accordance with BL, any amendments to the method for selecting CE and for forming LegCo must have the endorsement of a two-thirds majority of LegCo, the consent of CE, and be reported to NPCSC for approval or for the record (as the case may be). Before NPCSC interpreted Annexes I and II to BL last year, the HKSAR Government had already reflected the views of the community concerning the two election methods. Similarly, when the Government put forward a request to the State Council requesting NPCSC to make an interpretation of Article 53(2) of BL regarding the term of the new CE, it had duly reflected the views of the community. SCA emphasized the need for constitutional development to take place in a gradual and orderly manner, noting that within the framework of BL and NPCSC Decision, there was room for change to the two election methods in 2007 and 2008.

### **Election**

14.5 Referring to the estimates of \$22 million for the CE election and the Election Committee (EC) Subsector supplementary nominations and by-election, Mr LEUNG Kwok-hung considered the amount inadequate unless there was only one candidate. Should there be more than one CE candidate, candidates would need to introduce their election platforms in the electronic media and the resources earmarked would not suffice for the purpose. SCA pointed out that any person who was validly nominated by not less than 100 EC members would become candidates for CE election. The Government would liaise with Radio Television Hong Kong on appropriate publicity arrangements in connection with the CE by-election. Whether and how other media would plan its programmes in this respect was a matter for the relevant organizations.

14.6 Following up on the estimates for the CE election, Mr MA Lik enquired whether the amount would cover expenses for publicity in overseas countries which would be keen to keep track of the development of the CE

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election. In response, SCA said that the Government was maintaining close contacts with both local and overseas media on recent developments concerning the CE by-election. Briefings were held to update overseas correspondents of the latest situation. It was envisaged that expenses on publicity activities in connection with the CE by-election could be absorbed by existing resources. As regards overseas publicity of Hong Kong events, it fell within the responsibility of the Economic and Trade Offices and the Information Services Department.

14.7 Referring to the purview of the independent commission to consider the remuneration package and post-office arrangements for CE, Mr Albert HO considered it inappropriate for the independent commission to look into the remuneration package of CE which was not a pressing matter, whereas the more urgent issue of application of the Prevention of Bribery Ordinance (Cap. 201) to CE was not examined. SCA clarified that CE was bound by the common law offence of bribery. Upon implementation of the accountability system and the adoption of a total cash remuneration package for principal officials in 2002, the remuneration for CE was less than that for principal officials. The Government had then undertaken to review the remuneration package for CE. The Government would consider the recommendations of the independent commission. Should there be any change to the remuneration package for CE which would necessitate additional financial provision, it would be handled in accordance with established procedures. In connection with the remuneration package for CE, the Government would provide information on the estimates for undertaking renovation work on Government House.

14.8 In response to Mr TAM Yiu-chung's concern about the proposed creation of two Senior Executive Officer (SEO) posts in REO for the 2007 Village Representative elections, the Chief Electoral Officer clarified that the two posts were supernumerary and time-limited. At present, there were three substantive SEOs on the permanent establishment of REO. Of the 112 permanent posts, 95 were at clerical officer rank or below. The on-going work in REO included voter registration and updating of particulars of over 3 million registered voters.

### **Promotion of understanding of the Basic Law**

14.9 Noting that only \$3.75 million had been set aside for promoting activities to celebrate the 15<sup>th</sup> anniversary of the promulgation of BL, and that the whole budget in the HKSAR Government for BL promotion was only \$7.6 million, Mr CHAN Kam-lam considered the amounts grossly inadequate for

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the purpose and urged for more efforts in promoting BL and national education. SCA replied that the \$3.75 million was a non-recurrent provision in addition to the recurrent provision of \$1.25 million in CAB's estimates for BL promotion. Although CAB was the smallest bureau in terms of establishment and resource allocation, it had made a provision of \$5 million for promoting BL for 2005-06. In 2005-06, CAB would place more emphasis on promoting BL among youth and in schools.

14.10 Mr WONG Kwok-hing sought clarification on whether the \$3.75 million included provisions for installing flag poles for raising national flag and HKSAR flag in schools. He was concerned about the respective number of public and non-public schools which had two flag poles for hoisting both national flag and HKSAR flag. In response, SCA advised that the first celebration activity for the 15<sup>th</sup> anniversary of the promulgation of BL was a student flag raising ceremony. The number of schools which had flag raising teams had been increased from some 100 to more than 200 in a year. As the subject matter fell outside the purview of CAB, he would convey to the Education and Manpower Bureau the member's concern about availability of flag poles in schools and request for information, including the timetable for undertaking flag pole installation work in public and non-public schools. In response to Mr Martin LEE's enquiry, SCA clarified that the celebration activities for the 15<sup>th</sup> anniversary of the promulgation of BL started on 3 April 2005, a day before the anniversary.

14.11 Dr YEUNG Sum pointed out that the change of Government stance on the term of office of a new CE returned by a by-election from five years to two years had cast doubt on the credibility of the Government in promoting BL. Quoting the indifferent attitude of members of the public towards BL as shown in recent surveys, he opined that the question was not resources but lack of public confidence in the Government which was wavering in its understanding of BL. While admitting that there had been a change of understanding of the term of office of a new CE returned by a by-election, SCA stressed that it was the Government's genuine belief on the basis of its understanding of the relevant provisions in BL at different times. As gathered by surveys conducted by universities and mass media, the majority of the community supported the Government's understanding that the term of office of a new CE returned by a by-election should be the remainder of the term of the preceding CE.

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14.12 SCA further said that the HKSAR Government had been faithfully implementing BL and the public's understanding of BL had been enhanced. In a survey conducted by the Census and Statistics Department in 2000, respondents who claimed to have some understanding of BL had increased from 25% to 48%. The figure was further increased to 51% in 2004. Of these respondents, 86% were teachers and 62% were students. 21% of respondents claimed to have enhanced understanding of BL in the past year. Another indicator of public interest in BL could also be shown in the increasing number of visits to the webpage of BL from 2 million in 2003 to 2.8 million in 2004.

### **Regional cooperation**

14.13 Since only \$2.316 million had been earmarked for strengthening communication and liaison between HKSAR and provinces and regions in the Mainland, Mr Howard YOUNG sought information on the scope of work undertaken by CAB. SCA elaborated that CAB operated as the liaison office and co-ordinated the HKSAR's participation in matters relating to "9+2" and provided secretariat support for meetings and conferences for the promotion of cooperation initiatives. The estimate covered expenses such as visits, meetings and conferences. Individual initiatives, such as the Hong Kong-Zhuhai-Macao Bridge project, were followed through by the responsible policy bureaux.

## **Chapter XV : Security**

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15.1 At the Chairman's invitation, the Secretary for Security (S for S), Mr Ambrose LEE, briefed members on the major initiatives and expenditure on security for the coming year (Appendix V-13).

### **Liaison with the Ministry of State Security of the Mainland**

15.2 Mr Martin LEE enquired about the number of Mainland public security officials who had been stationed in Hong Kong following the demonstration on 1 July 2003 and the Administration's stance on the issue. S for S said that he had no information about the number of Mainland public security officials who had been stationed in Hong Kong. He said that the Administration had offered to explain to members the incident on 16 June 2004 where seven Mainland public security officials were alleged to have performed enforcement duties in Hong Kong. Investigation on the case had been completed and the Department of Justice (D of J) had come to the conclusion that there was insufficient evidence to justify prosecution action against any of the seven persons. He did not find it appropriate to disclose details of communication between the Security Bureau and the Ministry of State Security of the Mainland, given the need to protect national security.

15.3 Mr Martin LEE queried if the Government of the Hong Kong Special Administrative Region (HKSAR) was required to protect national security. He said that under Article 14 of the Basic Law, the Central People's Government should be responsible for the defence of HKSAR, while the Government of HKSAR should be responsible for the maintenance of public order in the Region. Therefore, if Government of HKSAR was responsible for national security, he would like to know the resources required for such protection. Sharing similar concern, Mr James TO and Mr LEUNG Kwok-hung questioned if the Government of HKSAR should use its own resources to protect national security and why such provision had not been made in the Estimates. S for S said that while no provisions had been made for the protection of national security, it was the responsibility of each and every Chinese citizen to protect it. The HKSAR Government had been maintaining liaison with administrations outside Hong Kong on ways to combat international crimes but there was mutual agreement that such cooperative efforts would not be disclosed. Mr Andrew CHENG however considered it necessary for the Administration to provide information on the resources incurred in its liaison with the Ministry of State Security of the Mainland.

### **Assistance to Hong Kong residents outside Hong Kong**

15.4 Mr LAU Kong-wah noted with concern that the number of requests for assistance by Hong Kong residents in the Mainland had increased from 903 in 2003 to 3 065 in 2004, representing a three-fold increase. He was aware that following the tsunami incident, the Administration was formulating the Contingency Plan for Emergency Response Operations (the Contingency Plan) outside Hong Kong for handling major external incidents and disasters involving Hong Kong residents. He enquired about the progress of formulation and the expenditure incurred. S for S said that although the number of requests for assistance had increased significantly, most of the requests came from Hong Kong residents who had lost their travel documents in Guangdong and Shenzhen. These residents could have their identity verified through the computer system at the control points. They would be provided with the necessary assistance once their identity was established. As regards the progress of formulation of the Contingency Plan, S for S said that it would be formulated as soon as practicable.

15.5 Referring to the hotline (number 2829 3010) operated by the Immigration Department (ImmD) to provide assistance to Hong Kong residents in distress outside Hong Kong, Mr LAU Kong-wah said that those who were already in distress outside Hong Kong would have difficulties in recalling the number. He suggested that a 24-hour toll-free hotline with a shorter number which could be remembered more easily should be set up to assist residents in distress. S for S agreed to consider Mr LAU's request in the context of the Contingency Plan but pointed out the need for measures to safeguard against abuse.

15.6 In view of the large number of Hong Kong residents visiting Shenzhen every year, Mr LAU Kong-wah enquired whether consideration would be given to setting up an office in Shenzhen so that Hong Kong residents in distress in Shenzhen could approach the office for assistance. He pointed out that the office in Guangzhou would not be of much help if the Hong Kong residents were stranded in Shenzhen. In response, S for S explained that the provision of assistance to Hong Kong residents in distress was but one of the purposes of setting up a liaison office in Beijing, its main purpose was to facilitate and promote business and economic activities between Hong Kong and the Mainland. The existing mechanism of providing assistance to Hong Kong residents in distress had been working well and most cases of lost travel documents had been dealt with expeditiously. Where necessary, the immigration staff at the control points would assist the Hong Kong residents in liaison with the

relevant authorities on the re-issuance of their lost documents. While agreeing that the setting up of an office in Shenzhen would provide more effective assistance to Hong Kong residents, he said that there were resource implications in doing so. He welcomed members' views in this respect.

### **Police operations**

#### ***Special allowances for disciplined services staff***

15.7 Mr WONG Kwok-hing enquired about the nature of the special allowances of over \$50 million in 2004-05 payable to disciplined services staff and the means to ensure that such disbursements were made on a fair and equitable basis without being subject to abuse. He also questioned why the said allowances could not be paid on a reimbursable basis. The Commissioner of Police (C of P) explained that one of the special allowances payable to disciplined services staff was the detective allowance for the 5 000 staff deployed on regular and frequent detective duties. This was a token allowance in recognition of the impracticality for staff to make numerous reimbursement claims for small-value out of the pocket expenses on travel, meals, refreshments and token signs of hospitality incurred in the course of discharging their duties. It would not be cost-effective to reimburse staff on all such expenses on account of the high administrative cost incurred. The current monthly rate of detective allowance for rank and file staff was \$170 and reimbursement claims for larger-value expenses could be made separately.

#### ***Rewards and special services***

15.8 In response to Mr WONG kwok-hing's question, C of P clarified that informer's fees were not part of special allowances. Financial provision for such fees was made under Subhead 103 – Rewards and special services. The 2005-06 estimates for "Rewards and special services" were \$80 million while the actual expenditure for 2004-05 was about \$54 million. There were guidelines governing the granting of informer's fees which were also subject to the scrutiny of the Director of Audit. Meanwhile, monitoring mechanisms were in place to prevent abuse. He could not elaborate on the expenses paid under "Rewards and special services" as these involved police operations of confidential nature, including fight against terrorist activities, organized and serious crimes, narcotics offences and security matters. The disclosure of such information might reveal the operational arrangements of the Police and its law enforcement capabilities to

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the criminals who would then be able to elude justice. Besides, there was no Government in the world which would disclose such information. The Chairman questioned why a committee could not be set up to oversee the expenditure under “Rewards and special services”, similar to the existing arrangement adopted by the Independent Commission Against Corruption. She also considered a need for the Police to invite members to the new Police complex to explain to them about its operations. S for S noted members’ views.

### ***Work of the former Special Branch (SB) in the Police***

15.9 While acknowledging that the Administration had no plans to reinstate the former SB in the Police, Mr James TO was skeptical that the actual surveillance work of the former SB was being performed by the crime investigation and security staff of the Police. Given that the proposed provision of \$80 million for “Rewards and special services” in 2005-06 was much higher than the revised estimate in 2004-05, he considered it necessary for the Administration to enhance transparency in order to justify the increases in the proposed provision, so that the public would be able to know the types of investigation work which additional resources and equipment were required. The lack of transparency in the proposed provision might arouse public concerns that the Police were using the “Rewards and special services” to finance the work formerly undertaken by SB. S for S clarified that the proposed provision of \$80 million for “Rewards and special services” in 2005-06 was the same as that in 2004-05, albeit the revised estimate for 2004-05 was much less. C of P added that while he was not familiar with the operation of the former SB, the disclosure of information on the expenditure for informer’s fees was not in the interest of the public. Meanwhile, the present Security Wing of the Police was responsible for the protection of key officials, internal security and international liaison.

15.10 Mr LEE Wing-tat shared Mr TO’s concern that the work of the former SB was being carried out through internal redeployment of the Police Force. He asked if the Administration would report any such redeployment to the Legislative Council and the public. S for S said that while he was responsible for policy decisions and resource allocation in respect of security matters, the actual day-to-day operation remained the purview of the heads of departments. In discharging their duties, the disciplinary services would adhere to Government policies and act in accordance with the law and the same would apply to deployment of staff. C of P added that while District Commanders could authorize short-term redeployment lasting no more than three months, the

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authority of C of P was required for longer-term redeployment which might also be subject to a board's decision. He assured members that there would be no abuse in the deployment of staff resources.

15.11 Mr James TO enquired if there would be a review of the legislation governing interception of communications. S for S confirmed that the Administration would be conducting a review of the Interception of Communications Ordinance (Cap.532) and hopefully there would be a policy direction on the matter by the end of the year.

### ***Use of police resources***

15.12 Mr James TO noted that as a result of policy changes, a lot of the work previously undertaken by the Police, such as hawkers control and some of the border patrolling duties, had either been taken up by other departments or deleted. He opined that a comprehensive review of the use of police resources should be conducted with a view to further reducing the provision for the Police, noting that the budget under S for S's purview was over \$20 billion. S for S said that the Security Bureau had been reviewing the existing policies and procedures with a view to streamlining and re-prioritizing the use of resources to ensure cost-effectiveness. This was an on-going process and as a result, the provisions had been decreasing over the years. He agreed to report on the progress to the Panel on Security.

### ***Alignment of police districts***

15.13 Mr LAU Kwong-wah noted that the Sai Kung District Council had repeatedly requested for aligning Sai Kung (SK) and Tseung Kwan O (TKO) as a separate police district given the low crime solving rate in SK. C of P explained that most of the crimes reported in SK were burglary cases which were difficult to solve. Notwithstanding, the Police would endeavour to improve the situation. He added that while there were no plans for the alignment of SK and TKO as a separate police district, sufficient resources had been provided to meet the policing needs in the areas. The Police would continue to review the alignment of boundaries of Kowloon East police region in the light of demographic changes and policing needs and would consider setting up new police districts where justified. Mr LAU was not convinced of the Administration's response. He pointed out some TKO residents had complained that they had to travel to Kwun Tong (KT) Police Station to make a report because the TKO Police Station was

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unable to cope with the heavy workload. The Chairman added that the complaint was being followed up by Duty Roster Members. C of P agreed to look into the issue.

### ***Road safety***

15.14 Given the increasing problems of speeding and disobeying of traffic lights by professional drivers, Mr LAU Kong-wah enquired about the resources incurred in improving their driving behaviours. C of P said that the Police would conduct a territory-wide enforcement operation in June 2005 targeting at speeding, disobeying traffic lights, careless driving and dangerous driving with a view to enhancing drivers' alertness of road safety and encouraging public transport users to report to the Police on undesirable driving behaviours of professional drivers. Apart from enforcement actions, the Transport Department also worked closely with the Road Safety Council to step up education and publicity programmes on road safety. To prevent speeding, consideration was being given to installing speed monitors in public light buses and cameras to check against red light jumping.

### **Immigration control**

#### ***Use of e-Channels***

15.15 Miss CHOY So-yuk was pleased to note that more than 881 000 passengers had made use of the e-Channels, and that about 270 e-Channels would be installed at the control points by mid-2006, yielding an estimated saving of 217 posts of immigration service officers. Given the popularity of e-Channels, she asked if more e-Channels would be provided, particularly on the Mainland side, to facilitate users. Consideration should also be given to introducing e-Channels for Mainland visitors who usually required a longer processing time. She also enquired the difference in processing time between conventional counters and e-Channels. The Director of Immigration (D of Imm) said that the use of e-Channels was on a voluntary basis and smart identity card holders could choose to use either e-Channels or conventional counters. The number of passengers using e-Channels had since been increased to 1 140 000. The average processing time for Hong Kong residents using e-Channels and conventional counters were both 12 seconds while the processing time for Mainland visitors was one minute. There was a need to retain conventional counters for use by Hong Kong residents below 11 years of age and

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those whose smart identity cards were pending replacement. With the savings of staff resources from the use of e-Channels, more staff could be deployed to man the conventional counters, thereby relieving the passenger traffic. He added that additional e-Channels would be provided if it was found that the existing 270 e-Channels were unable to satisfy passengers' demand by the end of 2006.

15.16 On the use of e-Channels by the Mainland visitors, D of Imm said that they could not use e-Channels for self-service clearance because they would have to present their travel documents and visit endorsements for checking and recording of their purpose and proposed length of stay. Upon approval of entry, Mainland visitors would be given a condition and duration of stay. However, he was aware that the Mainland immigration authorities had launched a trial scheme at their Zhuhai checkpoint on the use of e-channels for Hong Kong residents to enter the Mainland via Macau.

### ***Boundary-crossing facilities***

15.17 As the boundary-crossing facilities for the Hong Kong Shenzhen Western Corridor reclamation works had taken a longer time to complete due to settlement problems, Mr CHAN Kam-lam said that consideration should be given to diverting the traffic from Man Kam To and Sha Tau Kok Control Points to the 24-hour boundary crossing at Lok Ma Chau Control Point soon after their closing at 8:00 pm without having to wait until 12 midnight. The additional resources should not be significant since the Lok Ma Chau Control Point was already operating round the clock. S for S said that at present, vehicles which could not cross the border at Man Kam To and Sha Tau Kok Control Points before 8:00 pm were allowed to use the Lok Ma Chau Control Point from 12 midnight. This arrangement aimed to stagger traffic and provide more effective use of resources. He pointed out that Mr CHAN's suggestion might have resource implications on both the Hong Kong and the Mainland sides. He nevertheless agreed to take it into consideration.

### ***Certificates of Entitlement to the right of abode in Hong Kong***

15.18 Ms Margaret NG enquired about the number of petitions/appeals/judicial reviews relating to the right of abode litigation in Hong Kong and whether the costs incurred in processing these cases were included under Head 70 – Immigration Department. D of Imm said that there were about 150 outstanding petitions/appeals/judicial reviews relating to the right of

abode litigation in Hong Kong. The costs incurred in processing these cases were mainly the legal costs borne by the D of J. Ms NG noted that the petitions/appeals/judicial reviews relating to the litigation were established cases involving very minor details. As such, these cases should not be dwelt upon further to avoid wasting tax payers' money. At members' request, the Administration undertook to provide a breakdown on the legal costs, number of court days and resources (inclusive of staff resources from ImmD and D of J) incurred in processing the 150 outstanding petitions/appeals/judicial reviews relating to right of abode litigation in Hong Kong.

### **Fire protection and prevention**

15.19 Mr WONG Kwok-hing noted with concern the increasing trend of breaches of fire services regulations involving registered contractors which was three in 2002, 13 in 2003 and 21 in 2004. Of these 37 cases, all the registered contractors concerned were subject to fines ranging from \$250 to \$10,000 and referred to the Fire Services Installation Contractors Disciplinary Board for disciplinary hearing where contractors of 23 cases received a reprimand. One contractor's name was removed from class 1 and class 2 registers for six weeks while the remaining cases were pending hearing and judgment of the Board. He was of the view that the fines and penalties imposed were too lenient to achieve a deterrent effect. The Director of Fire Services said that as most of the cases involved minor offences such as failure to provide maintenance certificates and/or changes of address within the prescribed period, the fines/penalties imposed were considered appropriate. The Administration was in the process of reviewing the relevant Fire Services Regulations and would revert to the Panel on Security in due course. Meanwhile, the Administration would step up frequency of inspection and testing of fire services equipment. It was estimated that about 3 000 inspections would be carried out in 2005-06.

## **Chapter XVI : Food Safety and Environmental Hygiene**

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16.1 At the Chairman's invitation, the Secretary for Health, Welfare and Food (SHWF), Mr York CHOW, briefed members on the major initiatives and expenditure on food safety and environmental hygiene for the coming year (Appendix V-14).

### **Voluntary scheme for surrender of live poultry retail licences or tenancies**

16.2 Mr WONG Kwok-hing recalled that the Finance Committee had approved the creation of a new commitment of \$83 million in July 2004 for the provision of retraining courses and one-off grant to assist affected live poultry retail workers if their employers (i.e. live poultry retailers) had surrendered the fresh provision shop licences or live poultry stall tenancies in markets managed by the Food and Environmental Hygiene Department (FEHD). He however noted with grave concern that only 45 live poultry workers had attended the training courses and 43 of them had received the one-off grant as at end March 2005. Given that some 2 000 workers were currently employed in live poultry, this response rate was far from satisfactory.

16.3 In response, SHWF pointed out that to be eligible for the retraining courses and one-off grant, an affected worker's employer would need to have submitted an application to FEHD for surrender of licence or tenancy. In addition, the worker concerned had to make a statutory declaration confirming his employment record. The Director of Food and Environmental Hygiene (DFEH) supplemented that of the 814 live poultry retailers in operation in last July, 220 had submitted applications for surrender of licences or tenancies. According to information provided by the applicants, each applicant employed one worker on average. Hence, only about 220 live poultry workers were eligible for retraining and not all of them had made applications for enrolment in re-training courses. Of the eligible workers, 45 had attended the training courses and 43 of them received the one-off grant. Arrangements were being made for the remaining eligible workers who were interested to enroll in retraining courses. The Chairman enquired about the reason for the poor response to the voluntary scheme for surrender of live poultry retail licences or tenancies. SHWF said that many live poultry retailers might be adopting a wait-and-see attitude and did not want to make a decision until near the end of the application period, i.e. July 2005. He added that the main purpose of the scheme was to provide incentive to the retailers concerned to surrender their licences or tenancies so as to reduce the number and density of live poultry stalls. Since the surrender of licences or tenancies was voluntary, the Administration did not have a specific target for the scheme.

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16.4 Mr WONG Kwok-hing regretted that the Administration had ignored the difficulty faced by affected workers, particularly in respect of the provision of documentary evidence to support their applications for the retraining courses and one-off grant. To this end, he strongly urged the Administration to make reference to records on free vaccination offered to poultry and pet bird workers in the previous avian influenza outbreaks as documentary evidence to support the workers' claim of employment in the trade. DFEH said that while FEHD would accept all types of documentary evidence provided by workers in support of their applications for retraining and approve the applications on a case-by-case basis, the requirement for documentary evidence could not be waived in order to safeguard the proper use of public funds.

16.5 Mr WONG Kwok-hing also queried the efficacy of the training courses. DFEH said that four tailor-made courses, including security and property management cum gardening skills, small business cum self-employment, domestic helper integrated training as well as Chinese roasted food production, were provided through the Employees Retraining Board (ERB). The main purpose of these retraining courses was to help the affected workers find jobs in other fields. The affected workers could also apply for other retraining courses provided by ERB if they considered the tailor-made courses were not suitable for them. Miss CHAN Yuen-han pointed out that it would be hard for live poultry workers to find jobs in other fields in view of their low education level. She suggested that SHWF should meet with the affected workers so as to have first-hand information about their difficulties.

16.6 Mr WONG Yung-kan expressed concern that introduction of the proposed voluntary scheme for live poultry farmers and wholesalers would further aggravate the plight of the live poultry workers. He held the view that the funding of about \$200 million for the new scheme should better be used for research on the prevention of infectious diseases rather than "killing" the live poultry trade. In response, SHWF stressed that it was the responsibility of the Government to safeguard public health. While the short-term improvement measures, including vaccination against H5 avian influenza of all live chickens for sale in the local markets, market rest days and import control requirements, had proven effective so far as there were no avian influenza cases in Hong Kong despite outbreaks in the region, the H5N1 virus was mutating and the risk of human contacts with live poultry could only be effectively reduced through central or regional slaughtering in the long term. The Administration was well aware of the strong opposition from the relevant trades to the proposal of central

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or regional slaughtering. Meanwhile, the University of Hong Kong and the Chinese University of Hong Kong were engaged in conducting research on measures to prevent the occurrence of avian influenza. He assured members that the Administration would make reference to scientific findings as well as advice from the World Health Organization and fully consult the relevant trades before taking a policy decision on live poultry. In the event that the decision would unduly affect the live poultry trades, ex-gratia payments would be offered.

### **Measures to control red fire ants**

16.7 Mr TAM Yiu-chung enquired about the latest progress in the control of red fire ants. The Director of Agriculture, Fisheries and Conservation (DAFC) advised that 1 300 ant mounds had been found and destroyed so far. However, the Administration had yet to ascertain the possibility of resurgence of red fire ants in the coming warm season. Pamphlets and posters were published for educating the public on the control of the spread of red fire ants. Briefing sessions for responsible officers from hospitals, nurseries, kindergartens and residential developments were also held to facilitate the detection of red fire ants in areas under their management so that early remedial measures could be taken.

16.8 In reply to Mr TAM Yiu-chung, DAFC confirmed red fire ants, particularly the queens, could fly when they had to split from an over-populated mound. He assured members that the Administration would closely monitor the situation.

### **Vacancy situation of public markets**

16.9 Dr KWOK Ka-ki noted with concern the high vacancy rates of some public markets and enquired about the measures to improve the situation. SHWF advised that FEHD was undertaking an overall review of the occupancy situation and long-term viability of individual public markets. While efforts would be made to improve the occupancy rate, consideration would be given to changing the usage of or closing down the relevant markets where high vacancy rates persisted. DFEH supplemented that to improve the trading environment, \$300 million had been earmarked for retrofitting of air-conditioning and/or general improvement works for some markets. Notwithstanding, the change in shopping habits of housewives coupled with the keen competition from supermarkets inevitably had adverse impact on traditional wet markets. To enhance their competitiveness, stall holders were encouraged to cooperate with

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each other to provide value-added services to customers. In joint effort with the Market Management Consultative Committees, FEHD organized training courses for stall holders to improve their knowledge on customer service. Exhibitions, such as cooking demonstrations, would also be held in public markets to attract more potential customers to visit the markets.

16.10 Dr KWOK Ka-ki held the view that improvement measures were a better option than closure of markets because it would not be easy for stall holders to find jobs in other fields after closure of markets. He also asked if the Administration would lower the rents for public markets to further enhance their competitiveness. DFEH advised that rents for public markets were already very low, representing about 60% of the market level. The rents had not been increased for the last six years.

### **Regularization of “private kitchens”**

16.11 Miss CHAN Yuen-han expressed disappointment that the timetable for introducing the new legislation on “private kitchen” had been deferred from 2004-05 to 2005-06. Given that the subject had been thoroughly deliberated by the Legislature, she questioned the rationale for the delay which indeed had forced many “private kitchens” to close down. DFEH advised that FEHD was working out the detailed licensing requirements and conditions for “private kitchens” which was a new category of licensed food business. SHWF also stressed the need to ensure compliance by “private kitchens” with the safety provisions under the Buildings Ordinance (Cap. 123) and Fire Safety (Buildings) Ordinance (Cap. 572). The process would take time.

### **Agriculture, fisheries and food safety**

16.12 Noting that the provision for the programme on agriculture, fisheries and food safety for 2005-06 would be reduced by some 10%, Mr Fred LI enquired if the reduction in funding would have impact on the number of food samples to be taken for testing and if so, how the public could be assured of the food safety in Hong Kong, in particular in view of the large number of food incidents in the Mainland. In reply, DFEH clarified that the Administration had not reduced the number of food samples taken for testing. On the contrary, 500 additional samples had been taken for testing per month since October 2004. As regards the funding cut, SHWF said that as the Government was committed to reducing budget deficit, the Health, Welfare and Food Bureau was no exception.

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Notwithstanding, the Administration attached great importance to food safety and maintained close liaison with the Mainland authorities in ensuring that the foods imported to Hong Kong was safe. The relevant Authorities had uploaded the names of the food suppliers who had been given permission to export to Hong Kong onto the Internet to facilitate the importers in their choice of business partners. In view of the dire consequences in the event of food poisoning, Mr LI held the view that more resources should be earmarked to ensure food safety.

16.13 Miss CHOY So-yuk asked whether resources would be earmarked to conduct research on substitutes for polystyrene containers. In response, SHWF confirmed that the subject matter would be considered in the context of the review of food safety.

16.14 Miss CHOY So-yuk further questioned why trawling, which had been banned by most overseas countries, was still allowed in Hong Kong. She asked if the Administration would consider providing financial incentives to encourage the fishermen concerned to switch to other fishing methods. SHWF said that the Administration was looking into the matter and would introduce legislation if necessary. DAFC added that while trawling was legally allowed in Hong Kong, the Administration had ceased to provide subsidy for fishermen to maintain their trawlers since 2003 with a view to encouraging them to adopt other more environmentally friendly fishing methods. In addition, \$40 million had been earmarked to help these fishermen to retrofit their trawlers.

## **Chapter XVII : Health, Welfare and Women**

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17.1 At the invitation of the Chairman, the Secretary for Health, Welfare and Food (SHWF), Mr York CHOW, briefed members on the major initiatives and expenditure on health for the coming year (Appendix V-14).

### **Review of public health care service charges**

17.2 Referring to the Administration's reply to a written question that it did not have an implementation timetable at this stage for reviewing the fees and charges for public health care services, Miss CHAN Yuen-han queried why SHWF had recently revealed to the media that the accident and emergency (A&E) service charge would be raised to \$200.

17.3 SHWF clarified that he had publicly announced that the Administration was conducting a new round of review of public health care service charges with a view to targeting government subsidies to patients and services most in need, rectifying misconceptions and improper use of services, as well as redressing the imbalance between public and private services. The Administration would first conduct in detail an affordability study on the fee revision to ensure that the new charges to be introduced were affordable to the public. At this stage, the Administration did not have an implementation timetable. However, the Administration had to identify workable long-term health care financing options to ensure that the health care system was financially sustainable over the long run. The Administration would consult the Panel on Health Services (HS Panel) in due course.

17.4 Mr LEE Cheuk-yan queried whether A & E service charge revision could achieve the policy objective of reducing the demand for A & E service. He was worried that raising health care fees and charges was not effective in reducing demand for A & E service as demonstrated in the past. In the end, the proposal would merely be seen by the general public as a means to deal with the budget deficit problem of the Hospital Authority (HA).

17.5 SHWF said that after the introduction of an A&E service charge in November 2002, there was a short-term decrease in demand for about six months. Thereafter, the demand for the service had resumed to the original level. This phenomenon might be attributable to the fact that some members of the public were relying on the A&E Department for medical treatment as they did not have a family doctor. However, this was not to the best interests of the public as doctors in A&E Department did not have the family's (medical) history of the

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patients. So, the doctors could only deal with some of the emergency situation and not really their health issues. The Administration hoped that non-urgent patients could visit their family doctors for better care and would put in place measures to promote family medicine.

17.6 Mr LEE Cheuk-yan considered that the Administration should conduct a study to ascertain the underlying reasons for non-urgent patients to use the A & E service. Prior to completion of the study, the Administration should not revise the fees and charges for the public health care services. Miss CHAN Yuen-han also urged the Administration to consult the HS Panel on the findings of the study.

17.7 SHWF replied that the Administration was conducting a review of public medical fees, including A&E service. In the review, the Administration would examine why the public would make use of the public health care services and the existing fee waiver mechanism. The Administration had set aside \$3 million for HA to outsource part of the research work relating to affordability and willingness to pay. The Chief Executive, Hospital Authority (CE, HA) added that the work relating to the review would be absorbed by existing staff and it was expected that the review could be completed before the end of 2005. SHWF informed members that HA and the Administration would revert to the HS Panel before deciding on the medical fee adjustment proposals.

### **Medical fee exemption and waiver**

17.8 In view that a substantial proportion of the existing users of the public health care services were elderly people who might suffer from poverty due to old age, Mr TAM Yiu-chung and Mr LEUNG Kwok-hung called on the Administration to consider exempting all elderly people from payment of medical fees and charges.

17.9 SHWF replied that with an ageing population, a higher percentage of the users of the in-patient service were elderly. Under the present healthcare policy, those who had been enjoying fee exemption and waiver, including the low earnings, would not be affected by the future fee adjustments. The Administration would consider expanding the safety net if necessary.

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17.10 Mr LEUNG Kwok-hung pointed out that despite the completion of various studies on medical insurance schemes, the Administration did not take heed of any recommendations from these studies, including the Harvard Report. As the review of medical fees did not aim to solve the deficit problem, he requested the Administration to consider exempting all elderly patients aged 65 or above from payment of medical fees and charges.

17.11 SHWF said that the elderly in Hong Kong had already been provided with an old-age allowance. Resources to combat poverty should target at those who were in need as the gap between rich and the poor in Hong Kong is very wide. It would not be prudent and appropriate for the Administration to exempt the medical fees for a particular age group. He said that it would be fairer to exempt medical fees according to the income and asset of the patients.

17.12 SHWF advised that the medical fees waived to assist those in financial hardship for the year 2004-05 had amounted to \$490 million. HA had adopted a flexible approach to assist low-income patients. He reiterated that the safety net was in place for the people who could not afford the medical fees and it would be difficult to grant exemption for a particular age group.

17.13 CE, HA supplemented that the Medical Social Workers had the discretion to consider fee waiver applications, having regard to the varied circumstances of applicants. The fee waiver thus granted would either be one-off or valid for a period of time based on a patient's actual needs and conditions.

17.14 At the request of Mr TAM Yiu-chung, the Administration agreed to provide a breakdown of fee waiver applications from elderly patients vis-à-vis the total applications under the medical fee waiver mechanism in 2004-05, and the amount and proportion of medical fees so waived for elderly patients in the same year.

### **Funding for Hospital Authority**

17.15 Dr Joseph LEE declared interest as a Board member of HA. He expressed concern about the difficulties faced by HA to meet the rising health care needs of the community within the continuous budget cuts year on year. He enquired whether HA was allowed to retain the additional income derived from existing and new charges to solve the budget deficit problem which had gradually depleted the general reserve of HA.

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17.16 SHWF replied that like other Government departments, HA had to achieve efficiency savings to help solve the Government deficit. As an independent body, the HA Board and management had greater flexibility to implement measures to tackle the deficit problem. In so doing, HA and the Administration had an understanding that the standard in the provision of medical services could not be compromised. To ensure the long-term sustainable development of HA, the Administration would discuss with the HA Board on a new funding mechanism which would not simply be based on a population based formula but also other factors such as service quality and workload. As regards the financial strains experienced by HA, the Administration believed that the problem should be tackled by cost containment and identification of new revenues. Fee adjustment alone could not ease HA's budget deficit, the Administration would consider different funding mechanisms to solve the problem.

17.17 CE, HA said that the HA Board had conducted strategic planning workshops on how to deal with the severe budgetary problem facing HA. It was estimated that a 2.2% annual growth in budget was required to cater for the need of the increasing and ageing population. HA also had to continuously take in new healthcare graduates into the workforce. To this end, HA had to recruit 300 doctors and 400 nurses for professional training and service provision in 2005-06. Notwithstanding, to enhance healthcare system sustainability, HA would support Government in the deliberation of long-term healthcare financing options, and the review of public hospital fees and charges. It would also review the funding formula with Government.

17.18 On whether HA could retain part of the income derived from medical fees and the savings under the enhanced productivity programme (EPP) to help solve its deficit problem, CE, HA said that over the years, HA had implemented a number of efficiency measures under EPP to achieve productivity savings. Such savings had been returned to the Government. Regarding medical fees and charges, the current arrangement was that HA was allowed to keep 50% of the income from new fees. Regarding increase for existing fees and charges, HA was allowed to keep 100% of the additional income arising from the fee increases for the years 2003-04 and 2004-05. However, starting from 2005-06, all the additional income had to be returned to the Government.

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17.19 SHWF further said that HA's income from medical fees and charges for 2005-06 was estimated to be \$250 million. The Administration would conduct a review to enhance healthcare system sustainability. To enable HA to employ additional manpower to operate and maintain the newly acquired infection control and isolation facilities and equipment, a one-off grant of \$550 million was granted to HA in 2005-06.

17.20 Notwithstanding the severe budgetary problem facing HA, Mr Andrew CHENG was disappointed that the Administration had further reduced the funding provision for HA in 2005-06. In the absence of a long-term healthcare financing solution and other supporting reform proposals, such as the development of a network of community care programmes to support patients in the community, any increase in public medical fees would have great impact on the public, especially the middle class and elderly patients, who were not eligible for medical fee exemption. Mr CHENG opined that the Administration should expedite its study on the review of the healthcare system and financing solution. In the meantime, HA should withhold increasing the fees and charges for public medical services. The Chairman also enquired the reason for reducing the provision for HA while there was an overall 3% increase in the provision for health.

17.21 SHWF said that among the various programmes under his policy portfolio, the EPP savings from the welfare sectors and HA were the least. For infection control, an additional one-off funding would be granted to HA in 2005-06. Discounting the effect of salary adjustment in line with civil service pay cut, the provision for HA in 2005-06 was only reduced by about 0.8%. The current budget was worked out by the former SHWF with the agreement of HA to ensure a sustainable development and at the same time help mitigate the Government budget problem. He reiterated that the review of public health care service charges was not only intended to address the deficit problem of HA but also rectify misconceptions and improper use of services, as well as redress the imbalance between the public and private services. To maintain the long-term financial sustainability of the public health care system, the Administration would need to implement a series of measures to address the problem.

17.22 Mr Andrew CHENG was not convinced of the reply. He said that with a huge deficit of \$670 million, it was not reasonable for the Administration to further cut HA's funding which might in turn lead to medical fee increases. He opined that SHWF should overrule the decision made by the former SHWF. On

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the other hand, he also remarked that Members of the Democratic Party would not object to any form of fee review but the Administration needed to draw up realistic scenarios in the projection of manpower and other expenses, and assess their impact on its budget, scope and quality of service, etc and present a long-term healthcare financing solution for the next 20-30 years for members' consideration.

### **Use of HA services by non-residents**

17.23 Referring to the measures to resolve the problem of the increasing use of HA services by non-residents, Miss CHAN Yuen-han sought clarification on the proposed measure to stop providing non-emergency services to the non-eligible persons (NEPs) who were not the spouse or children under 18 of a Hong Kong resident.

17.24 SHWF said that in order to ensure that the public health care services should not be exploited by non-Hong Kong residents and visitors at the expense of Hong Kong residents, the Administration was contemplating a number of proposals to resolve the problem of the increasing use of HA services by non-residents. For non-emergency cases, the Administration's view was that NEPs should not be accorded with the same priority as local residents. For Mainland visitors with chronic illness, they should seek medical treatment in the Mainland other than in Hong Kong. However, HA would continue to provide emergency services to NEPs.

17.25 In response to members' enquiry, SHWF replied that the Administration would first deal with the proposal for adjusting public medical fees for NEPs and private patients. It was anticipated that the related proposal would be submitted to the HS Panel for discussion before the end of the current legislative session.

### **Manpower resources of the Hospital Authority**

17.26 Ms LI Fung-ying noted that in 2005, there would be a reduction of 585 civil servants working in HA and 155 full-time equivalent HA staff. In this connection, she was worried that HA would not have sufficient manpower to maintain quality healthcare services to the people. She enquired about the staff replacement plan. She also expressed concern about the outsourcing of catering service and urged HA to review the matter.

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17.27 CE, HA explained that with a staff size of 50 000, a certain amount of staff wastage would be recorded each year. While HA would exercise stringent control on replacement of vacant posts, staff reduction was not anticipated for doctors and nurses. HA would re-engineer business support services, such as catering. If outsourcing was considered appropriate, HA would implement a voluntary early retirement programme for the affected staff.

17.28 At Ms LI Fung-ying's request, the Administration agreed to provide information on measures taken/to be taken by HA in 2005 to fill up the vacant posts for various grades upon staff turnover, and a breakdown of the relevant statistics showing the number of deleted posts for various grades upon staff turnover.

### **Family Medicine**

17.29 Dr K K KWOK noted that only four Family Medicine (FM) Residential Specialists cum Trainers would be recruited and four additional Associate Consultants posts created in 2005-06. He expressed concern that there would not be sufficient trainers for FM training and enquired how the training needs could be met.

17.30 SHWF replied that trainers for the family doctors could come from both public and private sectors. He pointed out that in 2005-06, HA would recruit new medical graduates for basic FM training (around 50 places). It was estimated that the number of family doctors would increase from more than 100 to more than 500 in six years' time. For those doctors who had completed the basic FM training, they could make use of the job opportunity to pursue higher FM training leading to specialist cum trainer qualifications. Qualified personnel from Department of Health (DH) and HA could also assume the role of trainers in FM. Other trainer posts could be taken up by private practitioners.

### **Standard Hospital Authority Drug Formulary**

17.31 Regarding the Standard Hospital Authority Drug Formulary in the public hospital system, Mr TAM Yiu-chung pointed out that some elderly patients found it inconvenient to buy drugs at the community pharmacies. Apart from cost considerations and inconvenience caused to the patients, some elderly patients complained that some pharmacies took away their prescriptions so that the patients could only buy drugs from that pharmacy.

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17.32 Mr LEUNG Kwok-hung considered that the implementation of Standard Hospital Authority Drug Formulary would cause hardship to the elderly and he enquired if the Administration would abolish the Standard Hospital Authority Drug Formulary in the public hospital system.

17.33 In response, CE, HA said that most of the drugs which had not been included in the Standard Drug Formulary were already self-financed by patients. In the process of preparing the draft Standard Drug Formulary, HA had already consulted the major stakeholders, including the pharmaceutical industry and patient groups. To avoid direct competition with private pharmacies, patients were advised to purchase the drugs outside the Standard Drug Formulary from community pharmacies. HA would continue to provide Special Drugs which were to be used under specified clinical conditions with specific specialist authorization. CE, HA further added that Standard Hospital Authority Drug Formulary was not a new measure introduced by HA. The objective was to ensure equitable access to cost-effective drugs of proven efficacy and safety, through standardization of drug policy and utilization in all HA hospitals and clinics.

### **Care for psychiatric patients**

17.34 Mr Vincent FANG noted that 200 long stay psychiatric patients would be discharged to the new long stay home with a notional saving of \$59 million. As these patients would stay in an institution under the subvention of Social Welfare Department (SWD), he enquired about the new cost as compared with the cost under HA care, and whether HA would adopt similar arrangement in future. As to the \$59 million saving which would be applied to enhance ambulatory and community psychiatric services and to meet the increasing demand for acute psychiatric services, he enquired the number of patients that would benefit.

17.35 SHWF said that 200 places out of the 400 available places in the new long stay home located at Tuen Mun would be allocated for the long stay psychiatric patients which were relatively stable in condition. The Administration's policy in rehabilitation for these patients was not to retain them in hospitals. Even if they could not be taken care of in their homes, a community environment would be preferable. As those who had lived in the same district would be more familiar with the environment, they would be given priority for the places in the long stay home. Regarding cost implications, SHWF supplemented

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that the subvention for the 400 places in the long stay home was \$30 million, there was a saving in cost as compared to that of HA.

17.36 CE, HA said that the transfer of psychiatric patients to long stay home was one of the EPP measures. Long stay psychiatric patients discharged to the long stay home would still be required to go back to HA hospitals for regular examination. The saved resources would be used to meet the demand for acute psychiatric services in Kowloon Central and Kowloon East.

17.37 In response to Mr Vincent FANG's further enquiry on the acceptance of the psychiatric patients by the district, SHWF replied that as the long stay home had been planned for a long time, the concerned districts had been consulted. He remarked that based on the principle of community-based rehabilitation, the Administration's plan was for the patients to go back to community provided that they would not cause harm to themselves or to the community. CE, HA added that some of these patients had lived in an institutional environment for a long time and they would need the care of an institution and follow-up by Medical Social Workers.

### **Chinese medicine services**

17.38 Mr LI Kwok-ying noted that in addition to the existing three Chinese Medicine (CM) clinics, the Administration had committed to opening three more CM clinics in 2005-06. With the six clinics employing five new CM graduates, there would not be sufficient training posts to absorb the 60 graduates in CM this year. Noticing that the University of Hong Kong had student admission problem for CM programme this year, Mr LI asked whether the Administration would consider offering training posts to all 60 CM graduates.

17.39 SHWF said that the Administration could not undertake to provide training posts for all CM graduates. He pointed out that while not all graduates would plan to become CM practitioners, some would take up sales or researching-related jobs in relation to CM. The Administration was reviewing the policy and measures to increase the training posts for CM graduates. The preliminary idea was to set up CM outpatient clinics in the 18 districts and to set up a standard for CM clinics and training for CM practitioners. The Administration would try to cooperate with reputable and experienced non-governmental organizations (NGOs)/charitable organizations to set up these clinics. To ensure effective flow of information, new CM clinics would also be

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connected to the computer system of HA's CM clinics. SHWF remarked that the actual number of CM clinics set up in this year depended on the readiness of partners in running CM clinics and it could be more than three.

17.40 SHWF further explained that under the new mode of operating CM outpatient clinics, the Administration would provide a one-off grant for setting up the clinics, including the computer system and training. The collaborating partners would be required to operate the clinics on a self-financing basis and exemption for the medical fee would be provided to the low-income people or Comprehensive Social Security Assistance recipients. He further added that at present, there was no timetable for setting up all CM clinics in the 18 districts.

17.41 In response to Mr LI Kwok-ying's further enquiry on the provision for the training of local CM graduates, the Permanent Secretary for Health, Welfare and Food (PSHWF) replied that apart from the \$15 million non-recurrent expenditure, provisions would be made to fund the training programme for local graduates. Details of these provisions should be ready by end of this year and the Administration would revert to the HS Panel.

### **Head Start Programme**

17.42 Dr Fernando CHEUNG enquired about the implementation of the Head Start Programme (HSP) on Child Development which was aimed at identifying the needs of children under the age of five and their families as early as possible so that appropriate services could be provided to them. Mr CHEUNG enquired whether sufficient provision was set aside for the employment of medical personnel and professionals by DH and HA for the purpose. He also commented that the composition of the Coordinating Committee (CC) should include representatives from local organizations and end users.

17.43 SHWF explained that the implementation of HSP involved inter-sectoral and inter-departmental collaboration. The pilot HSP would be launched in four districts, namely, Sham Shui Po, Tuen Mun, Tseung Kwan O and Tin Shui Wai.

17.44 PSHWF added that sufficient provision had been made for the implementation of HSP. Other supporting departments, such as SWD and Education and Manpower Bureau, would make use of their own internal resources to absorb the additional work. The objective of the programme was to ensure

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early identification of the varied needs of children and their families so that appropriate services could be made available to them in a timely manner. Depending on the needs of family, the needy children would be referred to the appropriate service providers, such as the Integrated Family Service Centres. Under the proposed arrangements, Maternal and Child Health Centres would serve as a platform to provide one-stop services on the developmental needs of children.

17.45 Dr Fernando CHEUNG said that apart from the Maternal and Child Health Centres, other NGOs also provided services at the Integrated Family Service Centre. As HSP would require the support from various sectors for the early discovery and subsequent referral of the children in need to NGOs, CC should comprise representatives from the relevant NGOs. He also enquired whether the Administration had assessed the needs of these families, such as nursery services, and whether resources had been provided for these services.

17.46 SHWF pointed out that the Maternal and Child Health Centres would co-operate with nearby institutions. On the basis of experience gained in the trial, the Administration would refine the scheme to enhance its effectiveness. Although NGOs were not members of CC, the Government had consulted the local NGOs on the implementation of HSP. The Administration would ensure that there would be a close collaboration relationship between CC and the agencies concerned. The Chairman said the issue should be followed up by the Subcommittee to Study the Subject of Combating Poverty

### **Welfare**

#### ***Social security***

17.47 On the Administration's proposal to relax the permissible limit of absence from Hong Kong for the Old Age Allowance (OAA) from 180 days to 240 days per year, Mr WONG Kwok-hing and Miss CHOY So-yuk considered it unreasonable and unfair to impose an absence limit on the elders. They were gravely concerned that the absence limit, though relaxed, would still deprive the elders, who had a genuine need to stay in the Mainland or other countries for a long period of time for medical or family reasons, of the opportunity to claim OAA. Mr WONG said that as far as he knew, pensionable civil servants who had migrated to other countries were only required to confirm that they were still alive by written proof. He queried why the same arrangement could not apply to the elders claiming OAA.

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17.48 SHWF advised that the nature of the Social Security Allowance Scheme was different from that of the pension scheme. The main purpose of OAA was to provide the elders with a monthly cash allowance as a recognition of their past contributions to society. Having regard to the growing trends of more elders spending more time outside Hong Kong, it was proposed that the absence limit for OAA be relaxed. However, if the absence limit was removed, all elders aged 65 or above, including those who were not in receipt of OAA, might consider claiming it. If all of them claimed OAA, the estimated additional annual expenditure would be about \$1.17 billion. The Director of Social Welfare (DSW) also pointed out that if the absence limit was removed, additional costs would be required for establishing an effective monitoring system to check if the recipients were still alive.

17.49 Mr WONG Kwok-hing was not convinced and requested the Administration to confirm in writing the additional annual financial provision required after the removal of the limit, and the number of elders who were eligible to claim OAA. He also requested the Administration to provide in writing the justifications for setting the absence limit as 240 days per year, the additional annual financial provision required for this proposal, and the number of elders involved. SHWF agreed to provide the information after the meeting. He however pointed out that the proposed relaxation struck a reasonable balance between the wish of some elders to spend more time outside Hong Kong and the need to prudently manage public funds spent on OAA. DSW assured members that the Administration would exercise its discretion to deal with cases where the elders concerned had exceeded the absence limit because of some special reasons.

17.50 Referring to the increase of \$293 million in the estimated expenditure on Comprehensive Social Security Assistance (CSSA) for the low-earning group for 2005-06 when compared with the 2004-05 revised estimate, Miss CHAN Yuen-han stressed the need for the Social Welfare Department (SWD) and the Labour Department (LD) to take joint efforts in formulating measures for assisting the low-earning group to achieve self-reliance, in particular those who were unable to find self-supporting jobs through LD's employment service. Otherwise, the problems faced by the low-earning group would continue to remain unresolved and the government expenditure on CSSA for this group would continue to increase. Mr LEE Cheuk-yan shared Miss CHAN's concern. To address the problems faced by the low-earning group, he considered that minimum wage should be set.

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17.51 SHWF pointed out that CSSA recipients whose incomes were insufficient to support themselves were allowed to stay in the CSSA net, and that part of their incomes might be disregarded when assessing the amount of assistance payable to them. Moreover, efforts would be made to assist the CSSA recipients to find jobs in their home district so as to save their transportation cost and time. In this connection, the Commission on Poverty had agreed to adopt a district-based approach in studying and identifying as well as addressing the needs of the poor. The Commission had also agreed to focus its work on four areas, one of which was the working poor. DSW further pointed out that all along, SWD and LD had taken concerted actions to assist able-bodied CSSA recipients to find jobs. SWD was reviewing the intensive employment assistance projects implemented since October 2003 to help employable CSSA recipients and the “near-CSSA” unemployed to move into work, and would also review the provision of disregarded earnings.

17.52 Mr LEE Cheuk-yan noted that apart from the low-earning group, there had been a significant increase in the estimated expenditure on CSSA for single-parent families since 2003. He called upon the Administration to provide preventive services, such as counseling and supporting services, to problematic families so as to minimize the chance of divorce. SHWF said that both the Administration and non-governmental organizations (NGOs) had endeavoured to provide the necessary services to various families. The Assistant Director of Social Welfare (Family and Child Welfare) added that the services included premarital counseling services, supporting services to help families fulfill their functions, and remedial services for families in trouble etc.

17.53 Mr LEUNG Kwok-hung pointed out that the significant increase in the expenditure on CSSA in the recent two years was mainly attributed to the economic downturn as a result of the outbreak of the Severe Acute Respiratory Syndrome in March 2003. To provide economic relief to the persons in need, Mr LEUNG urged the Administration not to cut the expenditure on CSSA. SHWF assured members that the expenditure on CSSA would not be reduced in 2005-06.

### ***Services for elders***

17.54 Noting from the Administration’s estimates that there would not be any significant increase in the demand for the Enhanced Home and Community Care Services (EHCCS) and Integrated Home Care Services (IHCS) in 2005-06,

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Mr TAM Yiu-chung was concerned whether adequate publicity had been conducted by the Administration to promote the elders' awareness of such services. DSW advised that EHCCS and IHCS had not reached capacity and the caseload had remained stable, it was therefore estimated that there would not be any significant increase in the demand for these two services in 2005-06. However, the Administration continued its publicity work through radio broadcasting, advertisements on public buses and mini-buses, and the local networks of District Social Welfare Offices and NGOs. In fact, the utilization rate of EHCCS had been increased from 72% last year to the current 78%, and that of IHCS from 74% last year to the current 91%.

17.55 Responding to the Chairman's enquiry, DSW advised that EHCCS was introduced in 2001 to provide a comprehensive nursing and personal care services for frail elders to enable them to continue to live in the community. Frail elders were eligible for the services and they were not subject to means tests.

### ***Youth services***

17.56 To address the problems faced by non-engaged youth, Dr KWOK Ka-ki urged the Administration to identify their needs and draw up a concrete plan for providing the appropriate supporting services to them. In this connection, he enquired about the estimated provision earmarked for rendering services to non-engaged youth. SHWF advised that NGOs providing services for the youth would assess the needs of the youth within their service areas on a regular basis and provide services to them accordingly. In the 2005-06 estimate, the provision for NGOs in rendering services for the youth as a whole was \$1,114.4 million, inclusive of additional resources of \$23 million to enhance services for youth at risk and young offenders. Given that integrated services (including counseling and employment services) were provided to the youth, it was difficult to apportion the costs spent on non-engaged youth alone. DSW also pointed out that the problems of non-engaged youth were normally caused by family problems and their lack of self-confidence. SWD, LD and NGOs provided services to them with a view to building up their self-confidence, improving their relationship with family members, and assisting them to find jobs.

17.57 Dr KWOK Ka-ki considered that while it was common for youth problems to be caused by family problems, the Administration should conduct further analysis of the problems of non-engaged youth and the services required to assist them to address the problems. He requested the Administration to provide

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such information in next year's Budget. SHWF advised that the focus of the Budget was not on provision of services. He reiterated that NGOs would assess the needs of the youth within their service areas on a regular basis and endeavour to provide the appropriate services to assist them.

17.58 Noting that an additional recurrent provision of \$5 million would be earmarked for fee-waiving or fee reduction places for the After School Care Programme (ASCP) from 2005-06 and the maximum number of full fee-waiving places would as a result be increased from 830 to 1 245, Mr Frederick FUNG welcomed the increase in provision and fee-waiving places. He was however concerned whether the 1 245 full fee-waiving places were sufficient to meet the needs of the parents concerned. In this connection, he enquired about the number of applicants on the waiting list for fee-waiving places. The Assistant Director of Social Welfare (Youth and Corrections) advised that SWD reviewed the number of fee-waiving places of each NGO at a six-month interval. At the present stage, the full fee-waiving places were sufficient to meet the needs of the parents concerned and there was no waiting list for such places.

17.59 The Chairman highlighted the need for the Administration to enhance public awareness of the increase in fee-waiving places for ASCP so that the needy parents would apply for the places. DSW assured members that SWD and NGOs would continue to promote ASCP at the district level.

### ***Family services***

17.60 Ms LI Fung-ying noted that in 2004-05, SWD re-engineered all family services centres/counseling units of the Department and NGOs to form 61 integrated family service centres (IFSCs), and that the estimated total recurrent provision for the 61 IFSCs in 2005-06 was \$553.6 million. Responding to Ms LI's enquiry, DSW advised that apart from civil service pay reduction and efficiency savings, there was no reduction in the total recurrent provision for NGOs after the re-engineering exercise. Responding to the Chairman's enquiry, DSW said that the efficiency savings achieved by NGOs were about 5%.

17.61 Given the concern expressed by NGOs that the main purpose of the re-engineering exercise was to cut resources, Ms LI requested the Administration to confirm in writing whether the re-engineering exercise had resulted in reduction in the total recurrent provision for the relevant services; and if so, to provide the reasons for the reduction and set out the affected services by item. DSW agreed to provide the information in writing.

### *Services for the disabled*

17.62 Noting that the total expenditure in transport services for people with disabilities would be decreased by 20% in 2005-06, Dr Fernando CHEUNG expressed concern how the rebus services could be improved. In this connection, Dr CHEUNG pointed out that the age and mileage of some of the 87 existing rebuses far exceeded those of taxi and minibus. Of the 87 rebuses, 25 aged over nine years (including 17 aged over 10 years), and 38 with mileage over 300 000 miles (including 24 with mileage over 400 000 miles). Some rebuses were not in good condition and should be replaced. The Commissioner for Transport (C for T) advised that each rebus was examined once every year and would undergo full examination by the Electrical and Mechanical Services Department after nine years. Those rebuses which were beyond economic repair would be recommended for replacement. In 2004-05, a total of 10 rebuses were placed, and in 2005-06, only one rebus was due for replacement. C for T undertook to take up the matter with the Hong Kong Society for Rehabilitation (HKSR) and see what could be done to ensure that all the facilities of rebuses functioned properly. Given that only one rebus was planned for replacement in 2005-06, Dr CHEUNG urged the Administration to improve the replacement schedule, taking into account all relevant factors, including safety. SHWF undertook to liaise with the relevant parties to identify areas for improvement, and consider the need for replacing those rebuses aged over nine years.

17.63 Dr Fernando CHEUNG welcomed the Administration's plan to procure five additional rebuses in 2005-06. He requested the Administration to streamline the procurement process so that the new rebuses could be put into service in 2005, instead of 2006 as planned by the Administration. C for T advised that on the assumption that the 2005-06 Budget would be approved by the Legislative Council (LegCo) in April 2005, the Administration would place orders for the new rebuses in May or June 2005. It would take about six months for procurement and putting on various facilities in the rebuses. It was therefore estimated that the new rebuses would be put into service in January or February 2006. C for T assured members that the Administration would endeavour to shorten the time required for the whole process.

17.64 As the users needed to make very advanced booking for rebus through the dial-a-ride service, Dr Fernando CHEUNG considered that there should be substantial demand for rebus services. He therefore requested the

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Administration to provide reasons for estimating a drop in passenger trips in 2005. C for T pointed out that the demand projection was very close to that of last year. Moreover, a series of measures had been implemented in 2004 to improve the rebus services, including reorganization of scheduled route services and modification of the booking system for dial-a-ride service. Given that no waiting list for telephone booking was kept, Dr CHEUNG was concerned that the Administration might not be aware of the actual demand for rebus services. He therefore requested the Administration to put in place a mechanism to ascertain the transport needs of the disabled and ensure that the needs were addressed. In this connection, he suggested that the user groups should be consulted. SHWF declared interest that he had previously worked for HKSR. He undertook to ascertain the transport needs of the disabled and monitor the demand for rebus services.

17.65 The Chairman shared Dr Fernando CHEUNG's concern and supported his request mentioned above. The Chairman suggested and SHWF agreed that the matter be followed up by the Panel on Welfare Services.

### ***Women's interests***

17.66 Miss CHAN Yuen-han supported the Administration's initiatives to promote women's interests and noted that a provision of \$16.3 million would be made available under this programme area. She was however concerned how the problems faced by the female working poor could be addressed. Mrs Sophie LEUNG, Chairman of the Women's Commission, and SHWF, Deputy Chairman of the Commission, pointed out that the subject was high on the agenda of the Commission. Mrs LEUNG advised that having identified the cause of the problems and studied relevant experiences of other jurisdictions, the Commission considered it important to join hands with government departments and NGOs to address the problems. In this connection, the Commission had secured the Administration's endorsement of the introduction of gender mainstreaming on an incremental basis, i.e. incorporating women's needs and perspectives in policy making in Government and other sectors. The Commission had also conducted visits at district levels and exchanged views with women and various organizations. Miss CHAN suggested that an open forum be arranged for all parties concerned to express their views. Mrs LEUNG said that the Commission had received various organizations from time to time and it would continue to follow up the subject.

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17.67 Noting that only 271 participants had attended the gender-related training workshops organized to enhance civil servants' sensitivity towards gender issues and women's concerns, Miss CHOY So-yuk enquired about the measures taken to promote civil servants' interest in gender issues. SHWF advised that while the number of participants was small, the impact of the gender-related training workshops could be great. After attending the workshops, the participants were expected to take into consideration gender perspectives in their work, including policy making and providing services to the community. Moreover, they might offer similar training to their colleagues. Miss CHOY requested the Administration to provide by department the number of civil servants who had received gender-related training and then offered similar training to their colleagues, and the number of training courses or workshops involved.

17.68 Responding to the Chairman's enquiry, SHWF undertook to make the necessary arrangements for providing gender-related training workshops to LegCo Members and Principal Officials.

## **Chapter XVIII : Home Affairs**

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18.1 At the Chairman's invitation, Mr Patrick C P HO, the Secretary for Home Affairs (SHA), briefed members on the work priorities of the Home Affairs Bureau (HAB) in the new financial year (Appendix V-15).

### **Games of the XXIX Olympiad – Beijing 2008**

18.2 Noting from press reports that the Organizing Committee for the Games of the XXIX Olympiad - Beijing 2008 (Beijing 2008 Organizing Committee) proposed to hold equestrian events in Hong Kong, Mr CHEUNG Man-kwong sought information on the funding arrangements in this regard, including whether public funds would be required for holding the events in Hong Kong and if so, whether the funding requirements had been included in the 2005-06 Estimates. Mr CHEUNG enquired whether the events would be funded by the Beijing 2008 Organizing Committee or private sponsorships if funding was not provided in the 2005-06 Estimates.

18.3 In response, SHA explained that the proposal to hold equestrian events in Hong Kong had yet to be considered by the International Olympic Committee (IOC). Discussions on the venue for holding the events were still at the preliminary stage. Initial estimates of the funding requirements were still under preparation. Under the initial plan, Hong Kong would only provide the venue for holding the equestrian events. The Administration did not envisage the need for public funds for the time being, hence no funding provision was included in the 2005-06 Estimates. SHA assured members that the Administration would make immediate announcement to the public and provide updated information to the Legislative Council (LegCo) once a decision was made by IOC.

18.4 Mr Timothy FOK declared interest as the President of the Sports Federation and Olympic Committee of Hong Kong, China. He informed members that the proposal of holding the equestrian events for the Beijing 2008 in Hong Kong would be considered by the Executive Board of IOC next week and a decision might be taken by 19 April 2005.

18.5 Miss CHOY So-yuk enquired about the involvement of Hong Kong in presenting the proposal to IOC. She also urged the Administration to brief the Panel on Home Affairs at the earliest possible date the detailed work plan for holding the events if IOC agreed to the proposal of the Beijing 2008 Organizing Committee. As the Chairman of the Panel on Home Affairs,

Mr Tommy CHEUNG advised that the Panel would be prepared to hold a special meeting for this purpose, where necessary.

18.6 SHA responded that the proposal of holding equestrian events in Hong Kong would be presented by the delegation of the Beijing 2008 Organizing Committee during its meeting with the Executive Board of IOC in Berlin to update the progress on its activities. He undertook to report to the public and LegCo of any new developments as soon as practicable. Responding to Miss CHOY's further enquiry on the holding of events of the 2010 Asian Games in Hong Kong, SHA said that as far as he knew, no proposals had been put up in this regard for the time being.

### **Youth development**

18.7 Noting the expenditure on youth development programmes and activities in 2004-05 and the estimated expenditure in 2005-06, Miss TAM Heung-man enquired about the assessments on the cost-effectiveness of these programmes and activities. Miss TAM commented that the Administration should evaluate the results of these programmes and activities after their completion to ensure that their set objectives had been successfully achieved and examine whether there were alternative ways of achieving the same objectives in a more cost-effective manner.

18.8 In reply, the Acting Permanent Secretary for Home Affairs (PSHA(Atg)) advised that expenditure on youth development programmes and activities was mainly used to finance programmes organized in consultation with the Commission on Youth (COY). PSHA(Atg) assured members that arrangements had been made to assess whether set objectives for the financed programmes had been met. These included requesting programmes organizers to provide reports with assessments on the results and benefits brought to the participants upon completion of the programmes; participation of COY members in the programmes to assess their effects and presentations to COY by participants of some of the programmes. On the cost-effectiveness of these programmes, PSHA(Atg) explained that objective assessment could hardly be made as the results and benefits of the programmes on the youth participants might not always be quantifiable. In general, the effectiveness of the programmes would be assessed on the basis of the following criteria:

- (a) Whether the programmes successfully achieved the policy objectives on youth development;
- (b) Whether the programmes enable participants to make the best use of the resources provided; and
- (c) The benefits the programmes had brought to the participants and the community as a whole.

18.9 PSHA(Atg) said that the Administration would make reference to the past performance of different organizers for these programmes in consideration of whether applications under the funding schemes for youth development programmes should be supported. In response to the Chairman's request, PSHA(Atg) undertook to update the Panel on Home Affairs, where appropriate, on the Administration's assessment of the processing of applications under the funding schemes on youth development.

18.10 Noting that the estimated total expenditure on the Community Participation Scheme for organizing study tours to Mainland in 2004-05 was around \$7.5 million, the Chairman enquired about the eligibility criteria for organizations applying for subsidy under the Scheme and the criteria for assessing applications. The Chairman also asked whether restriction would be imposed on the age of participants in the study tours subsidized under the Scheme.

18.11 In reply, PSHA(Atg) explained that to apply for subsidy for study tours to the Mainland, the proposed tour should aim at enhancing Hong Kong youth's awareness and understanding of their home country, fostering exchange with their Mainland counterparts and strengthening their sense of national identity. The target participants of these study tours should be young people in Hong Kong. At the request of the Chairman, PSHA(Atg) undertook to provide the following information:

- (a) The eligibility criteria for organizations to apply for subsidy and the criteria for assessing applications under the Scheme;
- (b) Restrictions on the age of the participants in the study tours subsidized under the Scheme; and
- (c) The list of organizations whose applications were disapproved in 2004-05 and the reasons for the disapproval.

18.12 Noting that among the 10 uniformed groups which received recurrent subvention from the Government, two groups (the Hong Kong Sea Cadet Corps and the Girls' Brigade (Hong Kong)) were receiving higher subvention per member compared with the other groups, Miss TAM Heung-man enquired about the criteria of calculating the amount of subvention to each of these groups. In response, PSHA(Atg) explained that the recurrent subvention provided to the uniformed groups was calculated on the basis of the number of teams in each group instead of the total number of members in the group. He added that some uniformed groups, for example the Hong Kong Sea Cadet Corps, might need a higher cost per member for their trainings and programmes due to the nature of their core activities or their mode of operation. Miss TAM doubted whether the existing method of determining the level of recurrent subvention could effectively avoid abuse by uniformed groups from setting up more teams in order to obtain a higher level of recurrent subvention. PSHA(Atg) said that as the recurrent subvention from the Government only constituted a small percentage of the total expenditure of these uniform groups, it would be unlikely for them to set up more teams for the purpose of obtaining a higher level of subvention.

18.13 Mr Patrick LAU enquired about the reasons for discontinuing two funding schemes on youth development, namely, the Youth Leadership Training Funding Scheme and the Youth Community Service Funding Scheme. In reply, PSHA(Atg) said that when the two funding schemes were initially launched, the Administration had planned to provide funding for a definite period of time after which the funded projects might operate on a self-financing basis. Hence, the Administration decided to discontinue the two funding schemes on the advice of COY.

### **Cultural and creative industries**

18.14 Mr Tommy CHEUNG opined that the Administration should step up its efforts in promoting creative industries in Hong Kong. Pointing out that there were two vacant industrial buildings managed by the Housing Authority in Cheung Sha Wan and in Shek Kip Mei, Mr CHEUNG urged the Administration to actively explore the feasibility of using these buildings as venues for creative industries. Mr CHEUNG was of the view that the development of creative industries should best be pursued through partnership with non-governmental organizations (NGOs), including associations of the industrial or commercial sectors.

18.15 Miss CHAN Yuen-han opined that promotion of cultural and creative industries could be conducive to creating employment opportunities for the youth. Miss CHAN was concerned about the slow progress made and opined that SHA should explore jointly with interested LegCo Members, professionals and NGOs the best means to resolve the difficulties of using vacant industrial buildings to promote cultural and creative industries, including funding requirements and the types of industries to be promoted with priority. She also suggested that LegCo Members of different political parties should meet and work out an agreed approach for the promotion of cultural and creative industries.

18.16 In reply, SHA said that the Administration had been exploring the feasibility of utilizing vacant industrial buildings as venues for cultural and creative industries in the past year. Nevertheless, owing to the structural limitations of these old buildings and the high renovation costs involved in making them suitable for use by creative industries, no significant progress had been achieved on this front. SHA pointed out that in pursuing the use of old industrial buildings, the Administration had yet to overcome the difficulty of identifying suitable partner organizations to bring in creative element in the management of the buildings for the promotion of creative industries. SHA said that he would be ready and willing to work in partnership with NGOs and interested organizations to explore the way forward for the promotion of cultural and creative industries.

18.17 The Deputy Secretary for Home Affairs (3) (DS(HA)3) supplemented that HAB had liaised with different organizations in the past year, such as the Arts Development Council and the Hong Kong Arts Centre and discussed with them possible ways of using vacant industrial buildings for cultural and creative industries. Given the technical complexities and the high costs involved in renovating these buildings, no concrete proposals had been formulated in this regard. DS(HA)3 said that any interested organizations might put forward to the Administration their proposals for developing creative industries in vacant industrial buildings.

18.18 Pointing out that a proposal had been put forward to use the vacant industrial building in Cheung Sha Wan as a fashion centre, Mr Tommy CHEUNG doubted whether the Administration had liaised with associations of the textile and garment industries, apart from organizations of the arts and cultural sector. Mr CHEUNG suggested HAB to allocate additional resources for promoting creative industries, such as setting up special working groups to resolve the issues

involved in renovating and managing old industrial buildings. Mr Patrick LAU concurred and said that the Administration should provide incentive for the development of creative industries through allocating resources for turning the old industrial buildings suitable for use by these industries.

18.19 Mrs Sophie LEUNG expressed similar views. She opined that in promoting creative industries in Hong Kong, priority should be accorded to industries which could bring about economic returns. Mrs LEUNG said that additional resources should be allocated to facilitate the development of fashion design in Hong Kong for the long-term development of the garment industry and the competitiveness of garment exports. She also pointed out that Cheung Sha Wan had developed into a wholesale centre for the garment industry over the past years. She appealed to the Administration for taking early actions, such as visiting Cheng Sha Wan and exchanging views with the garment industry on turning the vacant industrial building into a fashion centre.

18.20 In reply, SHA advised that considerable efforts had been made to liaise with organizations of different sectors and industries, including those in the commercial sector. Despite that some organizations had shown initial interests in developing creative industries, they were inclined to rely on Government funding for renovating the old industrial buildings and did not put up any concrete proposals for using these buildings eventually. SHA undertook to liaise with Mrs LEUNG to explore jointly the possible means of taking forward the proposal. The Chairman asked the Administration to brief the relevant LegCo Panel on any further information on the proposal and opined that Members might further consider the proper timing for a site visit to Cheung Sha Wan in due course.

18.21 DS(HA)3 added that while initial discussions with organizations of the textile and garment industries on the use of the vacant industrial building in Cheung Sha Wan as a fashion centre had been carried out, no further proposal had been received from the organizations so far. DS(HA)3 advised that the cost involved in the initial renovation of one old industrial building was estimated at about \$100 million. Hence, NGOs generally did not have the financial capability to take up the renovation projects unless Government funding would be provided for the renovation and maintenance costs. Given the high start-up and operating costs and the absence of experience in this new mode of operation, NGOs and tertiary institutions which HAB had liaised with adopted a prudent approach towards developing creative industries in vacant industrial buildings.

### **Provision of community facilities**

18.22 Mr Patrick LAU expressed concern about the prolonged delay in the provision of two community halls, namely, the community hall at Tsz On Estate housing development phase 3 and the community hall at Yau Tong Estate redevelopment phase 4. Mr LAU sought information on the reasons for the delay, whether such delay had resulted in wastage of resources and if so, the amount of resources wasted. He also enquired about the number of community hall projects which had been completed on schedule in the past few years. In reply, the Assistant Director of Home Affairs (Administration) said that as the construction of the community halls was undertaken by the Architectural Services Department (Arch S D), the Home Affairs Department (HAD) did not have information in hand about the delay of the projects. He undertook to refer Mr LAU's request for information to Arch S D.

18.23 Mr WONG Kwok-hing was concerned about the provision of leisure and recreational facilities for the residents of Tung Chung. Pointing out that Tung Chung was a fast developing new town with growing population size, Mr WONG urged the Administration to take immediate actions to tackle the problem of insufficient leisure and recreational facilities in the area. In this connection, Mr WONG requested the Administration to consider the provision of a multi-purpose community centre in Tung Chung so that residents of different age groups could have a venue for community activities.

18.24 In response, SHA explained that the Administration would sustain its efforts in the development of leisure and recreational projects to meet the growing demand of the population in Tung Chung. Nevertheless, lead time for the development of these projects would be inevitable. The Director of Leisure and Cultural Service (DLCS) added that in planning for leisure and cultural services facilities, the Administration would try to accommodate the demands of local residents as far as practicable. According to the forecast made by the Planning Department, the population of Tung Chung would increase from the current level of about 60 000 to about 90 000 in 2013. DLCS advised that as announced in the 2005 Policy Address, the Government had accorded priority to 25 leisure and cultural services projects, including the development of a swimming pool complex in Area 2, Tung Chung. The project was now at a preliminary planning stage and its construction was expected to commence in 2011 with completion in 2014. She said that the Administration would try to expedite the development of the project. At present, there was one public

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swimming pool at Mui Wo in the Island District. DLCS explained that while the Administration would try to provide facilities to meet the demand of residents in different districts, subject to the availability of resources, there were certain difficulties in the provision of facilities in the Islands District given the scattered distribution of population. In response to Mr WONG Kwok-hing's further enquiry, DLCS provided the following information on other leisure and cultural facilities planned for Tung Chung:

- (a) A district open space in Area 7 would be completed in 2005;
- (b) A district open space in Area 2 would commence construction in 2005 and was expected to complete in 2007; and
- (c) A sports centre with a library in Area 17 would commence construction in 2008 and was expected to complete in 2011. In the interim, the needs of residents for library facility were catered for through the operation of a temporary library in a rented premises.

18.25 The Director of Home Affairs (DHA) added that HAD was planning to construct a community hall in Area 17, Tung Chung. Funding for the project would be sought in the 2005 central resources allocation exercise. The project would be overseen by a dedicated working group to study the demand for community facilities. DHA advised that the working group would also explore the feasibility of utilizing existing resources in different districts to provide venues for community activities, such as using schools and premises of NGOs outside their normal hours of operation. Some progress had been made in this respect.

18.26 Mr Albert CHAN was gravely concerned about the insufficient recreational and sports facilities in Tin Shui Wai. In this connection, Mr CHAN referred to the report released by the Review Panel on Family Services in Tin Shui Wai (the Review Panel) and pointed out that with the sharp increase in population in Tin Shui Wai in the recent years, the provision of community facilities had failed to meet the demand of the residents and the situation was particularly serious in Tin Shui Wai North. Mr CHAN was disappointed that despite the findings of the Review Panel, the Administration had not taken immediate actions to rectify the problem. He criticized HAB officials for their lack of empathy and sensitivity towards the needs of the residents in Tin Shui Wai. Mr CHAN said

that while the Government could allocate resources for the renovation of the Government House to prepare for the election of a new Chief Executive, it should as well allocate additional resource in 2005-06 for the provision of more recreational and sports facilities for the residents of Tin Shui Wai North.

18.27 DLCS explained that LCSD had been conscious of the demand for leisure and cultural facilities in relation to the population development in Tin Shui Wai and had deployed resources for the active planning in the provision of various facilities to ease the demand. Nevertheless, except for minor building works projects, LCSD had to go through the established procedures of the funding of these capital works projects. Through internal redeployment of resources, LCSD had been able to provide a 7-a-side soccer pitch by way of minor building works projects in Area 107, Tin Shui Wai, which was expected to complete in 2005. LCSD was also actively pursuing the preliminary planning work of a district open space in Area 107, Tin Shui Wai as well as the Tin Shui Wai public library cum indoor recreation centre. Arrangement was being made for the provision of a new mobile public library to meet the demand for public library services in Tin Shui Wai North. Other facilities under planning in Yuen Long district included a public library cum indoor recreation centre in Area 3, Yuen Long.

18.28 Mr Albert CHAN pointed out that with the high percentage of families in Tin Shui Wai relying on the Comprehensive Social Security Assistance, the demand for public leisure facilities was extremely high and pressing. Since the former Municipal Councils had already endorsed a number of projects in Tin Shui Wai which had completed initial planning, Mr CHAN did not find it reasonable to further delay these projects. He therefore urged the Administration to allocate additional resources in 2005-06 for the provision of more recreational and sports facilities for the residents in Tin Shui Wai. In response to Mr CHAN, SHA agreed to visit Tin Shui Wai in due course.

18.29 The Chairman said that Members had also expressed concern about the provision of leisure and recreational facilities in other forums, including the Subcommittee to Follow up the Outstanding Leisure and Cultural Services Projects of the Former Municipal Councils formed under the Panel on Home Affairs.

### **Rights of individuals**

18.30 Noting that the drafting and submitting of reports under the five human rights treaties that fell within the remit of HAB was handled by its Division 4 with two officers in the Administrative Officer grade and four supporting staff, Mr Albert HO queried whether the staffing support was adequate in terms of number and ranking to ensure the proper monitoring of the way in which human rights were implemented in practice. To ensure that proper and timely response would be provided to all the concluding observations of the relevant committees of the United Nations (UN) on the reports, Mr HO opined that officials of higher ranking, such as SHA, should represent Hong Kong in the hearings of the reports.

18.31 In reply, SHA said that following the People's Republic of China (PRC)'s ratification of the relevant human rights treaties, the reports of the Hong Kong Special Administrative Region (HKSAR) were/would be submitted as part of PRC's report. As such, HKSAR representatives attended the hearings of the reports as part of the PRC delegation. PSHA(Atg) added that while Division 4 of HAB was responsible for drafting and submitting reports on human rights, other divisions in the bureau shared the work on human rights in different areas. For example, Division 2 oversaw the work on privacy for personal data and Division 3 oversaw the work on equal opportunities. He pointed out that a team of six staff under Division 4 was undertaking work for the promotion of racial harmony and equality. PSHA(Atg) assured members that the Administration prepared the reports under the human rights treaties in a prudent manner. The Administration published draft outlines of the report for public consultation and all the observations of the relevant committees of UN would be taken into consideration for preparation of a full response in the next reports to UN. Moreover, Hong Kong had been highly commended by UN for its good work on human rights issues as well as the practice of inviting the Treaty Monitoring Bodies to nominate members to visit Hong Kong prior to their hearing of the reports under the respective treaties. The aim of the visits was to give these members the opportunity to see Hong Kong for themselves and to meet local NGOs, politicians, officials and other members of the public.

18.32 Mr Albert HO appreciated the Administration's efforts made in respect of human rights issues. Nevertheless, Mr HO was concerned about the existing mechanism within the Government in handling issues that straddle across different policy bureaux when taking follow-up actions in response to the concluding observations of UN committees.

18.33 PSHA(Atg) explained that as human rights covered many areas of Government activity and no one bureau could undertake responsibility for all of them, HAB had taken up the coordinating function to enable the Government to make a coherent assessment of the way in which human rights were implemented in practice, to draft reports to UN and to prepare responses to observations of UN committees. He advised that representatives of different policy bureaux involved in the work of human rights would attend the hearings of the reports and therefore they would have first-hand information on the observations of UN. Policy bureaux would exchange views and work out the follow-up actions and/or responses in this regard. Taking the example of observations of UN relating to the implementation of the International Covenant on Economic, Social and Cultural Rights, PSHA(Atg) pointed out that the implementation would have to be arranged in a gradual manner having regard to the socio-economic circumstances in Hong Kong, such as the legislation against racial discrimination. Responding to Mr HO's further enquiry, PSHA(Atg) advised that legal advice from the Department of Justice would be sought, where necessary, during the discussion between different policy bureaux and for the preparation and follow-up on reports on human rights.

18.34 Mr LEUNG Kwok-hung noted with grave concern that the surge in expenses for duty visits from \$19,380 in 2004-05 to \$600,000 in 2005-06 accounted for the significant increase in the total expenditure for promotion of UN human rights treaties from \$298,935 in 2004-05 to \$1,091,000 in 2005-06. Mr LEUNG doubted whether majority of the funds had been used for administration costs rather than for regular promotional activities for UN human rights treaties and considered such arrangements in allocating funds inappropriate and not proportional.

18.35 In response, PSHA(Atg) explained that the estimated expenditure on duty visits in 2005-06 covered the costs for about 10 HKSAR representatives from relevant policy bureaux to attend the preparatory meeting at Beijing and to attend the hearing of the report under the Convention on the Rights of the Child in Geneva in the end of 2005. PSHA(Atg) said that as the report was required once every five years, expenditure for the duty visits in this regard had not been incurred in 2004-05. Responding to the Chairman's enquiry on the purpose of the preparatory meeting at Beijing, PSHA(Atg) said that as the representatives of HKSAR and the Macau SAR would be part of the PRC delegation in the hearing of the report, prior communications and coordination would be necessary to sort out the presentation arrangements for the hearing to be held in Geneva. In

response to Mr LEUNG Kwok-hung's concern about the propriety in allocation of funds for promotion of UN human rights treaties, PSHA(Atg) said that submitting regular reports to UN on human rights was a major task in the promotion of the human rights treaties and the expenditure incurred in this regard would be necessary. PSHA(Atg) advised that apart from promotional activities through posters, Television Announcement for Public Interest (TVAPI), publication of reports and booklets, resources had been allocated for other areas of work on human rights.

### **Civic education**

18.36 Dr KWOK Ka-ki was disappointed to note that out of the \$10,166,000 estimated total expenditure on the promotion of civic education outside school in 2004-05, only \$264,245 was related to the promotion of democracy. Dr KWOK queried whether the Administration had attached importance to the promotion of democracy and doubted why the amount of estimated expenditure relating to the promotion of national education was much higher than that for the promotion of democracy.

18.37 PSHA(Atg) explained that civic education covered a wide range of issues, including promotion of democracy and national education. He stressed that the Administration attached equal importance to promotion of human rights, democracy, the rule of law as well as national education. In 2005-06, the Committee on the Promotion of Civic Education (CPCE) designated social harmony as the major promotional theme for the purpose of inviting proposals for funding subsidy on civic education projects under the Community Participation Scheme. Nevertheless, promotion of democracy would not be overlooked as the element of democracy education would exist in the promotion of national education. PSHA(Atg) pointed out that any organizations interested in seeking funding subsidy on civic education projects under the Scheme might put up their proposals for consideration by the designated working group under CPCE. All applications were assessed on the merits of individual projects. In response to Dr KWOK Ka-ki's request, PSHA(Atg) undertook to provide information on the eligibility criteria for organizations to apply for funding subsidy on civic education projects and the criteria for assessing applications under the Scheme. He also undertook to provide the list of organizations whose applications were disapproved in 2004-05, the reasons for the disapproval, with breakdown by applications relating to projects for promotion of democracy and projects for promotion of national education.

18.38 Mr LEUNG Kwok-hung opined that additional funds should be allocated to enhance the content of TVAPIs on national education. Mr LEUNG suggested that information on significant incidents in the last decades, such as the 4 June Incident, should be added to TVAPI. In response, SHA undertook to convey Mr LEUNG's views to CPCE for consideration.

### **Subvention to non-government organizations**

18.39 Miss CHOY So-yuk expressed concern about the reduction in Government subvention for the Outward Bound School (OBS) for subsidizing the programme registration fees of participants who were underprivileged or disabled persons and young people at risk, resulting in a decreasing trend for these groups of individuals taking courses at OBS. In this connection, Miss CHOY sought information on the amount of savings achieved in this respect. PSHA(Atg) responded that as a result of the reduction in resources allocated in the "financial envelope" of HAB, the subvention provided for NGOs had been reduced across the board in a fair manner. He did not have the required information in hand but he undertook to consider Miss CHOY's suggestion of adjusting the subvention to OBS in 2005-06 to take into account the number of underprivileged or disabled persons and young people at risk applying to join the courses.

## **Chapter XIX: Environment**

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19.1 At the Chairman's invitation, Dr Sarah LIAO, the Secretary for the Environment, Transport and Works (SETW), briefed members on the main initiatives of the programmes under the Policy Area: Environment (Appendix V-16).

### **Waste**

#### ***Waste separation***

19.2 Noting that the amount of waste recovered in 2004 and to be recovered in 2005 were 2.3 million and 2.4 million tonnes respectively, representing an increase of only 0.1 million tonnes, Ms Audrey EU enquired whether the small increase was attributable to the inadequacy of existing waste reduction measures. She also enquired whether the recovery rates of some of the recyclable waste could be further increased. SETW said that the Administration had been relying on the use of three-coloured waste segregation bins in the past for the separation of recyclable waste. These bins had since been redesigned to facilitate the collection of larger plastic containers. To expand the collection network for recyclables and provide raw materials for the recycling industry, a large-scale publicity programme was launched in 2005 to promote the Source Separation of Domestic Waste Programme (the SSDW Programme). The Administration was studying measures to recover plastics and compact discs etc for recycling purposes. It was also promoting the collection of used clothing given that there was a market for such.

19.3 Dr KWOK Ka-ki was concerned that the SSDW Programme might not be able to achieve the desired effect given that it was only allocated \$3.7 million in 2005-06, of which \$2.8 million would be spent on public education and outreaching programmes to estates and \$0.9 million on technical support to participating housing estates. SETW explained that the SSDW Programme was intended to be implemented on a trial basis and more resources would be provided if it was found to be financially viable. The provisions as proposed were intended to provide participating housing estates with education and technical support on waste separation. The actual waste separation work would be performed by the residents with the assistance of their management companies. A number of departments, notably the Housing Department and the Food and Environmental Hygiene Department, had been rendering assistance in promoting the Programme. At present, about 150 private housing developments and 33 public housing estates had participated in the SSDW Programme. It was

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expected that the number of participating private housing developments would increase to 180 this year and the number of residents participating would be around one million.

### ***Management of construction and demolition waste***

19.4 Noting that the cross-boundary delivery of public fill to the Mainland would commence in October 2005, Miss CHOY So-yuk sought details on the arrangement and the estimated quantity of public fill to be delivered. The Director of Civil Engineering and Development said that agreement had been reached with the Mainland authorities on the implementation details, which included material specification, delivery requirements, inspection and monitoring control to ensure that the use of public fill would not cause environmental problems. Suitable and surplus public fill would be delivered to the barging facilities, inspected and loaded onto barges for delivery to Mainland reclamation sites. The quantity of public fill to be delivered to the Mainland from October 2005 to December 2005 would be about half of the total public fill generated in 2005-06. He advised that the additional \$30 million incurred in the cross-boundary delivery of public fill were mainly transport and barging costs. Although no savings would be derived, the cross-boundary delivery of public fill would free up much needed public fill spaces. Upon completion of existing contract with the public fill operator, a new contract setting out the delivery requirements of the export scheme would be signed, so that only one contractor would be engaged for the operation of the public fill site as well as the delivery of fill to the Mainland.

### ***Levying tax on plastic bags***

19.5 Mr LEE Wing-tat enquired about the means of levying tax or charging fees on plastic bags in Hong Kong. SETW explained that the Administration was studying overseas practices of levying tax or charging fees on plastic bags and examining the feasibility of applying such schemes in Hong Kong. Instead of charging consumers for their plastic bags as in the case of Taiwan, the Administration would prefer introducing producer responsibility. No special provisions had been made in the estimates on the levying of tax or charging fees on plastic bags but this would be part of the waste reduction strategy and producer responsibility schemes. She agreed with Mr LEE that the problem of plastic bag disposal was not easy to resolve given that consumers in Hong Kong had to rely on plastic bags when shopping in wet markets. Furthermore, it

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would not be cost-effective to incur high administrative costs for the levy of tax on plastic bags. The Administration had yet to decide on the actual means of levying tax or charging fees on plastic bags but it would try to work out a few options for consideration. At present, it was seeking the cooperation of supermarkets and wet markets to implement measures to reduce reliance on plastic bags.

### ***EcoPark***

19.6 Mr WONG Kwok-hing enquired about the options for management and operation of the EcoPark as no such information had been provided by the Administration so far. As the first phase of EcoPark would be commissioned in late 2006, he was concerned that there might not be sufficient time for detailed planning on its management and operation. The Permanent Secretary for the Environment, Transport and Works (Environment)/Director of Environmental Protection said that the Environmental Impact Assessment on the project had been completed and the tendering for the detailed design would commence shortly. Details on the mode of management and the financial aspects of the EcoPark had yet to be finalized but it was intended that there would be more private sector participation in its management. Members would be apprised of the tendering requirements for the consultancy study on the detailed design and it was expected that more information on the project could be made available early next year. The infrastructure works for EcoPark were expected to be completed by late 2006, in time for the commissioning of its recycling operations.

### **Air**

#### ***Regional air quality***

19.7 Mr LEUNG Kwok-hung noted with concern the deteriorating air quality which might have been contributed by the polluting activities in the Pearl River Delta (PRD) Region. Since the Government of the Hong Kong Special Administrative Region (HKSAR) had no jurisdiction over the PRD Region, he enquired about the means through which the polluting activities could be kept under control. SETW said that air pollution was a complex problem with no quick absolute solution. The Guangdong Provincial Government and the Government of the HKSAR had reached a consensus to meet the targets for reducing regional emissions by 2010 and had jointly drawn up the Pearl River Delta Regional Air Quality Management Plan (the Management Plan) with a view

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to meeting the emission reduction targets. Under the Management Plan, a regional air quality monitoring network had been set up with 16 monitoring stations in the PRD Region to provide comprehensive and accurate air quality data. On the policy side, the propriety of imposing fines only on polluting activities in the PRD Region and the need to improve the emission standards for vehicles would need to be looked into. Meanwhile, cooperative efforts would be made to ensure effective enforcement of environmental legislation.

19.8 Mr LEUNG Kwok-hung suggested that consideration should be given to allowing provisions for investigating polluting activities in the PRD Region. He also said that enterprises which had been conducting polluting activities in the Mainland should not be allowed to extend their activities in Hong Kong. SETW said that while no provisions had been made for investigating polluting activities in the Mainland, an emissions inventory in the PRD Region had been prepared so that the two Governments could better tackle the air pollution problem.

### ***Emissions trading scheme***

19.9 Noting that the introductory work on the emissions trading scheme would not commence until the third quarter of 2006, Ir Dr Raymond HO was concerned that the scheme might not be able to materialize if it was not implemented in time within the SETW's current term of office which would expire in 2007. He also sought clarification on the arrangements for emissions trading in 2008 when the Scheme of Control Agreement (SCA) with the two power companies would expire. He would like to find out, in particular, whether Mainland enterprises wishing to supply electricity to Hong Kong would need to find a trading partner under the emissions trading scheme. SETW said that upon the expiry of SCA in 2008, power companies would be required to reduce their emissions using the most cost-effective means and these might include the use of technology and/or emissions trading. Mainland enterprises wishing to supply electricity to Hong Kong would need to abide by the stringent emission standards imposed in Hong Kong.

### ***Smoky vehicle emissions***

19.10 Ms Miriam LAU was pleased to learn about the overall drop of 75% in the number of smoky vehicles running in the street as a result of various vehicle emission control measures implemented since 1999. However, she noted

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that the number of enquiries and complaints on smoky vehicle matters handled in 2004 and 2005 appeared to be on the rise. According to the Administration, the increase was mainly attributable to the introduction of an interactive complaint webpage known as the Environmental Protection Interactive Centre (EPIC) on 7 April 2004. The webpage had given added convenience to make enquiries and complaints with the Environmental Protection Department (EPD) direct. Given that the spotters under the Smoky Vehicles Control Programme had received training for spotting of smoky vehicles while those who lodged complaints on smoky vehicles at EPIC had not, Ms LAU was concerned that some of the complaints might not be justified. The Deputy Director of Environmental Protection (3) explained that unlike the Smoky Vehicles Control Programme which was targeted at smoky vehicles with enforcement actions taken by EPD, EPIC handled a number of complaints from the public with regard to idling engines and follow-up actions were taken by the Police and the Transport Department. At members' request, the Administration agreed to provide a breakdown on the number/nature of complaints received by EPIC and the follow-up actions taken.

## **Chapter XX: Transport**

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20.1 At the Chairman's invitation, Dr Sarah LIAO, the Secretary for the Environment, Transport and Works (SETW), briefed members on the main initiatives of the programmes under the Policy Area: Transport (Appendix V-17).

### **Funding provisions for commissioning consultancy studies on transport policies**

20.2 Mr Andrew CHENG pointed out that under her policy portfolio of transport, SETW was tasked to deal with a number of highly complex issues, including the formulation of a transparent and objective fare adjustment mechanism for franchised bus services and another for railway services, the possible merger of the two railway corporations, the need to achieve a more balanced traffic distribution among the three road harbour crossings etc. All these tasks involved controversial issues and had important implications on the livelihood of the general public. Moreover, in pursuing these tasks, the Environment, Transport and Works Bureau (ETWB) very often had to undertake intensive negotiations with large corporations in the private sector which had ample financial capacity and expertise to elevate their bargaining power. He believed that given limited in-house resources, there was a need for ETWB to engage outside experts to carry out in-depth studies with a view to formulating effective strategies. Noting that the allocation for the policy area of transport in 2005-06 was about \$10.9 billion, representing a decrease of \$1.45 billion over the revised estimate for 2004-05, Mr CHENG was concerned whether ETWB had the necessary funding provisions to commission consultancy studies on the various important policy issues.

20.3 SETW said that due to the need of the Government to exercise stringent control over expenditure, there was indeed very limited room for ETWB to deploy additional resources and engage outside experts to assist in its policy formulation work. She thanked Mr CHENG for his appreciation of the heavy work schedule of ETWB in respect of the transport policy area, but appealed to members for their understanding that given the Government's prudent financial management principles and procedures, the Bureau must go through the established funding procedures, including drawing up detailed proposals to seek funding provisions for particular tasks or measures. The process usually took some time and required substantial initial input from the Bureau.

## **Chapter XX: Transport**

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20.4 Mr Andrew CHENG said that based on his recollection, the Finance Committee (FC) was usually forthcoming in supporting initiatives that had direct and important bearing on the livelihood of the public. He suggested that SETW should adopt a more proactive approach in seeking the necessary funding provisions to support her work.

### **Fare adjustment mechanism for franchised bus and railway services**

20.5 On the Administration's work on developing a more transparent and objective fare adjustment mechanism to allow franchised bus fares to be adjusted upwards or downwards, Mr WONG Kwok-hing said that it had already been some time since SETW announced the Administration's plan to develop such a mechanism. The public had high expectation on the mechanism, but there seemed to be little progress so far. He therefore sought details on the progress of the work, in particular the timing when a concrete proposal would be put up for consideration by the Panel on Transport (Transport Panel).

20.6 SETW advised that fare adjustment mechanisms for public transport services which allowed both upward and downward adjustments based on a predetermined formula had been adopted in many overseas places but the results in most cases were not encouraging. To ensure that the fare adjustment mechanism to be introduced in Hong Kong would not encounter similar problems and could operate successfully in the long term, the Administration had undertaken a lot of research and discussions with the franchised bus operators with a view to formulating a mechanism that could balance the interests of the various parties concerned and was acceptable to all of them.

20.7 As regards the adoption of a more objective and transparent fare adjustment mechanism for railway services, SETW advised that this was one of the key parameters of the merger discussion between MTR Corporation Limited (MTRCL) and Kowloon-Canton Railway Corporation. The Administration was examining the joint report submitted by the two railway corporations on the possible merger. In view of the complexity and wide implications of the possible merger, the Administration was not able to set an implementation timetable at this stage.

### **Operation of tunnels**

20.8 Mr LAU Kong-wah referred to the impending toll increase of the Eastern Harbour Crossing (EHC) scheduled for 1 May 2005, and enquired about the progress of the Administration's work to identify feasible measures and options to alleviate the economic and traffic impacts of the toll increase and to achieve a more balanced traffic distribution among the three road harbour crossings.

20.9 Mr Albert CHAN enquired whether there was any specific provision for ETWB to carry out relevant studies on measures to even out the traffic among the three road harbour crossings, and to implement measures to relieve the economic and traffic impacts of the toll increase of EHC.

20.10 SETW advised that ETWB was actively considering various options to achieve a more balanced traffic distribution among the three road harbour crossings and had held discussions with the New Hong Kong Tunnel Company Limited regarding the toll increase of EHC. The Administration maintained an open mind on the various possible options at this stage and would discuss the subject with the Transport Panel at its meeting on 22 April 2005. As to whether relevant funding had been earmarked for implementing measures to relieve the economic and traffic impacts of the toll increase of EHC, SETW advised that no provision had been earmarked for such purposes but the Administration fully understood that the matter required urgent attention and hence would commission a relevant consultancy study shortly.

20.11 The Deputy Secretary for the Environment, Transport and Works (Transport)<sup>3</sup> (DS(T)<sup>3</sup>) supplemented that in view of the grave concern of the public, the Administration had decided to engage a consultant to assist in examining the possible options to achieve a more balanced traffic distribution among the three road harbour crossings. The consultancy study had not been taken into account in preparing the Estimates, but ETWB would see if the required funding could be made available under the relevant funding vote of ETWB or those of its departments.

### **Railway development**

20.12 Mr Jeffrey LAM noted that the construction of the Tseung Kwan O South Station (the TKOS station), which formed part of the MTR Tseung Kwan O

## **Chapter XX: Transport**

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Extension project, would commence in April 2006 for completion in February 2009, and the estimated cost of the station was about \$1.2 billion. Mr LAM enquired about the forecast patronage of the station and asked whether the Government's financial support would be required.

20.13 The Director of Highways (D of Hy) advised that the TKOS station would be located next to the MTR Tseung Kwan O Depot in Tseung Kwan O Area 86. According to MTRCL, about 20 000 to 21 500 residential units would be built in this area. Upon full resident intake in 2013, the population in this area would be around 57 000. The result of the Administration's traffic forecast modelling indicated that there would be some 40 000 passenger visits per day at the TKOS station at the time of the scheduled commissioning of the station in February 2009 and there would be progressive growth of patronage thereafter as the population of the area increased. The level of patronage was considered adequate to justify the provision of the station. D of Hy also confirmed that under the relevant project agreement between the Government and MTRCL, the Government was not obliged to provide financial support for the construction and operation of the TKOS station.

20.14 On Mr Jeffrey LAM's concern that the Government's financial support might be required in the event that the actual patronage of the station turned out to be well below the forecast patronage, D of Hy advised that 40 000 passenger visits per day was already a conservative estimate. He also pointed out that as in the case of other railway development projects, the patronage of the TKOS station would increase progressively in tandem with the continual development of its catchment area. In budgeting for the project, MTRCL had taken into account the changes in patronage over a time frame of several decades, and was well aware that the station and its associated rail line extension would not be operating to full capacity during the initial operating years.

### **Hong Kong–Zhuhai–Macao Bridge**

20.15 Mr TAM Yiu-chung noted that in 2005-06, the Hong Kong–Zhuhai–Macao Bridge Advance Work Coordination Group set up by the governments of the Hong Kong Special Administrative Region (SAR), Guangdong Province and the Macao SAR would complete its deliberation on the feasibility study report on the Bridge submitted by the consultant, with a view to submitting an application to the State Council for the official establishment of the project. Mr TAM sought further details on how the project would be taken

forward by the Hong Kong SAR Government and the timetable of the project. Mr TAM also enquired about the work on the connecting transport infrastructure in Hong Kong to cater for the traffic brought by the Bridge.

20.16 SETW advised that after the Bridge project was officially established by the State Council, the Administration would probably seek funding approval from FC to proceed with the preliminary design and relevant studies for the Hong Kong section of the Bridge. However, as the Bridge involved three places, before an agreement was reached among the three sides on the actions to be taken in the next stage of work, the Hong Kong SAR Government did not have a concrete plan on the scope and depth of the studies and the relevant funding required. She further advised that the Build-Operate-Transfer approach would be adopted for the construction and operation of the Bridge. As the future investor of the Bridge project would be responsible for the detailed design of the Bridge, the time required for the pre-construction work could be shortened to some extent. It was however unlikely that the construction works for the Hong Kong section of the Bridge could start in late 2005.

20.17 As regards the connecting roads for the Bridge, D of Hy advised that a consultancy study for the preliminary design of the connecting road from the landing point of the Bridge at Northwest Lantau to the North Lantau Highway, had started in late 2004. The Administration also planned to carry out investigation and engineering feasibility studies in 2005 on various road projects in Northwest New Territories taking into account the possible traffic impact of the Bridge and other major projects under construction or planning. The relevant work plan would be discussed at the meeting of the Transport Panel on 22 April 2005. He confirmed that funding approval had been obtained for the investigation and engineering feasibility studies.

### **Pedestrian schemes**

20.18 Noting that the Administration was planning and implementing a number of pedestrian schemes in various districts, including Central, Wanchai, Causeway Bay, Jordan and Sham Shui Po and Tsim Sha Tsui, Mr Patrick LAU expressed support for the development of more pedestrian schemes in the territory. He also opined that where feasible, pedestrian schemes in different areas should be connected to provide uninterrupted and pleasant passageways for pedestrian movements, hence reducing conflicts between pedestrian and vehicular traffic. He therefore asked whether the Administration had earmarked resources for a comprehensive study on the provision of pedestrian schemes in the territory.

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20.19 In reply, the Commissioner for Transport (C for T) advised that for the past few years, the Administration had adopted a step-by-step approach in the development of pedestrian schemes and thus had been focusing on individual areas. More recently, the Administration had attempted to take a more holistic approach which sought to formulate a comprehensive plan for improvements to the pedestrian environment, urban design, streetscape and landscape of the district concerned. In this regard, the Planning Department and Transport Department were jointly undertaking an area improvement study for Tsim Sha Tsui. The relevant planning framework was now under public consultation. If this approach turned out to be successful, the Administration would adopt the same approach for planning other pedestrian schemes in future.

### **Management of government car parks**

20.20 On the management of the 13 multi-storey government car parks and the Sheung Shui Park-and Ride car park, Ms LI Fung Ying noted that all the three existing management contracts covering these car parks would expire on 30 April 2005. Under these existing contracts, a total of 182 full-time staff were employed, while under the new car park contracts which would start on 1 May 2005, a total of 153 posts would be retained. As there was a reduction of 29 posts under the new contracts, Ms LI expressed concern that the staff employed under the new contracts would be subject to less favourable service conditions and asked what measures were in place to safeguard the staff's interest. She also requested the Administration to provide the following information –

- (a) reasons for the reduction of 29 posts under the new car park management contracts;
- (b) differences in the service conditions for staff between the existing contracts and the new contracts; and
- (c) the respective expenditure on the management of government car parks in 2004-05 and 2005-06.

20.21 C for T agreed to provide supplementary information as requested by Ms LI. He also advised that the in-coming contractors were required to make first offer of employment to existing contractors' staff. There was also a requirement under the new management contracts that the monthly wages offered to car park attendants and cleaners should not be less than the average monthly

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wage for the relevant occupation as published in the latest Census and Statistics Department's Quarterly Report of Wage and Payroll Statistics at the time tenders were invited.

### **Road safety**

20.22 Referring to the Administration's recent proposal to raise the penalty level for red light jumping, Ms Miriam LAU pointed out that one major concern of the transport trades in respect of the proposal was that there were not enough red light camera systems (RLCSs) at present to facilitate effective and fair enforcement against the offence. The trades had therefore urged the Administration to expedite the installation of additional RLCSs at major road junctions and accident blackspots. In this connection, she noted from the Estimates that while the number of signalized road junctions in the territory would increase to 1 717 in 2005, the number of RLCSs continued to stand at 111 from 2003 to 2005. As the Administration had undertaken to install more RLCSs at a recent meeting of the Transport Panel, she sought clarification from the Administration on the relevant work plan.

20.23 The Permanent Secretary for the Environment, Transport and Works (Transport) (PST) affirmed that the Administration was very concerned about the problem of red light jumping, and planned to install more RLCSs. Currently, the Administration was carrying out the relevant preparatory work and would seek funding approval from FC in 2005-06 for the relevant procurement and installation works.

20.24 DS(T)3 supplemented that each signalized road junction had at least two sets of traffic signals and some had three or four sets. Each RLCS could only monitor the situation of one set of traffic signals. To ensure cost-effectiveness, the current approach was to identify major road junctions or accident blackspots for installation of RLCSs. The installation of the first 28 cameras and 111 red light camera housings in the territory was completed in early 2004. The Administration had conducted a comprehensive review of the situation of road safety in Hong Kong in late 2004 and found that the number of red light jumping offences had increased substantially and traffic accidents caused by red light jumping had also increased. One of the proposals to tackle the problem was to increase the number of red light cameras from 28 to 96 and the number of red light camera housings from 111 to 131. The Administration was now identifying the appropriate signalized road junctions for installation of the

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facilities. The Administration planned to seek funding approval from FC in late 2005 and start the installation works in 2006.

### **Intelligent Transport Systems**

20.25 Mrs Selina CHOW observed that based on the relevant work description and performance indicators under Head 186 – Transport Department, there seemed to be little progress in those areas of work involving the application of modern technology. She also recalled that a few years ago, the Administration had briefed the Transport Panel on its plans to develop and implement intelligent transport systems in Hong Kong. So far, the Panel had not received any progress report in this regard. She considered that as a metropolitan city, Hong Kong was much lagging behind in the application of modern technology for provision of traffic and transport information services to the public. As such, she asked whether there was a lack of relevant expertise or resources to take forward this area of work.

20.26 In response, SETW affirmed that ETWB was fully supportive of using new proven technology to facilitate the traffic management work of TD and to provide timely traffic and transport information to the public. As regards the implementation details, C for T advised that the Administration planned to submit a funding proposal shortly to extend the implementation of Area Traffic Control and Closed Circuit Television systems in Tuen Mun and Yuen Long. As regards the implementation of a Transport Information System (TIS), which was a centralized data warehouse for the collection, processing and dissemination of comprehensive transport information, C for T advised that the Administration awarded the contract for implementation of TIS in May 2003. However, implementation of the contract was seriously delayed and little progress was made in 2004. As a result, the Administration had terminated the contract in February 2005. Progress on TIS was thus held up pending the award of a new contract.

20.27 PST advised that funds were available under the approved commitment for the TIS project to continue with the project under a new contract. He also advised that, apart from the provision of \$722,000 that would be available in 2005-06 under Head 158 – Government Secretariat: ETWB (Transport Branch), Subhead 700 for “other general non-recurrent expenditure”, the Administration would try to identify sufficient provision from existing resources for commissioning consultancy studies on the application of modern technology for traffic management purposes if required.

## **Chapter XXI: Works**

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21.1 At the Chairman's invitation, Dr Sarah LIAO, the Secretary for the Environment, Transport and Works (SETW), briefed members on the main initiatives of the programmes under the Policy Area: Works (Appendix V-18).

### **Capital works programme**

21.2 Ir Dr Raymond HO referred to the worsening unemployment situation in the construction industry, and expressed serious concern about the Administration's continued funding commitment for the capital works programme in the coming years as the provision for infrastructure had been reduced from \$27.6 billion in 2004-05 to \$23 billion in 2005-06. Relaying the concern of the construction industry, he was extremely disappointed with the Administration's slow progress in taking forward a number of major infrastructural projects such as the South East Kowloon Development (SEKD).

21.3 In response, SETW reiterated the Administration's commitment to keeping up its investment in infrastructure. The Permanent Secretary for the Environment, Transport and Works (Works) (PSW) referred members to the provisions for infrastructure from 2001-02 to 2005-06 which stood at \$26.5 billion, \$28.3 billion, \$31.4 billion \$32.1 billion and \$27.6 billion respectively. In the short term, overall spending on capital works might moderate slightly due to the progressive completion of some mega projects such as the Hong Kong Disneyland, Deep Bay Link (DBL) and Hong Kong-Shenzhen Western Corridor (HK-SWC). Nevertheless, the Administration would make every effort to implement new projects such as the proposed link road to the Hong Kong-Zhuhai-Macao Bridge (HZMB) and the reconstruction of Tuen Mun Road, so as to honour the Administration's pledge of investing an average \$29 billion per annum on public works. He assured members that the Administration had already taken steps to expedite delivery of public works projects.

21.4 PSW further said that for major capital works projects which required more in-depth discussions among the community such as the Wanchai Development Phase II, Central-Wanchai Bypass and SEKD before deciding on the way forward, the Administration would also ensure that the necessary advanced planning works would be made. In this connection, he pointed out that the block allocations sought for works-related Heads under the Capital Works Reserve Fund in 2005-06 had amounted to \$5.2 billion, of which \$400 million was earmarked to undertake consultancy studies to establish the technical feasibility and prepare the detailed design of such capital works projects. Together with the plan to

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undertake more standalone minor improvement items at the district level, the Administration hoped that it would help the construction industry tide over the difficult time before the commencement of various large-scale projects.

21.5 Mr WONG Kwok-hing considered that the Administration should adopt measures to encourage local participation in major infrastructural projects and hence, help alleviate the unemployment situation in the construction industry. He was particularly concerned about the increasing use of pre-cast components in capital works projects which had significantly affected the job opportunities of local construction workers. In this respect, he asked whether the Administration would consider specifying a fixed percentage of works to be carried out by local workers in the forthcoming HZMB project.

21.6 SETW said that in planning for the provision of infrastructure, while it was necessary to give consideration to improving the employment situation in the construction industry, the Administration must ensure the prudent use of public funds to bring about the best benefits for the community at large. She added that apart from the public works programme, the gradual rebound of the property market would also create employment opportunities for the construction workers. As regards the HZMB project, PSW added that it would be up to the market to decide on the best approach and manpower complement to deliver the project.

21.7 Noting the on-going and planned construction of mega transport infrastructure in Northwest New Territories (NWNT) and North Lantau, including DBL/HK-SWC and HZMB, Mr Albert CHAN expressed disappointment about the lack of provision for undertaking the necessary local connecting infrastructure in NWNT. He was worried that if such local transport infrastructure was not timely provided, the resulting service gap would create many problems for the local residents.

21.8 Acknowledging Mr Albert CHAN's concern about the timely provision of transport infrastructure, the Director of Highways (D of Hy) advised that having reviewed the latest position, the Administration had formulated different packages of highway development projects to meet the anticipated traffic demand in NWNT and North Lantau. The Administration would brief the Panel on Transport on details of the findings. He further said that in order to speed up the delivery process, the Administration would carry out further investigation and engineering feasibility studies on the various projects to ascertain their technical

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feasibility, costs and environmental impacts for subsequent evaluation and determination of the optimal option. As a first step, consultancy studies on the Tuen Mun-Chek Lap Kok Link and Tuen Mun Eastern Bypass would be conducted in 2005-06.

### **Outsourced consultancy services**

21.9 Referring to the outsourcing of projects by the Architectural Services Department (Arch SD), Mr Patrick LAU enquired about the value of outsourced consultancy services in relation to the estimated total expenditure on the Capital Works Programme in 2005-06.

21.10 In reply, PSW said that for the Public Works Programme the Administration did not have such information readily in hand because the engagement of consultancy services would depend on the need and type of services required of individual capital works projects. While major consultancy contracts exceeding \$15 million would require funding approval from the Finance Committee, the Administration would also outsource minor consultancy projects with funds from the block allocations. Supplementing on the situation of Arch SD, the Director of Architectural Services said that on average, the consultancy fee amounted to 4% to 5% of the value of the projects outsourced by Arch SD.

### **Development of new water resources**

21.11 Referring to the possibility of serious droughts in the Guangdong province in the coming years which might result in under-supply of Dongjiang water, Mr WONG Kwok-hing expressed grave concern about the measures to be taken by the Administration to cope with the problem, such as the development of new water resources by means of seawater desalination, and the reduced use of potable water for toilet flushing.

21.12 In reply, SETW assured members that under the Water Supply Agreement entered into with the Guangdong Authority, a minimum of 820 million cubic metres of Dongjiang water would be supplied to Hong Kong annually. The Hong Kong Government had received no notification from the Guangdong Authority that the supply would be reduced. Nonetheless, the Administration would actively explore measures to conserve the use of water and develop new water resources.

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21.13 As part of the Administration's plan, SETW advised that a pilot seawater desalination plant costing \$13.9 million had been set up by the Water Supplies Department in Tuen Mun with a view to optimizing various technologies based on reverse osmosis and deriving a business model for Hong Kong. The pilot plant with a design daily capacity of 240 tonnes, had been in operation since November 2004, and preliminary results were expected to be available in the second half of 2005. The pilot plant would then be moved to Ap Lei Chau for further testing. Nonetheless, SETW stressed that Hong Kong had a stable and adequate supply of potable water, and there was no immediate need to adopt seawater desalination.

21.14 PSW added that in respect of wastewater recycling, the first pilot scheme for reclaimed water reuse after tertiary treatment was being implemented in conjunction with the cable car project in Ngong Ping. The total cost of the project was \$7 million with a recurrent expenditure of \$350,000. This pilot scheme would reclaim water for flushing purpose, and was scheduled for commissioning in late 2005. Another reclaimed water reuse scheme was at the planning stage. This scheme, with an estimated project cost of \$14.5 million, would provide further treatment to the effluent from the secondary sewage treatment plant at Shek Wu Hui. The reclaimed water would be supplied to nearby users for toilet flushing and landscape irrigation. Its opening was scheduled to commence in 2006 upon completion of necessary planning and detailed design.

21.15 Mr WONG Kwok-hing considered that the Administration should adopt a vigilant approach in educating the public on the use of potable water in converting the use of potable water for flushing to seawater. SETW explained that it was impractical to use seawater for flushing in many places if high electricity cost was required to pump water uphill. Moreover, if seawater was used for toilet flushing, wastewater would become non-reusable despite further treatment because it contained seawater. In reply to Mr WONG Kwok-hing, the Director of Water Supplies said that at present, 80% of the flats in Hong Kong, in view of their proximity to the sea, were already using seawater for toilet flushing. Mr WONG Kwok-hing maintained that the Administration should formulate a phased programme to facilitate the supply of seawater to the remaining 20% of households for flushing. It was important to ensure an adequate and constant supply of potable water in Hong Kong so that people's livelihood would not be affected.

### **Tree-planting for landscaping purpose**

21.16 Mr TAM Yiu-chung noted that some trees purchased by the Government as part of the horticultural works for a capital works project cost as much as \$100,000 per tree. Expressing concern about the cost-effectiveness of such an expensive undertaking, he enquired about the studies undertaken by the Administration in establishing the suitability of planting such trees in Hong Kong.

21.17 SETW explained that depending on the planting locations, trees were planted for a number of reasons, including landscaping and soil conservation. The Administration would conduct in-house studies and consult expert views to ensure that the most suitable species were chosen for the required purposes. In this respect, a high-level Steering Committee on Greening had been established to provide a steer on the overall strategy and to oversee the implementation of greening programmes, including the selection of trees to be planted in Hong Kong.

21.18 Regarding the said project, the Director of Civil Engineering and Development clarified that the species in question was Phoenix canariensis which cost several thousand dollars per tree. The total cost of these trees only accounted for a small percentage of the contract sum for the landscape works.

### **Monitoring of excavation works**

21.19 The Chairman sought information on the improvements achieved in respect of the monitoring of excavation works after the enactment of the Land (Miscellaneous Provisions) Ordinance (Cap. 28). SETW replied that since the operation of the new legislation, the number of excavation activities had been significantly reduced by 30%, i.e. from 60 882 in 2003-04 to 40 793 in 2004-05. D of Hy supplemented that improvements were also seen in other aspects. For example, in the same period from 2003-04 to 2004-05, the average duration of road excavation works had been shortened from 50 days to 34.5 days. The Joint Utilities Policy Group which made up of members from utilities undertakings had also noted the satisfactory progress made in relation to the monitoring of excavation sites.

## Appendix I

### Programme of the special meetings of the Finance Committee to examine the Estimates 2005-06 from 11 to 14 April 2005

<u>Session No.</u>	<u>Government Representative</u>	<u>Date</u>	<u>Time</u>
1	Secretary for Commerce, Industry and Technology • Commerce and Industry	11 April	9:00 am - 10:00 am
2	Secretary for Commerce, Industry and Technology • Communications and Technology	11 April	10:05 am - 10:50 am
3	Secretary for Financial Services and the Treasury • Financial Services	11 April	11:00 am - 11:45 am
4	Secretary for Financial Services and the Treasury • Public Finance	11 April	11:50 am - 12:35 pm
5	Secretary for the Civil Service	11 April	2:15 pm - 3:00 pm
6	Secretary for Housing, Planning and Lands • Housing	11 April	3:05 pm - 3:50 pm
7	Secretary for Housing, Planning and Lands • Planning and Lands	11 April	4:00 pm - 5:00 pm
8	Director of Administration Commissioner, Independent Commission Against Corruption The Ombudsman Director of Audit Private Secretary to Chief Executive Secretary General, Legislative Council Secretariat	11 April	5:05 pm - 5:50 pm

<u>Session No.</u>	<u>Government Representative</u>	<u>Date</u>	<u>Time</u>
9	Secretary for Economic Development and Labour • Economic Development	12 April	2:15 pm - 3:15 pm
10	Secretary for Economic Development and Labour • Labour	12 April	3:20 pm - 4:05 pm
11	Secretary for Education and Manpower	12 April	4:15 pm - 5:15 pm
12	(i) Judiciary Administrator (ii) Secretary for Justice	13 April	9:00 am - 10:00 am
13	Secretary for Constitutional Affairs • Constitutional Affairs • Beijing Office	13 April	10:05 am - 10:50 am
14	Secretary for Security	13 April	11:00 am - 12:30 pm
15	Secretary for Health, Welfare and Food (i) Food Safety and Environmental Hygiene (ii) Health (iii) Welfare and Women	13 April	2:15 pm - 3:10 pm 3:15 pm - 4:25 pm 4:30 pm - 5:30 pm
16	Secretary for Home Affairs	14 April	2:15 pm - 3:45 pm
17	Secretary for the Environment, Transport and Works • Environment	14 April	3:55 pm - 4:40 pm
18	Secretary for the Environment, Transport and Works • Transport	14 April	4:45 pm - 5:30 pm
19	Secretary for the Environment, Transport and Works • Works	14 April	5:35 pm - 6:35 pm

**Summary of written and supplementary questions  
and requests for additional information**

<u>Session No.</u>	<u>Director of Bureau/Controlling Officer</u>	<u>No. of written questions</u>	<u>No. of supplementary questions</u>	<u>No. of requests for additional information (verbal)</u>
1	Secretary for Commerce, Industry and Technology • Commerce and Industry	54	-	1
2	Secretary for Commerce, Industry and Technology • Communications and Technology	91	-	1
3	Secretary for Financial Services and the Treasury • Financial Services	21	-	1
4	Secretary for Financial Services and the Treasury • Public Finance	91	5	2
5	Secretary for the Civil Service	41	5	2
6	Secretary for Housing, Planning and Lands • Housing	18	-	3
7	Secretary for Housing, Planning and Lands • Planning and Lands	107	-	4
8	Director of Administration	31	1	1
	Commissioner, Independent Commission Against Corruption	9	-	-
	The Ombudsman	1	-	-
	Director of Audit	9	-	-
	Private Secretary to Chief Executive	10	-	3
	Secretary General, Legislative Council Secretariat	1	-	-

<u>Session No.</u>	<u>Director of Bureau/Controlling Officer</u>	<u>No. of written questions</u>	<u>No. of supplementary questions</u>	<u>No. of requests for additional information (verbal)</u>
9	Secretary for Economic Development and Labour • Economic Development	124	4	2
10	Secretary for Economic Development and Labour • Labour	64	4	3
11	Secretary for Education and Manpower	152	11	7
12	(i) Judiciary Administrator (ii) Secretary for Justice	14 23	3 -	1 1
13	Secretary for Constitutional Affairs • Constitutional Affairs • Beijing Office	55 5	2 -	- -
14	Secretary for Security	153	2	3
15	Secretary for Health, Welfare and Food (i) Food Safety and Environmental Hygiene (ii) Health (iii) Welfare and Women	457	28	5
16	Secretary for Home Affairs	130	7	4
17	Secretary for the Environment, Transport and Works • Environment	91	3	1
18	Secretary for the Environment, Transport and Works • Transport	111	7	1
19	Secretary for the Environment, Transport and Works • Works	24	2	1
	<b>Total :</b>	1,887	84	47

**Attendance of members and public officers at the  
special meetings of the Finance Committee  
from 11 to 14 April 2005**

**Meeting held in the morning of 11 April 2005 (Sessions 1 - 4)  
9:00 am to 12:35 pm  
Legislative Council Chamber**

**Members present :**

Hon Emily LAU Wai-hing, JP (Chairman)  
Hon CHAN Kam-lam, JP (Deputy Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Dr Hon David LI Kwok-po, GBS, JP  
Hon Margaret NG  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon James TO Kun-sun  
Hon Bernard CHAN, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon SIN Chung-kai, JP  
Hon Jasper TSANG Yok-sing, GBS, JP  
Dr Hon YEUNG Sum  
Hon CHOY So-yuk  
Hon Andrew CHENG Kar-foo  
Hon Abraham SHEK Lai-him, JP  
Hon Vincent FANG Kang, JP  
Hon WONG Kwok-hing, MH  
Hon LEE Wing-tat  
Hon Andrew LEUNG Kwan-yuen, SBS, JP  
Hon Alan LEONG Kah-kit, SC  
Hon WONG Ting-kwong, BBS  
Hon TONG Ka-wah, SC  
Hon CHIM Pui-chung  
Hon TAM Heung-man

**Public officers attending :**

Miss Elizabeth TSE, JP

Deputy Secretary for Financial Services and  
the Treasury (Treasury) 1

Mr Alfred FOK  
Principal Executive Officer (General),  
Financial Services and the Treasury Bureau  
(Treasury)

Session 1 - Commerce and Industry

Mr John TSANG, JP  
Secretary for Commerce, Industry and  
Technology

Miss Denise YUE, GBS, JP  
Permanent Secretary for Commerce,  
Industry and Technology (Commerce and  
Industry)

Mr Philip YUNG, JP  
Deputy Secretary for Commerce, Industry  
and Technology (Commerce & Industry)<sup>1</sup>

Miss Mary CHOW, JP  
Deputy Secretary for Commerce, Industry  
and Technology (Commerce & Industry)<sup>2</sup>

Miss Viola CHAN  
Principal Executive Officer (Administration)  
of Commerce, Industry and Technology  
Bureau (Commerce and Industry)

Mr Daniel CHENG  
Administrative Assistant to Secretary for  
Commerce, Industry and Technology

Mr Raymond YOUNG, JP  
Director-General of Trade and Industry

Ms Ophelia TSANG  
Acting Director-General of Investment  
Promotion

Mr Timothy TONG, JP  
Commissioner of Customs & Excise

Mr Stephen SELBY, JP  
Director of Intellectual Property

Session 2 – Communications and Technology

Mr John TSANG, JP  
Secretary for Commerce, Industry and  
Technology

Mr Francis HO, JP  
Permanent Secretary for Commerce,  
Industry and Technology (Communications  
and Technology)

Mrs Marion LAI, JP  
Deputy Secretary for Commerce, Industry  
and Technology (Communications and  
Technology)

Mr Daniel CHENG  
Administrative Assistant to Secretary for  
Commerce, Industry and Technology

Mr Howard DICKSON  
Government Chief Information Officer

Mrs Betty FUNG, JP  
Deputy Government Chief Information  
Officer (Planning & Strategy)

Mr Stephen MAK, JP  
Deputy Government Chief Information Officer  
(Operation)

Mr Anthony WONG, JP	Commissioner for Innovation and Technology
Mr CHU Pui-hing, JP	Director of Broadcasting
Mr AU Man-ho, JP	Director-General of Telecommunications
Ms Lorna WONG, JP	Commissioner for Television and Entertainment Licensing

### Session 3 - Financial Services

Mr Frederick MA, JP	Secretary for Financial Services and the Treasury
Mr Kevin HO, JP	Permanent Secretary for Financial Services and the Treasury (Financial Services)
Mrs Clarie LO, JP	Deputy Secretary for Financial Services and the Treasury (Financial Services) 1
Miss Emma LAU, JP	Deputy Secretary for Financial Services and the Treasury (Financial Services) 2
Mr Richard YUEN, JP	Commissioner of Insurance
Mr E T O'CONNELL	Official Receiver
Mr Gordon JONES, JP	Register of Companies
Mr Arthur YUEN	Executive Director (Banking Development)
Mr Frederick HO, JP	Hong Kong Monetary Authority
Mr Raymond NG	Commissioner for Census & Statistics
	Senior Executive Officer (Financial Services)
Mrs Avia LAI	Administrative Assistant to Secretary for Financial Services and the Treasury

### Session 4 - Public Finance

Mr Frederick MA, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Mr Martin GLASS, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 2
Ms Amy TSE	Deputy Secretary for Financial Services and the Treasury (Treasury) 3
Mrs Alice LAU, JP	Commissioner of Inland Revenue
Mrs Lucia LI, JP	Director of Accounting Services
Mr Kenneth PANG, JP	Commissioner of Rating and Valuation
Mr Timothy TONG, JP	Commissioner of Customs and Excise
Mrs Stella HUNG, JP	Director of Government Logistics
Ms Maria KWAN, JP	Government Property Administrator

Mr C H YUE, JP  
Mr K K NG

Mrs Avia LAI

Director of Architectural Services  
Assistant Director of Architectural Services  
(Property Services)  
Administrative Assistant to Secretary for  
Financial Services and the Treasury

**Clerk in attendance:**

Ms Pauline NG

Assistant Secretary General 1

**Staff in attendance:**

Ms Debbie YAU  
Ms Connie SZETO

Senior Council Secretary (1)1  
Senior Council Secretary (1)4

**Attendance of members and public officers at the  
special meetings of the Finance Committee  
from 11 to 14 April 2005**

**Meeting held in the afternoon of 11 April 2005 (Sessions 5 - 8)  
2:15 pm to 5:50 pm  
Legislative Council Chamber**

**Members present :**

Hon Emily LAU Wai-hing, JP (Chairman)  
Hon CHAN Kam-lam, JP (Deputy Chairman)  
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP  
Hon LEE Cheuk-yan  
Hon Martin LEE Chu-ming, SC, JP  
Hon Fred LI Wah-ming, JP  
Hon Margaret NG  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon James TO Kun-sun  
Hon CHAN Yuen-han, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon SIN Chung-kai, JP  
Hon WONG Yung-kan, JP  
Dr Hon YEUNG Sum  
Hon CHOY So-yuk  
Hon Andrew CHENG Kar-foo  
Hon TAM Yiu-chung, GBS, JP  
Hon Abraham SHEK Lai-him, JP  
Hon LI Fung-ying, BBS, JP  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Albert CHAN Wai-yip  
Hon Vincent FANG Kang, JP  
Hon WONG Kwok-hing, MH  
Hon LEE Wing-tat  
Hon LI Kwok-ying, MH  
Hon Daniel LAM Wai-keung, BBS, JP  
Hon Andrew LEUNG Kwan-yuen, SBS, JP  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung  
Dr Hon KWOK Ka-ki  
Hon CHEUNG Hok-ming, SBS, JP  
Hon WONG Ting-kwong, BBS

Hon TONG Ka-wah, SC  
Hon Patrick LAU Sau-shing, SBS, JP  
Hon Albert Jinghan CHENG  
Hon KWONG Chi-kin

**Public officers attending :**

Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (Treasury)

Session 5 - Civil Service

Mr Joseph W P WONG, GBS, JP	Secretary for the Civil Service
Mrs Rebecca LAI, JP	Permanent Secretary for the Civil Service
Miss Jennifer MAK, JP	Deputy Secretary for the Civil Service (1)
Mrs Jessie TING, JP	Deputy Secretary for the Civil Service (2)
Mr Christopher WONG	Deputy Secretary for the Civil Service (3)
Mr W H CHEUK, JP	Director of General Grades
Mrs Stella AU YEUNG	Secretary, Public Service Commission
Mrs Lucia LI, JP	Director of Accounting Services
Ms Michelle LI	Secretary-General, Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service
Dr Gloria TAM, JP	Assistant Director of Health
Mr SUI Wai-keung	Principal Executive Officer (Management) of Civil Service Bureau

Session 6 - Housing

Mr Michael SUEN, GBS, JP	Secretary for Housing, Planning and Lands
Mr C M LEUNG, JP	Permanent Secretary for Housing, Planning and Lands (Housing)
Mr LAU Kai-hung, JP	Deputy Director of Housing (Estate Management)
Mr TAM Wing-pong, JP	Deputy Director of Housing (Strategy)
Mr Kenneth MAK	Deputy Director of Housing (Corporate Services)
Mr Patrick LAU, JP	Director of Lands

Mr Marco WU, JP  
Mr Kenneth PANG, JP

Director of Buildings  
Commissioner of Rating & Valuation

Session 7 - Planning and Lands

Mr Michael SUEN, GBS, JP  
Mrs Rita LAU, JP

Secretary for Housing, Planning and Lands  
Permanent Secretary for Housing, Planning  
and Lands (Planning and Lands)

Mr Thomas TSO, JP

Deputy Secretary for Housing, Planning  
and Lands (Planning and Lands) 1

Ms Olivia NIP

Deputy Secretary for Housing, Planning  
and Lands (Planning and Lands) 2

Miss AU King-chi, JP

Deputy Secretary for Housing, Planning  
and Lands (Planning and Lands) 3

Mr Patrick LAU, JP

Director of Lands

Mr Marco WU, JP

Director of Buildings

Mr Bosco FUNG, JP

Director of Planning

Mr TSAO Tak-kiang, JP

Director of Civil Engineering and  
Development

Session 8 - Central Administration and Other Services

Ms K Y CHANG, JP

Director of Administration

Mrs Susan MAK, JP

Deputy Director of Administration (1)

Mr Benjamin CHEUNG

Director of Legal Aid

Mr William CHAN

Deputy Director of Legal Aid (Policy and  
Administration)

Mr Duncan PESCOD, JP

Head, Efficiency Unit

Mr Albert LAI, JP

Deputy Head, Central Policy Unit

Mr Wilfred WU

Principal Executive Officer  
(Administration), Administration Wing

Mr Arthur HO, JP

Head, Hong Kong Guangdong Cooperation  
Coordination Unit

Miss Elley MAO, JP

Principal Economist (3)

Mrs Brenda YIP, JP

Head, Business Facilitation Division

Ms Edna WONG

Assistant Secretary to the Commission on  
Poverty

Mr Benjamin TANG, JP

Director of Audit

Ms Celia CHEUNG

Departmental Secretary, Audit Commission

Mr Robin IP, JP

Private Secretary to Chief Executive

Mrs Magdalen WONG

Chief Executive Officer (Administration),  
Chief Executive's Office

Mr Raymond WONG Hung-chiu

Commissioner, Independent Commission  
Against Corruption

Mr Francis LEE Chun-sang, IDS

Director of Investigation/Private Sector,  
Independent Commission Against  
Corruption

Mrs Betty CHU FU Kam-lui

Assistant Director/Administration,  
Independent Commission Against  
Corruption

Mr Ricky FUNG, JP

Secretary-General, Legislative Council  
Secretariat

Mr Joseph KWONG

Accountant, Legislative Council Secretariat

Ms Alice TAI, JP

The Ombudsman

Mr Y C MOK

Chief Executive Officer, Office of the  
Ombudsman

**Clerk in attendance:**

Ms Pauline NG

Assistant Secretary General 1

**Staff in attendance:**

Ms Sarah YUEN

Senior Council Secretary (1)6

Ms Rosalind MA

Senior Council Secretary (1)8

Ms Anita SIT

Senior Council Secretary (1)9

**Attendance of members and public officers at the  
special meetings of the Finance Committee  
from 11 to 14 April 2005**

**Meeting held in the afternoon of 12 April 2005 (Sessions 9 - 11)  
2:15 pm to 5:15 pm  
Legislative Council Chamber**

**Members present :**

Hon Emily LAU Wai-hing, JP (Chairman)  
Hon CHAN Kam-lam, JP (Deputy Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP  
Hon LEE Cheuk-yan  
Hon Martin LEE Chu-ming, SC, JP  
Hon Fred LI Wah-ming, JP  
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP  
Hon CHEUNG Man-kwong  
Hon CHAN Yuen-han, JP  
Hon Bernard CHAN, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon LEUNG Yiu-chung  
Hon SIN Chung-kai, JP  
Hon Jasper TSANG Yok-sing, GBS, JP  
Hon Howard YOUNG, SBS, JP  
Hon LAU Chin-shek, JP  
Hon Miriam LAU Kin-yee, GBS, JP  
Hon CHOY So-yuk  
Hon Andrew CHENG Kar-foo  
Hon TAM Yiu-chung, GBS, JP  
Hon Abraham SHEK Lai-him, JP  
Hon LI Fung-ying, BBS, JP  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Albert CHAN Wai-yip  
Hon Frederick FUNG Kin-kee, JP  
Hon Vincent FANG Kang, JP  
Hon WONG Kwok-hing, MH  
Hon LEE Wing-tat  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon MA Lik, JP  
Hon LEUNG Kwok-hung

Dr Hon Fernando CHEUNG Chiu-hung  
Hon WONG Ting-kwong, BBS  
Hon CHIM Pui-chung  
Hon Patrick LAU Sau-shing, SBS, JP  
Hon Albert Jinghan CHENG  
Hon TAM Heung-man

**Public officers attending :**

Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (Treasury)

Session 9 - Economic Development

Mr Stephen IP, GBS, JP	Secretary for Economic Development and Labour
Ms Sandra LEE, JP	Permanent Secretary for Economic Development and Labour (Economic Development)
Ms Miranda CHIU, JP	Deputy Secretary for Economic Development and Labour (Economic Development) 1
Mr Wilson FUNG, JP	Deputy Secretary for Economic Development and Labour (Economic Development) 2
Miss Janice TSE	Deputy Secretary for Economic Development and Labour (Economic Development) 3
Ms Eva CHENG, JP	Commissioner for Tourism
Mr S Y TSUI, JP	Director of Marine
Mr Norman LO, AE, JP	Director-General of Civil Aviation
Mr C Y LAM, JP	Director of the Hong Kong Observatory
Mr Roger S H LAI, JP	Director of Electrical and Mechanical Services
Mr Allan CHIANG, JP	Postmaster General
Ms T K TSAO, JP	Director of Civil Engineering and Development
Mr Timothy TONG, JP	Commissioner of Customs and Excise

Mr Thomas CHAN, JP	Director of Agriculture, Fisheries and Conservation
Ms Clara CHONG	Executive Director Hong Kong Tourism Board
Mrs Grace LEE	Deputy Executive Director Hong Kong Tourism Board
Mrs Pamela CHAN, BBS, JP	Chief Executive Consumer Council
Miss Pamela LAM	Administrative Assistant to Secretary for Economic Development and Labour

Session 10 - Labour

Mr Stephen IP, GBS, JP	Secretary for Economic Development and Labour
Mr Matthew CHEUNG, JP	Permanent Secretary for Economic Development and Labour (Labour)/Commissioner for Labour
Mrs Jennie CHOR, JP	Deputy Commissioner for Labour (Labour Administration)
Mr Fred TING, JP	Deputy Commissioner for Labour (Occupational Safety and Health)
Miss Pamela LAM	Administrative Assistant to Secretary for Economic Development and Labour

Session 11 - Education and Manpower

Professor Arthur LI, GBS, JP	Secretary for Education and Manpower
Mrs Fanny LAW, GBS, JP	Permanent Secretary for Education and Manpower
Mr Edward YAU, JP	Deputy Secretary for Education and Manpower (1)
Mr M Y CHENG, JP	Deputy Secretary for Education and Manpower (3)
Miss Vivian LAU	Deputy Secretary for Education and Manpower (6)
Mrs Lesley WONG, JP	Principal Assistant Secretary for Education and Manpower (Finance)
Mr LI Wing	Controller, Student Financial Assistance Agency
Mrs Carrie WILLIS, JP	Executive Director, Vocational Training Council
Mr S S KWONG	Executive Director, Employees Retraining Board
Mr Michael STONE, JP	Secretary-General, University Grants Committee

**Clerk in attendance:**

Ms Pauline NG

Assistant Secretary General 1

**Staff in attendance:**

Miss Becky YU

Miss Polly YEUNG

Mrs Mary TANG

Ms Sarah YUEN

Ms Anita SIT

Mr Anthony CHU

Chief Council Secretary (1)1

Chief Council Secretary (1)3

Senior Council Secretary (1)2

Senior Council Secretary (1)6

Senior Council Secretary (1)9

Council Secretary (1)2

**Attendance of members and public officers at the  
special meetings of the Finance Committee  
from 11 to 14 April 2005**

**Meeting held in the morning of 13 April 2005 (Sessions 12 - 14)  
9:00 am to 12:30 pm  
Legislative Council Chamber**

**Members present :**

Hon Emily LAU Wai-hing, JP (Chairman)  
Hon CHAN Kam-lam, JP (Deputy Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Hon Albert HO Chun-yan  
Hon Martin LEE Chu-ming, SC, JP  
Dr Hon LUI Ming-wah, JP  
Hon Margaret NG  
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP  
Hon James TO Kun-sun  
Hon CHEUNG Man-kwong  
Hon Bernard CHAN, JP  
Hon SIN Chung-kai, JP  
Hon WONG Yung-kan, JP  
Hon Jasper TSANG Yok-sing, GBS, JP  
Hon Howard YOUNG, SBS, JP  
Dr Hon YEUNG Sum  
Hon LAU Kong-wah, JP  
Hon Miriam LAU Kin-ye, GBS, JP  
Hon CHOY So-yuk  
Hon Andrew CHENG Kar-foo  
Hon Timothy FOK Tsun-ting, GBS, JP  
Hon TAM Yiu-chung, GBS, JP  
Hon LI Fung-ying, BBS, JP  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Audrey EU Yuet-mee, SC, JP  
Hon WONG Kwok-hing, MH  
Hon LEE Wing-tat  
Hon LI Kwok-ying, MH  
Hon Daniel LAM Wai-keung, BBS, JP  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon MA Lik, JP  
Hon Alan LEONG Kah-kit, SC

Hon LEUNG Kwok-hung  
Hon WONG Ting-kwong, BBS  
Hon CHIM Pui-chung  
Hon Albert Jinghan CHENG  
Hon KWONG Chi-kin

**Public officers attending :**

Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (Treasury)

Session 12 - Judiciary administration and Legal administration

Ms Elsie LEUNG, GBM, JP	Secretary for Justice
Mr Robert ALLCOCK, BBS, JP	Solicitor General
Ms Annie TAM, JP	Director of Administration and Development
Mr John READING, SC	Deputy Director of Public Prosecutions
Mr Wilfred TSUI	Judiciary Administrator
Mr Augustine CHENG, JP	Deputy Judiciary Administrator (Operations)
Ms Evina CHAN	Judiciary Executive (Judges and Judicial Officers)
Ms CHAN Wing-chi	Judiciary Executive (Support Staff) <sup>2</sup>
Ms Pamela LOONG	Treasury Accountant (Judiciary)
Ms Ada CHUNG	Acting Deputy Law Officer (Civil Law)
Miss Florence HO	Assistant Judiciary Administrator (Corporate Services)

Session 13 - Constitutional Affairs and Beijing Office

Mr Stephen LAM, JP	Secretary for Constitutional Affairs
Mr Clement C H MAK, SBS, JP	Permanent Secretary for Constitutional Affairs
Mr Joseph LAI, JP	Deputy Secretary for Constitutional Affairs (1)
Ms Grace LUI	Deputy Secretary for Constitutional Affairs (2)
Ms Yolanda ONG	Senior Executive Officer (Constitutional Affairs)
Mr LAM Man-ho	Chief Electoral Officer
Mr Bowen LEUNG, GBS, JP	Director, Beijing Office
Ms Fontaine CHENG	Senior Executive Officer, Beijing Office

Session 14 - Security

Mr Ambrose LEE, IDSM, JP  
Mr Stanley YING, JP  
Mr YUE Fung-lin

Mr LEE Ming-kwai  
Mr LAI Tung-kwok, IDSM  
Mr LAM Chun-man, JP  
Mr PANG Sung-yuen, CSDSM, JP  
Mr Timothy TONG, JP  
Captain Brian Y M BUTT  
Mr Robert CHAN, JP  
Dr CHAN Yiu-wing

Mrs Annie LEUNG

Mr Norman LO, AE, JP  
Mrs Rosanna URE, JP

Secretary for Security  
Permanent Secretary for Security  
Principal Management Services Officer  
(Security) of Security Bureau  
Commissioner of Police  
Director of Immigration  
Director of Fire Services  
Commissioner of Correctional Services  
Commissioner of Customs and Excise  
Controller, Government Flying Service  
Chief Staff Officer, Civil Aid Service  
Chief Staff Officer, Auxiliary Medical  
Service  
Secretary, Independent Police Complaints  
Council  
Director-General of Civil Aviation  
Commissioner for Narcotics

**Clerk in attendance:**

Ms Pauline NG

Assistant Secretary General 1

**Staff in attendance:**

Miss Odelia LEUNG  
Mrs Mary TANG  
Ms Alice AU

Chief Council Secretary (1)4  
Senior Council Secretary (1)2  
Senior Council Secretary (1)5

**Attendance of members and public officers at the  
special meetings of the Finance Committee  
from 11 to 14 April 2005**

**Meeting held in the afternoon of 13 April 2005 (Session 15)  
2:15 pm to 5:30 pm  
Legislative Council Chamber**

**Members present :**

Hon Emily LAU Wai-hing, JP (Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Hon Albert HO Chun-yan  
Hon LEE Cheuk-yan  
Hon Martin LEE Chu-ming, SC, JP  
Hon Fred LI Wah-ming, JP  
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP  
Hon CHAN Yuen-han, JP  
Hon Bernard CHAN, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon SIN Chung-kai, JP  
Hon WONG Yung-kan, JP  
Hon Howard YOUNG, SBS, JP  
Dr Hon YEUNG Sum  
Hon LAU Chin-shek, JP  
Hon Miriam LAU Kin-yee, GBS, JP  
Hon CHOY So-yuk  
Hon Andrew CHENG Kar-foo  
Hon TAM Yiu-chung, GBS, JP  
Hon LI Fung-ying, BBS, JP  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Albert CHAN Wai-yip  
Hon Frederick FUNG Kin-kee, JP  
Hon Vincent FANG Kang, JP  
Hon WONG Kwok-hing, MH  
Hon LEE Wing-tat  
Hon LI Kwok-ying, MH  
Dr Hon Joseph LEE Kok-long  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Alan LEONG Kah-kit, SC  
Hon LEUNG Kwok-hung  
Dr Hon KWOK Ka-ki  
Dr Hon Fernando CHEUNG Chiu-hung  
Hon Albert Jinghan CHENG

**Public officers attending :**

Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (Treasury)

Session 15 - Food safety and environmental hygiene, Health, Welfare and Women

Mr York CHOW, SBS, JP	Secretary for Health, Welfare and Food
Mrs Carrie YAU, JP	Permanent Secretary for Health, Welfare and Food
Miss Peggy LEUNG	Head of Planning and Resource Management
Dr William HO, JP	Chief Executive/Housing Authority
Dr P Y LAM, JP	Director of Health
Dr T L TING, JP	Government Chemist
Mr Gregory LEUNG, JP	Director of Food and Environmental Hygiene
Mr Thomas CHAN, JP	Director of Agriculture, Fisheries and Conservation
Mr Andy CHAN	Administrative Assistant to Secretary for Health, Welfare and Food
Ms Linda LAI, JP	Deputy Secretary for Health, Welfare and Food (Family and Women)
Mr Paul TANG, JP	Director of Social Welfare
Miss Ophelia CHAN	Assistant Director of Social Welfare (Rehabilitation and Medical Social Services)
Mr FUNG Pak-yan	Assistant Director of Social Welfare (Family and Child Welfare)
Mr CHEUNG Hing-wah	Assistant Director of Social Welfare (Youth and Corrections)
Mr Robert FOOTMAN, JP	Commissioner for Transport

**Clerk in attendance:**

Ms Pauline NG	Assistant Secretary General 1
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**Staff in attendance:**

Miss Becky YU

Mr Andy LAU

Miss Salumi CHAN

Mr Anthony CHU

Chief Council Secretary (1)1

Chief Council Secretary (1)2

Chief Council Secretary (1)5

Council Secretary (1)2

**Attendance of members and public officers at the  
special meetings of the Finance Committee  
from 11 to 14 April 2005**

**Meeting held in the afternoon of 14 April 2005 (Sessions 16 - 19)  
2:15 pm to 6:35 pm  
Legislative Council Chamber**

**Members present :**

Hon Emily LAU Wai-hing, JP (Chairman)  
Hon James TIEN Pei-chun, GBS, JP  
Hon Albert HO Chun-yan  
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP  
Hon Martin LEE Chu-ming, SC, JP  
Hon Fred LI Wah-ming, JP  
Hon Mrs Selina CHOW LIANG Shuk-yee, GBS, JP  
Hon James TO Kun-sun  
Hon CHEUNG Man-kwong  
Hon CHAN Yuen-han, JP  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon SIN Chung-kai, JP  
Hon Howard YOUNG, SBS, JP  
Dr Hon YEUNG Sum  
Hon LAU Chin-shek, JP  
Hon LAU Kong-wah, JP  
Hon Miriam LAU Kin-yee, GBS, JP  
Hon CHOY So-yuk  
Hon Andrew CHENG Kar-foo  
Hon Timothy FOK Tsun-ting, GBS, JP  
Hon TAM Yiu-chung, GBS, JP  
Hon Abraham SHEK Lai-him, JP  
Hon LI Fung-ying, BBS, JP  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Albert CHAN Wai-yip  
Hon Audrey EU Yuet-mee, SC, JP  
Hon Vincent FANG Kang, JP  
Hon WONG Kwok-hing, MH  
Hon LEE Wing-tat  
Hon LI Kwok-ying, MH  
Hon Jeffrey LAM Kin-fung, SBS, JP  
Hon Alan LEONG Kah-kit, SC

Hon LEUNG Kwok-hung  
Dr Hon KWOK Ka-ki  
Hon CHEUNG Hok-ming, SBS, JP  
Hon WONG Ting-kwong, BBS  
Hon Patrick LAU Sau-shing, SBS, JP  
Hon Albert Jinghan CHENG  
Hon TAM Heung-man

**Public officers attending :**

Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (Treasury)

Session 16 - Home Affairs

Mr Patrick C P HO, JP	Secretary for Home Affairs
Mr Stephen FISHER, JP	Acting Permanent Secretary for Home Affairs
Ms Lolly CHIU, JP	Deputy Secretary for Home Affairs (3)
Mrs Pamela TAN, JP	Director of Home Affairs
Mr Gary YEUNG, JP	Deputy Director of Home Affairs (1)
Mr Isaac CHOW, JP	Deputy Director of Home Affairs (2)
Ms Anissa WONG, JP	Director of Leisure and Cultural Services
Mr Alan SIU, JP	Deputy Director of Leisure and Cultural Services (Leisure Services)
Mr CHUNG Ling-hoi, JP	Deputy Director of Leisure and Cultural Services (Culture)
Ms Kitty CHOI, JP	Deputy Director of Leisure and Cultural Services (Administration)
Mr Bob TONG	Chief Executive Officer (Licensing) of Television and Entertainment Licensing Authority
Mr TSE Man-shing	Assistant Director of Home Affairs (Administration)
Mr CHEUNG Hing-wah	Assistant Director of Social Welfare (Youth and Corrections)
Mr Ricky CHUI	Assistant Director of Leisure and Cultural Services (Finance)
Miss Yvonne CHOI, JP	Director of Information Services
Mrs Ella TAM	Assistant Director of Information Services (4) (Publicity and Promotion)

Session 17 – Environment

Dr Sarah LIAO, JP	Secretary for the Environment, Transport and Works
Mr Keith KWOK	Permanent Secretary for the Environment, Transport and Works (Environment)/Director of Environmental Protection
Dr Michael CHIU	Deputy Director of Environmental Protection (1)
Mr Raymond FAN	Deputy Director of Environmental Protection (2)
Mr Roy TANG	Deputy Director of Environmental Protection (3)
Mr Esmond LEE Chung-sin	Deputy Director of Environmental Protection (4)
Mr Thomas CHAN, JP	Director of Agriculture, Fisheries and Conservation
Mr T K TSAO, JP	Director of Civil Engineering and Development
Mr F K LAI, JP	Director of Drainage Services
Mr Roger LAI, JP	Director of Electrical and Mechanical Services

Session 18 – Transport

Dr Sarah LIAO, JP	Secretary for the Environment, Transport and Works
Mr Joshua LAW, JP	Permanent Secretary for the Environment, Transport and Works (Transport)
Mr Thomas CHOW, JP	Deputy Secretary for the Environment, Transport and Works (Transport)1
Miss Cathy CHU	Deputy Secretary for the Environment, Transport and Works (Transport)2
Ms Annie CHOI	Deputy Secretary for the Environment, Transport and Works (Transport)3
Mr Robert FOOTMAN, JP	Commissioner for Transport
Mr C K MAK, JP	Director of Highways

Session 19 - Works

Dr Sarah LIAO, JP	Secretary for the Environment, Transport and Works
Mr Y C LO, JP	Permanent Secretary for the Environment, Transport and Works (Works)
Mr Clement CHEUNG, JP	Deputy Secretary for the Environment, Transport and Works (Works)1
Mr C S WAI, JP	Deputy Secretary for the Environment, Transport and Works (Works)2
Mr C H YUE, JP	Director of Architectural Services
Mr T K TSAO, JP	Director of Civil Engineering and Development
Mr F K LAI, JP	Director of Drainage Services
Mr Roger LAI, JP	Director of Electrical and Mechanical Services
Mr C G KO, JP	Director of Water Supplies
Mr C K MAK, JP	Director of Highways

**Clerk in attendance:**

Ms Pauline NG	Assistant Secretary General 1
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**Staff in attendance:**

Miss Becky YU	Chief Council Secretary (1)1
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Alice AU	Senior Council Secretary (1)5
Ms Rosalind MA	Senior Council Secretary (1)8
Ms Anita SIT	Senior Council Secretary (1)9

## 2005-06 Estimates

## Corrigendum — English version (Volume IA)

Page	Head of Expenditure	Amendments
31	Head 181 – Trade and Industry Department	Consequential changes –  Establishment (Number of posts) as at 31.3.2005 (Estimates) for :  - “181 Trade and Industry Department” should be 692 (3) instead of 692  - “Government paid staff” should be 143 252 (19) instead of 143 252 (16)  - “TOTAL” should be 166 002 (24) instead of 166 002 (21)
243	Head 49 – Food and Environmental Hygiene Department	For the chart “Changes in the size of the establishment (as at 31 March)”, the figure for 2003 should be amended from “12 528” to “12 489” and the figure for 2004 should be amended from “12 266” to “12 317”.

## 2005-06 Estimates

### Corrigendum — English version (Volume IB)

<b>Page</b>	<b>Head of Expenditure</b>	<b>Amendments</b>
365	Head 181 – Trade and Industry Department	<p>The first two sentences of paragraph 3 on P.365 of Volume IB should be amended as follows:</p> <p>“<b>3</b> The establishment as at 31 March 2005 will be 689 permanent posts and three supernumerary posts. It is expected that 154 permanent posts will be deleted and three supernumerary posts will lapse in 2005-06.”</p>
285	Head 162 – Rating and Valuation Department	<p>For financial provision of Programme (2) for 2005-06 (Estimate), insert “(or –9.2% on” above the line “2004-05 Original)”</p>

**Presentation by Secretary for Commerce, Industry and Technology  
at the special meeting of the Finance Committee  
on Monday, 11 April 2005**

Chairman,

Let me first introduce briefly the key areas of the work of the Commerce and Industry Branch of the Commerce, Industry and Technology Bureau for the new financial year.

**Mainland and Hong Kong Closer Economic Partnership Arrangement**

2. We will continue to work closely with the Mainland authorities to ensure the smooth implementation of CEPA. We will also continue to ensure that up-to-date CEPA-related information, including that on legislative and regulatory changes in the Mainland, is promptly disseminated to stakeholders. At the same time, we will seek further trade liberalization and additional market access opportunities for Hong Kong goods and services. We are now consulting the trade on the goods and services to be covered in CEPA III. Also, we will continue to promote the opportunities under CEPA among local and overseas business communities.

**Strengthening Economic Cooperation with the Mainland**

3. Regarding economic cooperation with the Mainland, the HKSARG and the Guangdong Provincial Government will continue to work together under the framework of the Hong Kong/Guangdong Cooperation Joint Conference to enhance the synergy of economic and trade cooperation between Hong Kong and the Pearl River Delta (PRD). In addition, we will work closely with the other governments of the "9+2" region in accordance with the Pan-PRD Regional Cooperation Framework Agreement signed in June last year, with a view to maximising economic efficiency and promoting Hong Kong as a hub for foreign enterprises to tap the Mainland market.

**World Trade Organization**

4. On the multilateral trade front, our top priority is to make the Hong Kong Ministerial Conference (MC6) to be held in December this year a success. The Trade and Industry Department has established the MC6 Coordination Office for the purpose. An inter-departmental Steering Committee has been set up to oversee the logistics preparation of the Conference. The Hong Kong Police Force has also already embarked on planning of security measures to ensure public safety and order.

## **Support for Small and Medium Enterprises**

5. The Government attaches great importance to SMEs and provides them with the necessary support. Since the launch of the SME funding schemes, more than 41 000 SMEs have benefited from the Schemes, involving a total guarantee or grant of over \$6.4 billion.

6. We expect that funding provision for the schemes will be fully utilised by around middle of this year. After reviewing the operation of the funding schemes, we have accepted the recommendations of the SME Committee and will seek the views of the C&I Panel, at its meeting next week, to extend the SME Loan Guarantee Scheme, the SME Export Marketing Fund and the SME Development Fund till mid 2007.

7. We plan to lower the assumed default rate under the SME Loan Guarantee Scheme and raise the aggregate amount of guarantees. We also plan to transfer \$200 million from this Scheme to the SME Export Marketing Fund and SME Development Fund. In addition, we intend to inject new provision of \$300 million into the two latter Funds. We believe that the above measures would be of benefit to SMEs.

## **Promotion of Inward Investment**

8. To maintain and develop Hong Kong as the leading international business centre in Asia, we will continue to attract and retain in Hong Kong direct investments from overseas and the Mainland. Invest Hong Kong's target for 2005 is to assist 220 foreign and Mainland companies to invest here.

9. In line with the national strategy of "going out" and the new investment facilitation policy implemented last year, Invest Hong Kong will promote our investment environment and advantages in the Mainland more actively. We will keep the existing support measures under review, and step up our co-ordination and promotion work.

10. Moreover, we will continue to highlight the combined strength of Hong Kong, the PRD and the Pan-PRD through joint promotional events overseas with the relevant authorities in Guangdong and the PRD and Pan-PRD regions.

## **Intellectual Property Rights Protection**

11. We are committed to protecting intellectual property rights so as to provide an environment conducive to the development of a knowledge-based economy in Hong Kong. We have just completed a public consultation exercise on the review of certain provisions of the Copyright Ordinance. In the new financial year, we will formulate proposals to improve our copyright protection regime in light of the views received. We plan to report the outcome of the

consultation to the C&I Panel and consult Members on our proposals in the next one or two months. Subject to Members' views, we intend to submit an amendment bill to LegCo for consideration and enactment before end July 2006.

12. Thank you. My colleagues and I are pleased to answer Members' questions.

**Presentation by Secretary for Commerce, Industry and Technology  
at the special meeting of the Finance Committee  
on Monday, 11 April 2005**

Chairman,

I would like to brief Members on the key areas of work of the Communications and Technology Branch of the Commerce, Industry and Technology Bureau for the new financial year.

**Information Technology (IT)**

2. Since the promulgation of the updated Digital 21 Strategy in March 2004, the Government has made good progress in the eight main action areas of the Strategy. We have reviewed in late 2004 the progress made in the various programmes and proposed specific targets and plans for 2005 and after.

**Digital Entertainment**

3. In the coming year, the Government will continue to further the development of the local digital entertainment industry, and the Cyberport will play an important role in this respect. In addition to the Digital Media Centre, iResource Centre, and Xbox Games Incubation Centre established last year, the Government plans to establish in the Cyberport a “one-stop support center” and “an incubation-cum-training center” for the digital entertainment industry. We expect that the support centre will commence operation at the end of April. Subject to the support of the Steering Committee on Innovation and Technology and the Finance Committee of the Legislative Council, it is also envisaged that the “incubation-cum-training centre” will be established within 2005.

**E-government**

4. The next wave of e-government will focus more sharply on service quality and effectiveness, and seek to bring better value to customers as well as to the Government. The E-government Steering Committee, chaired by the Financial Secretary, was established in September last year. The Committee has endorsed a number of key priorities, which included implementing a new strategy for e-government service delivery based on a client-centric approach; promoting the wider adoption of customer relationship management and channel management across the Government; formulating a strategy to take forward e-procurement for the Government; and introducing an enhanced mechanism to identify and measure benefits of e-government initiatives.

## **Broadcasting**

5. We propose to merge the Broadcasting Authority and the Telecommunications Authority into a unified regulator. We will consult the LegCo Panel and the public on the details of the proposal, including the organizational structure of the unified regulator, in the coming few months.

6. On the implementation of digital terrestrial television (DTT), Asia Television Limited (ATV) and Television Broadcasts Limited (TVB) are executing their plans of constructing the broadcasting networks with a view to starting digital broadcasting by 2007.

## **Film**

7. We will continue to promote the development of the film industry. The Film Guarantee Fund will continue to facilitate film production companies' access to loans for filmmaking from the participating lending institutions. This will help develop film financing infrastructure in Hong Kong. We will re-launch the Film Development Fund in April, which will finance projects conducive to the development of the film industry.

## **Telecommunications**

8. On the telecommunications side, we will continue to plan and promote the ITU TELECOM WORLD 2006 .

9. We have started reviewing the radio frequency spectrum policy with a view to formulating a responsive, transparent and market-led policy as technology advances and the business environment changes.

10. We will also facilitate telecommunications carriers to introduce Broadband Wireless Access technologies to expand the coverage of their customer access networks.

11. Besides, we have launched a package of measures under the STEPS campaign, including introduction of legislation, to contain the problem of unsolicited electronic messages.

## **Innovation and Technology**

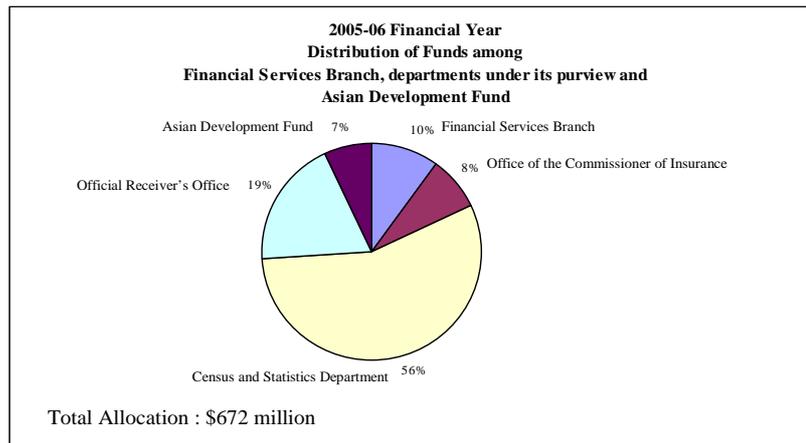
12. For innovation and technology, we launched a new strategic framework last year and identified nine technology areas where Hong Kong has competitive edge for focus development. We plan to set up R&D centres in the second half of 2005 to drive applied R&D efforts in the focus areas. In line with the market-driven, demand-led approach of the new strategy, the R&D centres will closely cooperate with the industry so as to improve the relevance of their R&D deliverables to the needs of the industry.

13. Another key element of the new strategy is to enhance science and technology cooperation with the Mainland. Last year, we set up the Mainland and Hong Kong Science and Technology Co-operation Committee which agreed to enhance cooperation in four technology areas, namely automotive parts and accessory systems, radio frequency identification technologies, integrated circuit design, and Chinese medicine. We will implement the action plan jointly with the Ministry of Science and Technology this year. Moreover, we will continue to support R&D projects under the “Guangdong and Hong Kong Technology Cooperation Funding Scheme”. Guangdong and Hong Kong are discussing the work plan for the Scheme this year, including the technology areas to be supported and the implementation timetable.

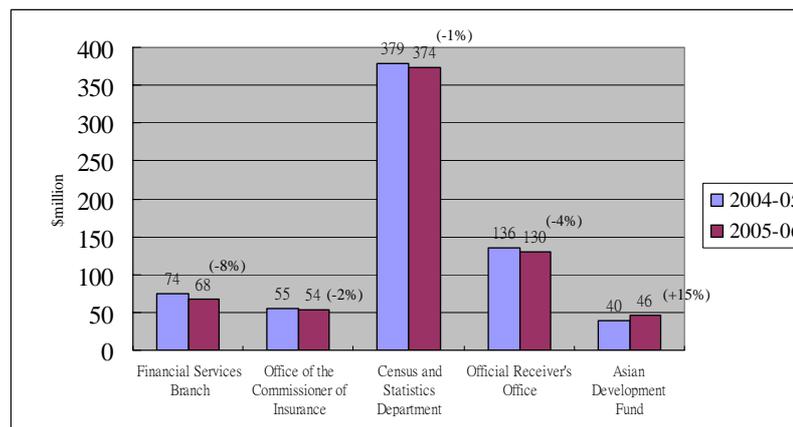
14. In June 2004, we obtained the approval of LegCo FC for a funding of \$250 million to launch the DesignSmart Initiative. Through the Initiative, funding support was provided to the Hong Kong Science and Technology Parks Corporation and Hong Kong Design Centre to establish a one-stop centre, which aims at creating a cluster of high value-added design activities among design professionals, design companies and industry players where creative ideas will be stimulated, commercialised and branded. The Centre is expected to start operation within this year.

15. Chairman, this concludes my opening remarks. If Members have any questions, my colleagues and I will be pleased to answer them.

**Presentation by Secretary for Financial Services and the Treasury  
at the special meeting of the Finance Committee  
on Monday, 11 April 2005**



**Estimate 2005-06 and Original Estimate 2004-05  
(Percentage of Increase/Decrease)**



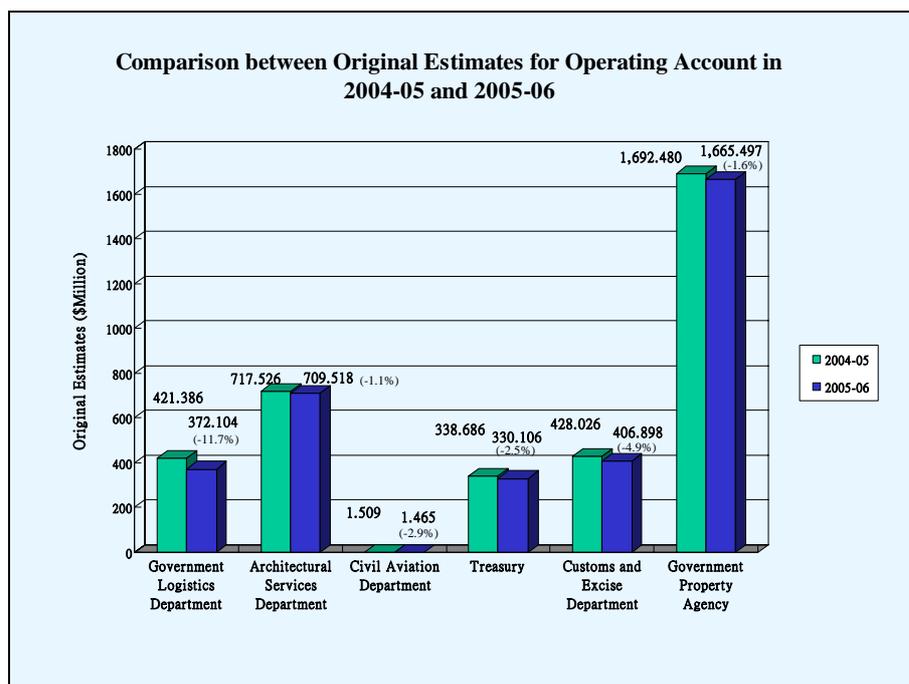
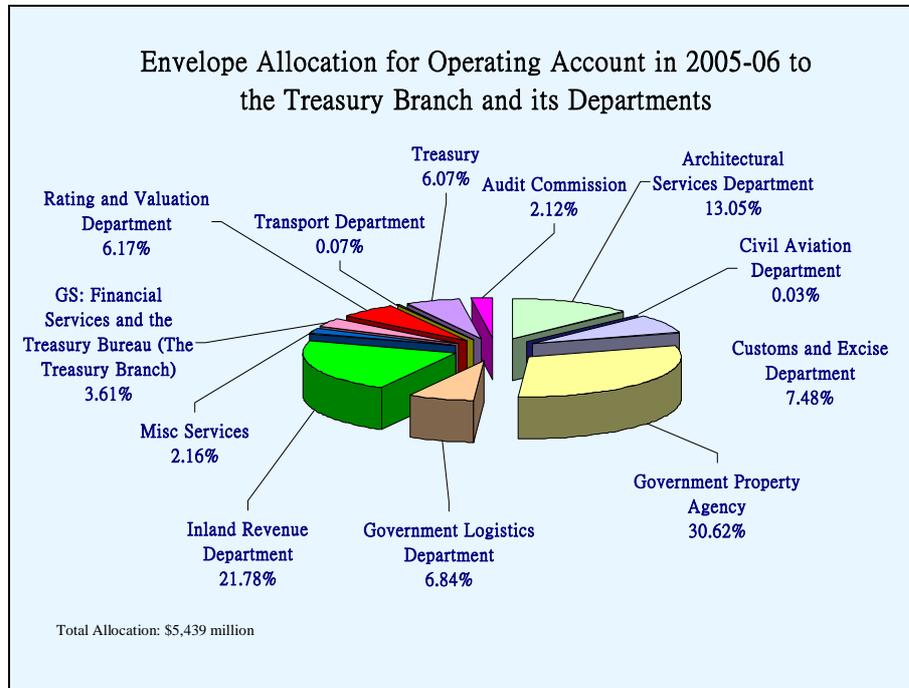
**2005-06 Financial Year  
Major Policy Initiatives (Financial Services Branch)**

- Enhancing our Position as an International Financial Centre
  - \* Improving the Financial Regulatory System
  - \* Enhancing Corporate Governance
  - \* Promoting the Bond Market
  - \* Reinforcing our Renminbi Business
  - \* Promoting Asset Management

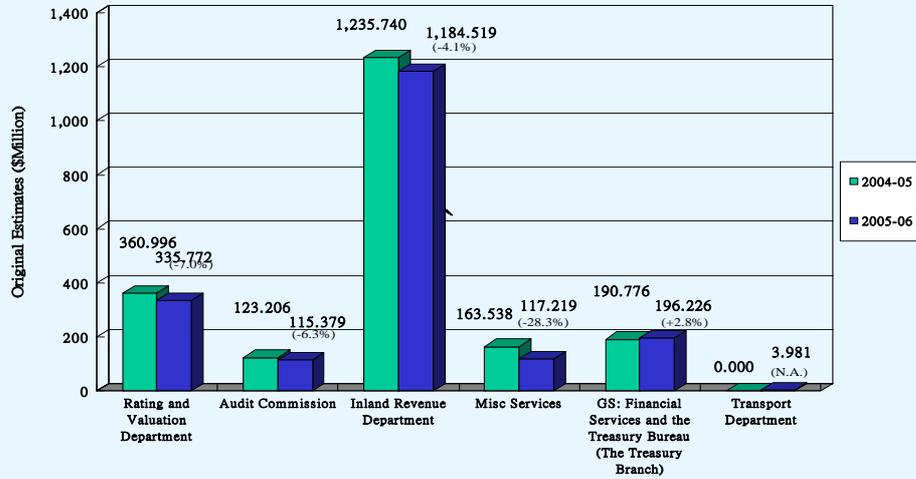
**2004-05 Legislative Programme  
Financial Services Branch**

- Bankruptcy (Amendment) Bill 2004
- Companies (Amendment) Bill 2004
- Securities and Futures (Amendment) Bill 2005
- Securities and Futures (Amendment) (No. 2) Bill 2005
- Banking (Amendment) Bill
- Financial Reporting Council Bill

**Presentation by Secretary for Financial Services and the Treasury  
at the special meeting of the Finance Committee  
on Monday, 11 April 2005**



**Comparison between Original Estimates for Operating Account  
in 2004-05 and 2005-06 (Cond't)**



**Major factors contributing to the decrease  
in the Operating Account in 2005-06**

The estimate for operating account in 2005-06 is \$235 million less than that in 2004-05.

The saving in salaries provision in 2005-06 is \$164 million, mainly due to:

- deletion of 104 posts in 2005-06; and
- full-year effect of the deletion of 369 posts in 2004-05.

## New Initiatives

- Goods and Services Tax
  - Aim to broaden our tax base
  - Public consultation to be conducted in 2005-06

## New Initiatives (Cont'd)

- Personalised Vehicle Registration Mark Scheme

(Legislative amendments to be introduced into the Legislative Council)

## New Initiatives (Cont'd)

- Strengthening of Hong Kong's competitiveness as an international asset management centre
  - Profit tax exemption for offshore funds  
(Legislative amendments to be introduced into the Legislative Council)
  - Abolition of estate duty  
(Legislative amendments to be introduced into the Legislative Council)

**Presentation by Secretary for the Civil Service  
at the special meeting of the Finance Committee  
on Monday, 11 April 2005**

Chairman and Members,

The Financial Secretary mentioned in his Budget Speech 2005/06 that with the joint efforts of Directors of Bureaux and colleagues in the civil service, the various expenditure control measures taken by the Government are gradually producing results, marked by a reduction in operating expenditure ever recorded in over 50 years. He also commended civil servants for their flexibility to try new approaches and their endeavours to reduce operating expenditure while maintaining a quality service.

2. Today, I am going to give you an update on the progress made by the Civil Service Bureau in controlling public expenditure.

3. First, the reduction of civil service establishment. In the 2003 Policy Address, the target to reduce civil service establishment to around 160 000 by 2006/07 was announced. To achieve this objective, apart from relying on natural wastage, we have introduced a series of measures, including the Second Voluntary Retirement Scheme, a general civil service recruitment freeze, internal redeployment and reorganisation. We are making steady progress on this front. The civil service establishment has been reduced from 170 600 in March 2004 to about 166 000 at present. This represents a reduction of some 16% from the peak of 198 000 in early 2000. We anticipate that the civil service establishment will be trimmed down by another 2 700 to around 163 300 by March 2006. We shall continue to monitor the staffing situation closely with bureaux and departments through their manpower plans.

4. Second, the development of an improved civil service pay adjustment mechanism. In November 2004, we issued a consultation paper on the proposed methodology of the pay level survey and the application of the survey results. Views from civil servants and the public on the recommendations were gauged. The Government has just decided to conduct a pay level survey and a consultant will be engaged shortly to undertake the field work of the survey. We hope that the field work can be completed by the end of this year and shall ensure that this pay level survey is professional, independent and credible. In response to staff views, we shall enable the staff associations and civil servants concerned to take part in the groundwork of the pay level survey, that is the selection of representative civil service posts in the job inspection process. As regards the application of pay level survey results, our decision will have to await the Court of Final Appeal's ruling over the legislations on civil service pay cuts in mid-2005. Before a decision is made, we shall seek views from the staff again. Our

principle that the pay of existing civil servants should not be further reduced according to the results of the pay level survey remains unchanged.

5. Third, the review of civil service allowances. We have undertaken to conduct a comprehensive review on the fringe benefit type of civil service allowances in two phases and staff consultation on proposals concerning passage and related allowances as well as housing allowances and benefits was conducted in last June. Though the Court of Appeal's two rulings over pay adjustment legislations in end-2004 do not directly concern the review of civil service allowances, we consider it prudent to consult staff again on all the change proposals when a ruling over legislations on civil service pay cuts is made by the Court of Final Appeal in mid-2005.

6. It is worth noting that upon streamlining the civil service establishment and reducing civil service pay, civil service pay and staff-related expenses only account for 31% of Government operating expenditure in 2005/06 estimates, as against 36% in 2001/02. As for public expenditure on emoluments payable to staff of subvented organisations and staff-related expenses, the share in Government operating expenditure also drops from 34% to 30% during the same period.

7. Madam President, despite the on-going initiatives of the Government to reduce expenditure, we are continuing to allocate more resources to strengthen training for civil servants. We have earmarked \$10 million for the implementation of two new sponsorship schemes this year with a view to providing front line staff with more continuous learning opportunities and enhancing the management competence of junior and middle management. As to the Cyber Learning Centre Plus, continued improvements will be made to its contents and functions for the promotion of continuous learning culture in the civil service. The number of learning materials for officers on various ranks will increase from 165 in 2003 to 245 in 2005/06. The enrollment in e-learning courses during the corresponding period is expected to rise from 15 000 to about 33 000 this year.

8. We have organised staff exchange programmes with the governments of Singapore and other countries. Moreover, our staff exchange programmes with our counterparts in the Mainland have been extended to Shanghai, Beijing, Hangzhou, Guangzhou, Shenzhen and Guangdong Province. We estimate that over 40 middle and high-ranking officers will be participating in these programmes.

9. Madam President, in order to provide the community with quality services, the Government of the Hong Kong Special Administrative Region will, in full consultation with civil servants, continue to take forward civil service reforms progressively and hold discussions on key policies with Members at the relevant panel. It is our objective to render quality service to the community by maintaining a professional, clean, politically-neutral and efficient civil service.

**Presentation by Secretary for Housing, Planning and Lands  
at the special meeting of the Finance Committee  
on Monday, 11 April 2005**

Chairman,

First of all, I would like to brief the Committee on the Housing, Planning and Land Bureau's major activities in relation to housing and the associated financial provisions in 2005-06.

**Major Activities**

2. The Government's housing policy aims to provide a fair and stable environment for the sustained healthy development of the private property market on the one hand, and focus its resources on providing public rental housing to low-income families on the other. On the private housing front, since the end of 2004 we have been releasing statistics on private housing supply in the primary market on a quarterly basis and compiling comprehensive supply statistics on residential properties, with a view to enhancing market transparency. As regards public housing, the Housing Authority will continue to put in adequate resources to maintain the average waiting time for public rental housing at around three years.

**Public Expenditure on Housing**

3. The public expenditure for achieving the policy objectives set out above will be about \$18.1 billion in 2005-06, representing 6.7% of total public expenditure. 98% of this expenditure, i.e. \$17.7 billion, will be incurred by the Housing Authority, mainly for the construction and management of public rental housing and the ancillary commercial and welfare facilities. The remaining 2%, i.e. around \$400 million, is Government expenditure on regulatory framework for the smooth operation of the private property market, land use planning for housing and squatter control, etc.

4. In the past few years, the Housing Department has been striving to enhance efficiency, cut cost and generate revenue, streamline the organisation structure and make the best use of available resources to provide quality services to the public. So far, the Housing Department has deleted 2 841 posts, 17 of which were directorate posts. The resultant reduction in the Housing Department's civil service establishment was about 20%, which exceeded the target reduction of 10% set by the Government.

5. The Housing Department plans to further delete 659 posts (including 10 directorate posts) by March 2007, comprising 406 civil service posts and 253 Housing Authority contract posts, in order to achieve the overall target reduction of about 3 500 posts. The total establishment will be reduced by about 30% and the directorate establishment by 37%, with resultant annual savings estimated at about \$1,300 million.

### **Conclusion**

6. The Housing Authority will continue to ensure availability of adequate and stable funding for the sustainable development of public housing and to discuss with the Government about the long-term financial arrangement. Looking ahead, the Government will continue to implement a clear, comprehensive and consistent housing policy to foster a free and stable market environment.

7. My colleagues and I will be pleased to reply to Members' questions. Thank you.

**Presentation by Secretary for Housing, Planning and Lands  
at the special meeting of the Finance Committee  
on Monday, 11 April 2005**

Chairman,

I wish to take this opportunity to brief Members on our work in the Buildings, Lands and Planning policy area in the coming year and our main focus on priority tasks.

**Land Supply**

2. On land policy, our objective is to provide sufficient land to meet the development needs of our society.

**Planning for Hong Kong**

3. Comprehensive town planning is an important component to the development of a city. To this end, we completed public consultation on Stage 3 of the “Hong Kong 2030” Study last year. Taking into account public views received, we shall formulate a long-term planning framework for the future development of Hong Kong.

**Building Safety and Maintenance**

4. Promoting building maintenance, removing unauthorized building works and ensuring building safety have all along been the focus of Government's work. With a view to further improving the safety and outlook of old buildings, the Financial Secretary, in his budget speech delivered recently, indicated that he would allocate \$830 million for a period of five years starting from 2006-07 for BD to remove some 180,000 unauthorized building works. This fully demonstrates our determination in improving building maintenance.

5. In order to address the long-standing building neglect problem, we have earlier conducted a public consultation on building management and maintenance. We are encouraged by the public consensus on owners' responsibility to upkeep their buildings and their preference for mandatory building inspection as a practicable and effective long-term measure to ensure proper maintenance by owners. We are now working on implementation details and support measures for inclusion in the second stage consultation later this year.

## **Urban Renewal**

6. The Urban Renewal Authority (URA) continues to pursue its holistic approach to urban renewal by integrating actions to redevelop dilapidated buildings, rehabilitate poorly maintained buildings, revitalize older districts and preserve buildings with architectural or historical significance within its project areas. To further expedite the pace of urban renewal, we are working closely with the URA to review the Urban Renewal Strategy (URS). We intend to consult the public on the revised URS towards the end of this year.

## **Expenditure on Buildings, Lands and Planning**

7. To implement the policies on Buildings, Lands and Planning, we estimate that the public expenditure for this policy area in 2005-06 will be \$8,404 million, representing 3.1% of the total public expenditure. Compared with 2004-05, the allocation from my Operating Expenditure Envelope to the policy areas of Building, Lands and Planning in 2005-06 has been reduced by \$123 million from \$3,077 million to \$2,954 million, i.e. a decrease of 4%.

8. In the coming year, our group of departments will continue to adopt various measures including re-organisation, re-engineering and re-prioritising so as to enhance the value of our services to the community. We shall review our overall enforcement policy against unauthorized works and examine possible ways to centralize the inspection and enforcement functions of our departments, with a view to further enhancing service delivery.

9. My colleagues and I will be happy to answer any questions that Members may wish to raise. Thank you, Madam Chairman.

**Presentation by Secretary for Economic Development and Labour  
at the special meeting of the Finance Committee  
on Tuesday, 12 April 2005**

Chairman,

**Policy Responsibilities**

The overall policy objective of the Economic Development Branch (EDB) of the Economic Development and Labour Bureau is to ensure that we have the good infrastructure to support the economic development of Hong Kong. Our policy responsibility covers tourism, logistics, port and maritime development, civil aviation and airport development, energy, competition policy, consumer protection, postal service and meteorological service, etc.

**Funding Provision**

In 2005-06, the proposed allocation to EDB's policy portfolio is **\$2,753 million**. This represents 1.3% of the Government's total operating expenditure. The proposed allocation is about **\$150 million** (about 6%) **more** than the revised estimates (\$2,602.8 million) for last year. The increase in allocation is mainly for the development and promotion of tourism.

**Work Priorities in the Coming Year**

*Tourism*

On tourism, the performance last year was encouraging: total number of visitor arrivals reached a record-high of 21.81 million, and total tourism expenditure amounted to \$91.8 billion. The outlook for 2005 is optimistic, and we expect a continual growth in tourist arrivals, with increases in tourism receipts.

The Government will allocate \$500 million for the development and promotion of tourism. \$470 million of the provision will be allocated to the Hong Kong Tourism Board (HKTB). Of this funding, \$440 million will be used for launching global marketing campaigns in the coming two years with a series of strategic promotion and publicity programmes. These include a new global marketing campaign under the theme of "2006 Discover Hong Kong Year", comprising a series of worldwide publicity and promotional activities targeting consumers, the trade as well as the media; and a programme targeted at family and business visitors with new tourism products and mega events to stimulate growth in tourist arrivals and tourism spending. HKTB will also deploy \$30 million to enhance the Quality Tourism Services Scheme with a view to providing better consumer protection to visitors.

I would also like to talk briefly about the progress of various major tourism projects and our plans in the coming year. First, the Hong Kong Disneyland project is on schedule for the target opening on 12 September 2005. Apart from the Hong Kong Disneyland, we have in the pipeline a series of new attractions that are suitable for visitors of all ages. The newly designed “A Symphony of Lights” Phase II will be launched in December this year. Phase 2 of the Hong Kong Wetland Park and the Tung Chung Cable Car System are both scheduled for opening in early 2006.

To meet the demand of different visitors, we will strive to develop more diversified tourism products. These include the Northern New Territories Green Tourism Development Programme which will be implemented in stages, and the commission of a Consultancy Study on the Development of Spa and Resort Facilities to make recommendations on the provision of such facilities in Hong Kong.

In addition to these new initiatives, we will continue to enhance our existing tourist attractions and facilities. The Task Force on the Redevelopment of Ocean Park and Tourist Attractions in Aberdeen, chaired by the Financial Secretary, is considering the details of the Ocean Park’s re-development proposal.

### ***Logistics Development***

On logistics development, we will launch the Digital Trade and Transportation Network System this year. This will make information flow along the supply chain more efficient, reliable and cost-effective. We have commissioned a detailed feasibility study on the development of the Lantau Logistics Park.

Good progress has been made in our discussion with the Guangdong authorities on measures to reduce cross-boundary trucking cost. Improvements have been made on various aspects such as licensing, regulation and customs clearance. We will continue the dialogue to further promote cross-boundary freight flow and reduce trucking cost.

### ***Port and Maritime Development***

On port and maritime development, the Hong Kong port handled 22 million twenty-foot equivalent units last year, an increase of 8% over 2003. We retained the title as the world’s busiest container port for the 12<sup>th</sup> time in the past 13 years.

We are analysing the views received during the public consultation on the findings and recommendations of the study on “Hong Kong Port – Master Plan 2020”, which proposed a competitive and sustainable port development strategy up to the year 2020 and beyond. We will further consult the

stakeholders in formulating the programme for implementing the recommendations. On the timing and site-selection for Container Terminal 10, no decision has been made at this stage. We will review the options for port expansion when further information on the updated Port Cargo Forecast and the findings of an ecology study on Northwest Lantau are available.

The Hong Kong Shipping Register has continued to grow at a fast pace, with a gross tonnage of 25.6 million by the end of 2004, an increase of 23.6% over 2003. We will continue to promote Hong Kong as an international maritime centre.

In 2005-06, we will make available \$5 million each to the Hong Kong Logistics Development Council and Hong Kong Maritime Industry Council to further promote our port, maritime and logistics services.

### ***Civil Aviation and Airport Development***

On civil aviation, we will continue to pro-actively implement our progressive liberalisation policy in air services by concluding more new air services agreements and expanding existing arrangements. We will continue to expand our aviation network by increasing the frequencies of flights and number of destinations.

On airport development, we will continue to work with the Airport Authority (AA) to strengthen the competitiveness of the Hong Kong International Airport and to expand its passenger and cargo catchment area. We are conducting the public consultation on the proposed partial privatisation of AA. We will revert to Members after we have carefully considered public comments received during the consultation.

Furthermore, we will continue to maintain high standards in air traffic management and regulatory control to ensure that Hong Kong's air services are efficient, safe and secure.

### ***Energy***

The current Scheme of Control Agreements between the Government and the two power companies will expire in 2008. We have carried out a study on the future development of the electricity market, and put forward some initial ideas in a Consultation Paper issued on 31 January 2005. We will consider the views obtained at Stage 1 of this consultation and map out the framework for the future development of the electricity market. We will invite public's views again at Stage 2 of the consultation.

## *Competition Policy*

The Competition Policy Advisory Group (COMPAG) will appoint an independent committee to review the existing competition policy and the Group's composition, terms of reference and operations. The Committee will be set up within this quarter and is expected to complete its review in 12 months' time. We will inform the Legislative Council and the public of the outcome of the review.

We will commission an independent consultant to assess the competition situation in the auto-fuel market in Hong Kong, and examine whether the oil companies involved might have engaged in any anti-competitive practices. The study will look into the structure, operating costs and retail pricing, etc. of the local auto-fuel market and make reference to the competition laws in other economies such as the United States, European Union and Australia, and the experience and measures adopted by these economies in tackling anti-competitive behaviour of oil companies. The consultant will also make recommendations on whether measures including legislation might be required to ensure fair competition in the auto-fuel market in Hong Kong. We are in the process of selecting the consultant. We expect the study to start around mid 2005 and be completed in the latter half of this year. We will report the findings to Member.

We are happy to answer questions from Members.

**Presentation by Secretary for Economic Development and Labour  
at the special meeting of the Finance Committee  
on Tuesday, 12 April 2005**

Chairman,

The estimate of expenditure for the Labour Department in 2005-06 is about \$1,060 million, 43% of which will be spent on Employment Services.

2. Alongside the recent notable rebound in the local economy, the unemployment rate dropped to 6.1%, the lowest in 39 months. However, the problem of unemployment is a long-term challenge. We will keep up our efforts in strengthening employment services and improving the employment situation. We will also strive to promote labour relations, combat illegal employment and wage offences, protect employees' rights and benefits, and enhance occupational safety and health.

**Improving Employment**

3. We are all very concerned about the problem of employment. The Administration will continue to promote economic development so that more jobs can be created by the market. Currently, the Labour Department continues to receive, on average, 1 500 private sector vacancies every working day. Last year, we held 10 large-scale and 32 small-scale job fairs. As these job fairs can meet employers' needs flexibly, and help job-seekers secure employment, we will organise more similar events this year.

4. We will also continue with the "Youth Pre-employment Training Programme" (YPTP) and the "Youth Work Experience and Training Scheme" (YWETS) to provide one-stop pre-employment and on-the-job training services for young participants. The two programmes will provide about 17,000<sup>1</sup> training places in total in this financial year, which should be sufficient to accommodate all young job-seekers.

5. For the middle-aged, we are helping them through the "Re-employment Training Programme for the Middle-aged" and comprehensive employment services. We will also continue to enhance the job opportunities for local domestic helpers through the "Special Incentive Allowance Scheme for Local Domestic Helpers". Besides, the Labour Department has just launched a new "Work Orientation and Placement Scheme" (WOPS) with effect from April 1 to help 1,000 people with disabilities find jobs. The Department also plans to

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<sup>1</sup> YPTP : 12 000 placements, YWETS : 5 000 placements

launch the “Work Trial Scheme” to assist those having special difficulties in securing employment.

6. Last year, the Labour Department successfully placed more than 86,000 job-seekers into jobs, and received close to 300,000 private sector vacancies. Both figures are all-time highs. The total number of private sector vacancies received by the Department reached 36,000 last month (March), and the Department also placed 8,250 job-seekers in employment, both are record highs for a single month. Looking ahead to the rest of the year, with continuous economic recovery and the development and implementation of various tourism and infrastructural projects, labour market sentiments should be positive.

### **Promoting Labour Relations**

7. Good labour relations are vital to social stability and economic prosperity. Last year, the number of labour disputes<sup>2</sup> mediated by the Labour Department dropped 37% from that of 2003, showing that labour relations continued to improve. Last year, only 0.11 working day per 1,000 employees was lost due to labour disputes, indicating that labour relations in Hong Kong are generally harmonious. The settlement rate of labour disputes and claims through the conciliation service of the Labour Department is 67.3%.

8. As the economy improved, the number of applications for the Protection of Wages on Insolvency Fund (PWIF) registered a substantial decrease of 39% when compared to 2003. The deficit of the PWIF has also turned into a surplus for the first time since the Asian financial crisis in 1997. Currently, the PWIF has a cumulative surplus of over \$96 million.

9. We will continue to promote good labour relations through various activities and the industry-based tripartite committees.

### **Protecting Employee's Rights and Benefits**

10. The Administration will continue to step up enforcement against illegal workers and their employers. Last year, the Labour Department, together with the Police and Immigration Department, launched 104 joint operations. The Department also publicised extensively its complaint telephone hotline to encourage the public to report illegal employment. In 2005, we will enhance intelligence exchanges with the Mainland, strengthen co-operation among law enforcement departments, and step up publicity efforts. Our aim is to clamp down on illegal employment activities at all levels, targeting in particular employers of illegal workers.

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<sup>2</sup> Cases involved more than 20 employees.

11. On the protection of employee's rights and benefits, we will keep up our efforts in tackling wage offences. In 2004, the Labour Department secured convictions of a record high of 504 summonses relating to employers' failure to pay wages - an increase of 13% over the 445 summonses in 2003. We will continue to step up enforcement against any exploitation to safeguard the statutory labour rights and benefits of workers.

12. To protect the interests of elementary workers, the Administration promulgated in May, 2004, a mandatory requirement for contractors of government service contracts to pay their non-skilled workers a monthly wage that is not less than the average market level of the same industry and occupation as set out in the latest Quarterly Report of Wage and Payroll Statistics published by the Census and Statistics Department.

13. The Administration is drawing up a new standard employment contract for use by all contractors of government services in order to prevent non-skilled workers from being paid less than the amount committed by the contractors in the tender offers. The new standard employment contract will come into effect soon. To tie in with the adoption of the new contract, the Labour Department will enhance, through internal redeployment, inspections to the workplaces of government service contractors. All procuring departments will also closely monitor the performance of their service contractors.

### **Enhancing Occupational Safety and Health**

14. The number and rate of occupational accidents have been falling steadily since 1998. It is noteworthy that the safety performance of the high-risk construction industry has made relatively more notable improvement in 2004. The number of confirmed occupational diseases has been on the decrease as well.

15. We will continue to actively promote safety and health at work through enforcement, publicity and education. Last year, we focused our enforcement and promotional efforts on the accident-prone sectors with a view to raising the occupational safety and health awareness of the stakeholders. To reduce the accident toll, we will work closely with employers, employees and other institutions engaged in occupational health and safety in creating a working culture that emphasises safety and health. For this financial year, we are targeting our publicity, promotional and enforcement efforts at the building maintenance industry, container handling and warehouse industry, as well as catering industry. Besides, we will promote, as a matter of priority, the preventive measures against musculoskeletal disorders.

16. Madam Chairman, we are happy to take questions from Members.

**Presentation by Secretary for Education and Manpower  
at the special meeting of the Finance Committee  
on Tuesday, 12 April 2005**

Chairman,

The total expenditure for the two policy areas of education and manpower development for the financial year 2005-06 is estimated at about \$60 billion, comprising recurrent expenditure of \$49.6 billion and non-recurrent expenditure of \$10.4 billion.

**Education**

2. On education, the total expenditure for the new financial year will be about \$58.2 billion, accounting for 23.5% of total Government expenditure and representing an increase of 4.4% as compared with the revised estimate for 2004-05. Of this total, \$48.7 billion or 84% is recurrent in nature. The growth in recurrent expenditure is 6.9%.

3. As in previous years, education remains the largest spending area of the Government, both in terms of total expenditure and total recurrent expenditure. Its percentage share has also increased.

4. During 2005-06, we will continue to implement our various policy commitments of strengthening support to schools and teachers. Specifically, we will -

- provide additional resources to public sector primary schools to improve the teacher-to-class ratio, with a view to relieving teachers' workload and facilitating specialized teaching, thereby enhancing the effectiveness of students' learning;
- provide additional professional upgrading courses to enhance teachers' professional knowledge and capabilities, and implement school-based professional support programmes to enable teachers to put principles into practice;
- strengthen language teaching and student guidance to enable whole-person development of our students; and
- seek to reduce inter-generational poverty in line with the Government's overall policy objective and, in collaboration with schools, introduce school-based after-school learning and other support services for needy students.

5. Looking ahead, the '3+3+4' academic structure reform will be the main focus of the education sector. We are finalizing the implementation plan in the light of the comments and feedback received during public consultation concluded recently. We will announce the details in the second quarter of the year.

### **Manpower Development**

6. The total expenditure on manpower development for 2005-06 will be about \$1.8 billion. The increase over the revised estimate of 2004-05 is mainly due to the additional expenditure for reimbursement of course fees under the Continuing Education Fund.

7. We will continue to implement the various initiatives in 2005-06, including the Continuing Education Fund and Skill Upgrading Scheme, for meeting the manpower development needs of the community. We will also set up Industry Training Advisory Committees by phases to develop a competency-based qualifications framework for different industries, and amend the Hong Kong Council for Academic Accreditation Ordinance to empower the Council to perform the quality assurance role.

8. Chairman, my colleagues and I will be happy to answer questions from Members.

**Presentation by Judiciary Administrator  
at the special meeting of the Finance Committee  
on Wednesday, 13 April 2005**

The Judiciary has the constitutional responsibility to administer justice fairly and impartially. Its role is to maintain an independent and competent judicial system which upholds the rule of law, safeguards the rights and freedoms of individuals and commands domestic and international confidence. In the financial year 2005-06, a total provision of \$944.4 million is sought.

**High Court**

2. There has been a drop in the civil caseload of the Court of First Instance of the High Court, from 39,554 cases in 2003 to 23,993 cases in 2004. It should be noted that the decrease relates to the reduction of 43% in bankruptcy petitions and the reduction of debt collection cases, both of which only take up limited judicial time as they usually do not result in trials.

3. The criminal caseload increased by 12%, from 337 cases in 2003 to 377 cases in 2004. During the same time, the number of long cases (i.e. over 15 days) had increased from 27% of all criminal trials in 2003 to 32% in 2004.

**District Court**

4. The financial limit of the civil jurisdiction of the District Court had been increased from \$600,000 to \$1 million since 1 December 2003. The impact on the civil caseload had been limited, as the caseload in 2004 only increased by 3% over 2003.

5. A two-year Pilot Scheme for the Reform of Ancillary Relief Procedures in Matrimonial Proceedings has been introduced in the Family Court since December 2003 to encourage the parties to reach settlement and to reduce unnecessary costs, delay and stress during the proceedings. Up to now, more than half of the cases under the Pilot Scheme have been settled before the First Appointment with the judge. The effectiveness of the Pilot Scheme will be evaluated.

**Magistrates' Courts**

6. The average waiting time at the Magistrates' Courts is about three months as at March 2005. However, there is a range of waiting times as between the various Magistrates' Courts with the longer waiting times at Eastern

(four months), and at Sha Tin and Kowloon City (104 and 97 days respectively). In the light of the lengthening waiting times, resources will be deployed to enable additional Deputy Special Magistrates to be appointed shortly. Furthermore, Tsuen Wan Magistrates' Courts will not be closed in January 2006 as originally planned. A review on whether to continue with the plan and if so when will be conducted later.

### **Labour Tribunal**

7. The number of claims filed at the Labour Tribunal decreased by 27% to 8,273 cases in 2004 from 11,263 cases in 2003. The reduction in caseload is largely due to the economic recovery of Hong Kong. The waiting times from appointment booking to filing of claim and that from filing of claim to first hearing are well within target.

8. The Working Party on the Review of the Labour Tribunal finalised its report in June 2004. It made 37 recommendations to improve the operation of the Labour Tribunal. All recommendations apart from some requiring legislative amendments have been implemented.

### **Resource Centre for Unrepresented Litigants**

9. The Resource Centre has been in operation for about 16 months. Its webpage, from which viewers can obtain basic information on civil procedures in the High Court and District Court, is very popular, with over 470 accesses a day.

10. The Chief Justice has appointed a Consultative Committee to review the operations of the Resource Centre. It is chaired by Madam Justice Chu, with members from the Judiciary, the legal profession, law schools and the Hong Kong Council of Social Service.

### **Civil Justice Reform**

11. The Chief Justice accepted in March 2004 the recommendations in the Final Report of the Working Party on Civil Justice Reform. A Steering Committee on Civil Justice Reform, chaired by the Chief Judge of the High Court has been established to oversee the implementation of the recommendations. Primary and subsidiary legislation are being drafted. Extensive training of judges and supporting staff will be planned.

### **Information Technology**

12. As a continuous effort to improve court services, the Judiciary keeps exploring areas in which automation could be used to provide the public with better access to justice.

13. With the establishment of a case management system for the Obscene Articles Tribunal in March 2005, all court registries are now provided with case management systems.

14. Existing computer systems will be revamped to support the implementation of the Civil Justice Reform recommendations.

### **Conclusion**

15. To make optimal use of resources, we have introduced a number of efficiency initiatives. The process in promoting efficiency initiatives in the Judiciary is a continuous one.

16. But it must be pointed out that there is a limit to which this could be done. The Chief Justice has stated repeatedly that, despite budgetary constraints, the quality of justice must be maintained and must not be compromised. This is a fundamental principle which must again be emphasized.

17. As has been pointed out by the Chief Justice, it must be recognised by all concerned that the inevitable consequence of budgetary constraints over a period of time will be that the waiting times will be lengthened at all levels of court. The Basic Law and the Bill of Rights provide for constitutional rights to justice in the courts without undue delay. Government would have to bear the responsibility if these rights are breached due to its failure to provide adequate resources to the Judiciary. When the point of time is reached that the waiting times are considered to be unacceptable, the question of providing additional resources to the Judiciary will have to be raised and addressed by the Administration and the Legislature.

18. Thank you.

**Presentation by Secretary for Justice  
at the special meeting of the Finance Committee  
on Wednesday, 13 April 2005**

Chairman and Members, Good Morning,

The mission of the Department of Justice is to uphold the rule of law, to provide efficient and effective legal service to the Government and to maintain and improve the present legal system. Our work is delivered through five programmes, each of which is led by a Law Officer. I would like to highlight some of our major areas of work in each of these five programmes for 2005-06.

**Programme 1 – Prosecutions**

2. In the year ahead, we shall continue to prosecute cases in a firm and principled way. Prosecution policies will be applied in a manner which is fair, open and just. We shall act at all times in accordance with international practice.

3. Prosecutors these days face formidable challenges. Organized crime is a global security threat. Criminals are more sophisticated and better financed than ever before. The new development of recent prosecution work covers money laundering, confiscation of assets, various forms of fraud, false accounting, trade descriptions, infringement of intellectual property rights, abuse of power, computer crimes etc. The Prosecutions Division will therefore work closely with its counterparts in the International Association of Prosecutors to develop anti-crime strategies, to share expertise, and to raise the standards of criminal justice.

4. Public expectations of prosecutors have never been higher. Transparency in the area of public prosecutions will continue therefore to be actively promoted in the year ahead. The prosecution policy guidelines will be used to make the decision-making process understandable to the public at large. The work of the prosecutor will be explained to interested bodies. To the extent that this is compatible with the interests of the suspect, the basis of particular decisions will be indicated to concerned individuals. Our approach will be one which recognises that a successful prosecution service is one which is firmly rooted in the community it serves, and which is open, accessible and understanding.

## **Programme 2 – Civil**

5. The workload of Civil Division has been on the increase over the past few years and the increase is expected to continue in the year ahead. On the litigation side, we have experienced another challenging year in 2004-05 in terms of the complexity and the volume of work. During 2004, there were 1,313 civil proceedings (including non-construction arbitrations) brought by the Government, and 1,962 civil proceedings were brought by the public against the Government. There were 15,284 items of civil legal advice provided, and 603 commercial tenders, consultancy briefs, contracts, licences and franchises were drafted and vetted by us. Some of the heavier commercial transactions handled by the Department in 2004 were the issuance of Government bonds [totaling \$26 billion] in respect of Government owned tunnels and bridge, the sale of some 260 civil service loans, the proposed merger of MTRCL and KCRC, the proposed privatization of the Airport Authority and the proposed development of the West Kowloon Cultural District. Major civil law work also included the Deposit Protection Scheme and Clearing Settlement Bill in the banking sector. Considerable advice was given on amendments to the Companies Ordinance as part of the Government's corporate governance initiatives. We expect that the demand for legal input and requests for drafting and vetting of commercial documents will increase in 2005-06. The increase will arise from such work as the privatization and outsourcing of the Government's commercial activities and major projects such as the West Kowloon Cultural District, the proposed Hong Kong - Zhuhai - Macao bridge and the implementation of the Hong Kong Disneyland. Civil Division is ready to meet the challenges within the resources available and will continue to provide quality legal services that are required.

## **Programme 3 – Legal Policy**

### **(1) Closer Economic Partnership Arrangement (CEPA)**

6. The Department of Justice continues to assist the legal profession in developing its services in the Mainland. 2004 was the first year of implementation of CEPA I. It also saw the beginning of CEPA II, when an agreement to further liberalize trade in goods and services between Hong Kong and the Mainland was reached on 27 August 2004. CEPA is a platform for future co-operation, and the two sides have agreed to broaden and enrich its content, including legal services, through continuous and further liberalization. Our Department will continue to consult legal practitioners with a view to assisting them in further developing Mainland-related services.

### **(2) The Consultancy Study of the Supply of and Demand for Legal Services**

7. I have previously informed Legislative Councillors of my department's plans to conduct a comprehensive survey of the supply of and demand for legal

services in Hong Kong. The findings from this survey will be extremely useful for the future development of legal services. The Legal Policy Division of my department has commissioned a consultant firm to undertake that survey. The latest position is that a Consultative Committee under the chairmanship of the Solicitor General has been set up to oversee the survey study, which has been progressing smoothly.

### **(3) The Bilingual Community Legal Information Website**

8. Another initiative of the Legal Policy Division has been to commission the establishment of a bilingual community legal information website. This will help members of the community to obtain practical advice about common problems that are encountered. The China Information Technology and Law Centre, Hong Kong University, is developing the initial version of the website, which will take about two years to complete.

### **Programme 4 – Law Drafting**

9. In the last few months before LegCo dissolved for its general election held in 2004, the Law Drafting Division was heavily engaged in work relating to the scrutiny of bills by bills committees. 27 bills were enacted from 1 April 2004 to 10 July 2004, amongst which were a number of substantial items that attracted keen public interest, for example, the Land Titles Ordinance, the Education (Amendment) Ordinance 2004 and the Construction Workers Registration Ordinance.

10. As compared with last year, there should be less demand on the services of the Law Drafting Division in respect of bills committee work in 2005/06. It is anticipated that the Division would channel more of its resources to regular drafting work i.e. drafting bills and subsidiary legislation required in the implementation of various Government policies.

### **Programme 5 – International Law**

11. In the coming year, the International Law Division will continue to provide advice on international law issues, negotiate international agreements or contribute as legal advisers in negotiations and handle requests for international legal co-operation to bring benefits to the HKSAR. The Mutual Legal Assistance Unit under this Division will continue to handle and co-ordinate requests to and from the HKSAR concerning surrender of fugitive offenders, mutual legal assistance and transfer of sentenced persons.

### **Expenditure**

12. Like most other parts of the Government, the Department of Justice will be given a smaller financial envelope in 2005-06. Our financial provision for the

whole Department for 2005-06 is \$888.2 M which is 0.3% (or \$2.4 M in dollar terms) less than our revised estimated expenditure for 2004-05 (which is \$890.6 M). We will endeavour to provide a cost effective service within this financial provision.

13. We remain minded to brief out cases to private sector lawyers if deemed necessary and appropriate. For example, the number of cases conducted by counsel instructed to prosecute in all courts has increased from 726 in 2003 to 849 in 2004. For 2005-06, our total provision for briefing-out expenditure is \$178.2 M. This is slightly higher than the corresponding revised estimates of \$172.1 M for 2004-05.

### **Conclusion**

14. I hope I have given you an overview of the major work in the Department in the coming financial year. My colleagues and I will be pleased to provide any further information Members may require on our estimated expenditure for the next financial year.

15. Thank you.

**Presentation by Secretary for Constitutional Affairs  
at the special meeting of the Finance Committee  
on Wednesday, 13 April 2005**

Chairman, I wish to brief Members on the estimates of the Constitutional Affairs Bureau (CAB) and the Registration and Electoral Office (REO) in 2005-06 as well as our priorities in the coming year.

**CAB's Estimate**

2. In 2005-06, CAB is allocated \$39.9 million, which is about \$2 million or 5.3% more than the revised estimate for 2004-05. This is mainly due to an increase in the non-recurrent provisions for strengthening the promotion of the Basic Law as well as coordinating the work relating to public consultation on constitutional development. The recurrent provisions remain at \$34.63 million which is quite close to that for 2004-05.

**Priorities of CAB in Coming Year**

*Election of a new Chief Executive*

3. Our main task over the coming months is to ensure that a new Chief Executive (CE) will be elected in time on 10 July 2005 in accordance with the Basic Law and local legislation. The Government introduced to the Legislative Council (LegCo) on 6 April a bill to amend the Chief Executive Election Ordinance to state clearly that the term of office of a new CE returned in a by-election shall be the remainder of the term of the preceding CE. To provide a solid legal basis for our amendment bill and the election of the new CE, the Government submitted on 6 April a report to the State Council and proposed that a request be put to the Standing Committee of the National People's Congress (NPCSC) to make an interpretation of Article 53(2) of the Basic Law regarding the term of the new CE. Accepting the report, on 10 April the State Council submitted an item to the NPCSC regarding the interpretation of the relevant provision of the Basic Law.

4. We will work closely with the Bills Committee formed to scrutinise our amendment bill and hope that it will be passed in time. The first meeting of the Bills Committee will be held tomorrow morning.

5. As for the practical arrangements for the elections, the Registration and Electoral Office (REO) has completed the statutory procedures concerning the provisional register of the Election Committee (EC). The nomination period for

the EC Subsector by-elections commenced on 9 April and will end on 15 April. The Subsector by-elections will be held on 1 May. Following the confirmation of the final register of EC members after the conclusion of the EC Subsector by-elections, REO will proceed to make arrangements for the conduct of the CE election.

6. According to the law, the nomination period for CE election shall not be less than 14 days and the canvassing period shall not be less than 21 days. The nomination period and the canvassing period will take place between June and July, and the election will be held on 10 July. The Electoral Affairs Commission (EAC) and REO are now making arrangements for the elections, including working out polling and staffing arrangements, and identifying suitable polling stations, etc. As in the past, EAC will work closely with other relevant departments, and conduct and supervise the elections in accordance with the statutory requirements and timeframe, and ensure that the elections are conducted in an open, honest and fair manner.

7. Separately, we have established an independent commission to consider the remuneration package and post-office arrangements for the CE. The independent commission will submit its report to the Administration in about two months' time. We will brief the LegCo Panel on Constitutional Affairs on the recommendations of the independent commission and the response of the Administration.

### **Methods for electing CE in 2007 and LegCo in 2008**

8. We will elect the third term CE and the fourth term LegCo in 2007 and 2008 respectively in accordance with our original timetable. We will continue to take forward the review of the electoral methods for 2007 and 2008 step by step. It remains our aim that the two electoral methods should be further opened up to broaden public participation and to enhance the representativeness of the systems. We will consult the new CE when he assumes office in July, before publishing the fifth report of the Constitutional Development Task Force. We have extended the consultation deadline for the fourth report until the end of May to allow more time for public discussion. We will endeavour to publish the fifth report in the latter half of the year, and thereafter deal with the amendments to Annexes I and II to the Basic Law within 2005. We will proceed to amend the necessary domestic legislation for the CE and LegCo elections respectively during the first half of 2006 and in the course of 2007.

### **Pan-Pearl River Delta Regional Cooperation**

9. In the coming year, CAB will continue to coordinate proactively HKSAR Government's participation in the Pan-Pearl River Delta (Pan-PRD) regional cooperation, and will facilitate liaison and cooperation with other provinces and region in the Pan-PRD region.

10. Since the conclusion of “Pan-PRD Regional Cooperation Framework Agreement” by the “9+2” governments in June last year, HKSAR has been working closely with relevant provinces/regions to promote Pan-PRD regional cooperation. An HKSAR Government delegation, led by CAB, has attended the two Pan-PRD Secretary-General meetings held in July 2004 and January 2005. During the meetings, the HKSAR Government and other governments in the Pan-PRD region exchanged views on improving the operation mechanism under the Framework Agreement, preparing for the second Pan-PRD Regional Cooperation and Development Forum, and exploring other major issues relating to regional cooperation. The HKSAR Government will continue to take an active part in the preparation for the second Pan-PRD annual forum to be held in Sichuan in July 2005.

11. To facilitate implementation of the various cooperation initiatives under the Framework Agreement, provinces/regions have started discussions in respect of cooperation in commerce and trade, tourism, environmental protection, education, health and prevention of infectious disease, labour and agriculture, and have reached broad consensus on the future direction and work plans. So far, a memorandum on foreign trade and economic cooperation and an agreement on environmental protection have been concluded among the 11 provinces/regions. The HKSAR Government attaches considerable importance to the “9+2” cooperation and CAB will continue to coordinate and facilitate HKSAR Government’s work on this front, with a view to working closely with our partners in the Pan-PRD region to implement the cooperation initiatives under the Framework Agreement.

12. To enhance our understanding on our Pan-PRD partners, CAB has been organizing visits since December 2004 to various Pan-PRD provinces/regions. So far we have conducted visits to Hainan, Jiangxi, Sichuan, Fujian, Hunan and Guangxi provinces, and will visit other Pan-PRD provinces in the coming months. We will also, through the Hong Kong/ Guangdong Expert Group on the Promotion of Pan-PRD Cooperation, strengthen communication and enhance information exchanges between Hong Kong and Guangdong on matters of common interest relating to Pan-PRD regional cooperation.

### **Promotion of Basic Law**

13. We will continue to deepen our efforts in promoting the Basic Law in three main areas.

- Firstly, we will present to members of the public in a more comprehensive manner the content and principles of the Basic Law, as well as the historical background and the drafting process of the Basic Law. Apart from promoting the characteristics of “Two Systems”, we will also incorporate the concept of “One Country” in our promotion activities.

- Secondly, we will tie in the promotion of the Basic Law with national education. This will enhance public understanding of and identification with the nation.
- Thirdly, we will step up cooperation with community organizations and, through the network of these organizations, promote the Basic Law among different sectors of society.

14. This year marks the 15<sup>th</sup> anniversary of the promulgation of the Basic Law. CAB has reserved a non-recurrent provision of \$3.75 million for organizing a series of activities to strengthen the promotion efforts of the Basic Law. This will be in addition to the recurrent provision of \$1.25 million in CAB's estimate for Basic Law promotion. Together with the provision made by other bureaux and departments during 2005-06, the HKSAR Government as a whole has budgeted \$7.6 million for Basic Law promotion.

15. These various activities include a student flag raising ceremony which was conducted on 3 April, a carnival in commemoration of the 15<sup>th</sup> anniversary to be held in May, a roving exhibition on the drafting and implementation of the Basic Law, a seminar about the Basic Law, and promotion activities jointly organised with business and youth organizations, etc.

### **Taiwan-related Matters**

16. In accordance with "Qian's Seven Principles", we will continue to enhance economic and cultural exchanges between Hong Kong and Taiwan. We will introduce to Taiwan visitors from various fields the successful implementation of the "One Country, Two Systems" principle through briefings on the latest development in Hong Kong, visits to the infrastructure and other facilities of the HKSAR and exchanges with Government bureaux/departments. We will also continue to liaise with Taiwan organizations in Hong Kong on matters relating to Hong Kong/Taiwan relations.

### ***REO's Estimate***

17. For the 2005-06 financial year, we propose to allocate \$73.8 million to the REO, which is \$221.7 million or 75% lower than the revised estimate of the previous financial year. This significant reduction in the financial provision is mainly because additional resources previously allocated for making preparations for the 2004 LegCo election in the last financial year are no longer required during the current financial year.

18. We estimate that the CE Election and the EC Subsector supplementary nominations and by-elections to be held in this financial year will cost about \$22 million. This includes the staff cost of some 24 civil servants on secondment from other departments and about 160 temporary non-civil service staff, other expenses such as the cost for hire of venue, honorarium for polling and counting staff and publicity expenses, etc.

19. The REO will endeavour to absorb the expenses within its provision earmarked for by-elections and other purposes. If necessary, supplementary provisions will be sought towards the end of the 2005-06 financial year.

20. The REO will start preliminary preparatory work for the next Village Representatives election to be held in 2007. For example, the REO will commence the review of the EAC regulations and guidelines on election-related activities relating to the Village Representatives election.

21. Other regular tasks include the conduct of the 2005 voter registration campaign, the updating of personal particulars of electors, and the conduct and supervision of any by-election for the LegCo and District Councils as and when necessary.

### ***Conclusion***

22. My colleagues and I will continue to make the best possible use of the allocated resources to accomplish the above and other tasks falling under the purview of constitutional affairs. Chairman, may I now hand over to the Director of Beijing Office for him to brief Members about the work of his Office.

**Presentation by Secretary for Security  
at the special meeting of the Finance Committee  
on Wednesday, 13 April 2005**

Chairman and Members,

- In the draft Estimates for the new financial year (2005/2006), the allocation on the security policy area group is \$26.2 billion, representing 10.6% of the total government expenditure. The two policy areas of Internal Security and Immigration Control under my responsibility will account for \$22.7 billion, which is 3.4% lower than my allocation of \$23.5 billion for the last financial year.
- Although we have a reduced budget, with the savings we earn from various efficiency measures, we manage to introduce new or enhanced services to meet new challenges and requirements. I will briefly highlight some of these new services or enhancements.

**Law and Order**

- In 2004, the overall crime figure registered a decline of 8.0% and the violent crime figure also decreased by 4.5%. This is a pleasing result, but the Police will as always remain vigilant. For 2005, the Commissioner of Police has identified a number of major operational targets, namely, combating violent crimes, triad-related cases, “quick-cash” crimes, terrorism, trafficking and abuse of dangerous drugs, crimes committed by illegal immigrants and mainland visitors, and enhancing road safety.
- In terms of manpower, in 2005-06 the Police Force will have a net reduction of 412 posts, most of which are for support and administrative work. This will not result in a reduction of the manpower for front-line operations or core policing services provided to the public.
- To cope with new demands and new services, a total of 44 posts will be created mainly to cater for traffic management duties.

**Immigration Control**

- In the use of technology, one of our main focuses is to ensure the smooth and timely implementation of the Automated Passenger Clearance and Automated Vehicle Clearance systems. We plan to

install about 270 e-Channels at our control points by mid-2006 and to complete the installation of Automated Vehicle Clearance kiosks for all vehicular control points in phases by the first half of 2005.

- As regards the construction of boundary crossing facilities (BCF) for the Hong Kong Shenzhen Western Corridor (HKSWC), reclamation works have required a longer time to complete because of problems relating to the rate of settlement (沉降速度) of the reclaimed site. Nevertheless, we are making our best endeavours to catch up and the piling works for the passenger hall terminal have just been completed.
- To meet the public demand for a more diversified service, we will take proactive steps to facilitate private sector participation in solemnisation of marriages and aim to introduce legislation to provide for the appointment of civil celebrants within this legislative session.
- The Individual Visit Scheme has been extended gradually and currently covers 34 Mainland cities<sup>1</sup>. Since its implementation in July 2003, more than 6 million Mainland residents have visited Hong Kong under the Scheme, bringing considerable benefits to the tourism, retail and related sectors.
- The Admission of Mainland Talents and Professionals Scheme and the Capital Investment Entrant Scheme were implemented in July and October 2003 respectively. As at end-February, we have received 6 897 applications from Mainland talents and professionals out of which 5 705 have been approved. 325 applicants have been granted formal approval for residence in Hong Kong under the Capital Investment Entrant Scheme. Their total investment in Hong Kong amounts to some HK\$2 402.41 million, or on average HK\$7.39 million per entrant which exceeds the minimum requisite amount of HK\$6.5 million. Another 124 applicants granted approval-in-principle were allowed to enter Hong Kong as visitors to procure the necessary investment under the Scheme.
- Having regard to the international trend for enhanced passport security, we will introduce biometric HKSAR passport in early 2007 to safeguard and promote travel convenience enjoyed by HKSAR passport holders and to tie in with the first tide of applications for renewal of HKSAR passports issued in 1997.

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<sup>1</sup> 21 cities in Guangdong, Beijing, Shanghai, 3 cities in Fujian, 3 cities in Jiangsu, 3 cities in Zhejiang, Tianjin and 15 districts in Chongqing.

## **Public Safety**

- On the emergency ambulance side, we have implemented paramedic ambulance service in full in the first quarter of 2005. We will explore the feasibility of introducing prioritization of emergency ambulance calls in accordance with the urgency of the patient's medical condition in order to better utilize ambulance resources. Meanwhile, to cope with increasing service demand, we will commission two new ambulance depots in MongKok and Kwai Chung in 2005 - 06 through flexible internal re-deployment of resources. We will also create 50 disciplinary posts to man a new fire station-cum-ambulance depot in Kowloon Tong scheduled to be opened in the second half of 2006.
- We have earmarked \$31M for the procurement and replacement of fire appliances, ambulances and equipment to enhance our rescue capability and training facilities.

## **Custody and Rehabilitation of Offenders**

- We will continue to seek long and short term solutions to address the problems of overcrowding and outdated facilities in our penal institutions.
- We will also continue to work in partnership with various sectors of the community to help rehabilitated offenders re-integrate into society. To that end, CSD will continue to organize public education and publicity activities to appeal for community acceptance and support for rehabilitated offenders.

## **Countering the Menace of Drugs**

- The Hong Kong Jockey Club Drug InfoCentre will continue to serve as a focal point for anti-drug educational and publicity activities. Apart from young people, programmes targeting parents will be strengthened to reinforce the anti-drug message through parental engagement and empowerment.
- On treatment and rehabilitation, we will continue to improve our services to drug abusers through implementing the Third Three-year Plan on Drug Treatment and Rehabilitation Services in Hong Kong (2003-2005) and monitoring the progress of the licensing scheme for drug treatment centres. For 2005-06, more attention will be placed on enhancing professionalism of front-line anti-drug workers through structured education and development programmes.

## **Combating Money Laundering and Terrorist Financing**

- At the international level, we will continue to participate actively in the work of the Financial Action Task Force and the Asia/Pacific Group on Money Laundering and contribute towards the global fight against money laundering and terrorist financing. Within Hong Kong, we shall continue our preparatory work to put in place the revised Forty Recommendations of the Financial Action Task Force with a view to further enhancing our own regime and meeting the latest international standards.

Chairman, this concludes my opening remarks. My colleagues and I will be happy to answer questions from Members.

**Presentation by Secretary for Health, Welfare and Food  
at the special meeting of the Finance Committee  
on Wednesday, 13 April 2005**

Chairman and Honorable Members,

Hong Kong has all along been a healthy and safe international city. We boast a regional hub for people from all over the world to live, work and study. The Health, Welfare and Food Bureau contributes to this through vigorous efforts to ward off infectious diseases and ensure the highest standard of hygiene in the city. We are basically a gatekeeper.

This gatekeeper role is particularly important for this year, when Hong Kong will again draw worldwide attention with the opening of the Hong Kong Disneyland in September and with us hosting the 6<sup>th</sup> Ministerial Conference of the World Trade Organization in December.

Certainly, we have a bigger role to play and many more services to provide. We provide health care and a social safety net. We roll out family, youth, elderly and rehabilitation services. We regulate drugs, health products, food and live produce. We also work with the Women's Commission to promote the well-being of women in Hong Kong.

Our expenditure is mostly on human resources and we will ensure all public officers within the Hospital Authority (HA) and departments will align their operations with the policy objectives of the Bureau and give their best to accomplish our missions.

I would now highlight key resource provision and priority policy areas of our Bureau for the 2005-06 financial year.

In 2005-06, **\$67.8 billion** recurrent provision is allocated to health, food and environmental hygiene, social welfare and women's interests policy areas. This accounts for **34%** of the total recurrent government expenditure and represents a real increase of **3.1%** over the 2004-05 revised estimate. The priority areas of our Bureau in the coming years are as follows.

<b>Health</b>
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We are committed to ensuring that our health care systems are of quality, equitable, efficient, cost-effective and accessible to the public.

In 2005-06, we would -

- (a) heighten our preparedness against the threat of infectious disease, in particular avian influenza;
- (b) work out options to enhance the sustainability of our public health care system (including service positioning of HA, fees review, funding arrangement in respect of HA, health care financing);
- (c) step up momentum on developing a community-based, citizen-centred mode of health care service delivery model (community outreach services, family medicine, Chinese medicine clinics etc); and
- (d) raise the health capacity of our population and promotes ownership (building a smoke-free community, including anti-smoking legislation; preventive programmes; health promotion campaigns).

Health care systems are only as good as the people and professionals seeking to deliver them. We recognize the professionalism of our healthcare practitioners and would continue to promote Continuing Medical Education and training for Chinese medicine practitioners. We also recognize shortfall in the number of nurses, as well as the low morale and feeling of uncertainty among frontline HA staff, and I am confident that HA would devise robust strategies to address such challenges.

### **Food and Environmental Hygiene**

On food safety and environmental hygiene side, our priorities in this financial year include the following -

#### **Avian Influenza**

In view of the recent avian influenza outbreaks in Southeast Asia, which indicate that the avian influenza viruses are becoming more pathogenic and causing higher fatality, we have recently announced our overall plan to reduce the risk of avian influenza outbreaks in Hong Kong.

As an immediate measure, we will maintain the maximum licensing capacity in local chicken farms at half of the existing chicken population to enable depopulation of live poultry, if necessary, be completed within a reasonable period of time.

As a longer-term measure, we propose to implement regional slaughtering together with a voluntary surrender scheme for poultry farmers and live poultry wholesalers. We have already identified the Western Wholesale market for the development of a medium sized slaughterhouse on a pilot basis and a financial feasibility study is underway to ascertain the scope for private sector participation.

We also propose to provide ex-gratia payment to poultry farmers and live poultry wholesalers, as well as retraining for affected local live poultry farm and wholesale workers should they choose to surrender their licences/tenancies and cease operation permanently. We are consulting the live poultry trade on the terms of the voluntary surrender scheme. Our plan is to seek funding approval from the Legislative Council in this year.

### **Regulatory framework to enhance food safety**

We will introduce a number of measures to enhance our food safety. First of all, we will enhance our food surveillance, risk assessment and communication programmes. We are assessing the need for setting up a framework for mandatory food recall in Hong Kong. We have studied local experience on mandatory recall of non-food products, as well as overseas experience on food recalls. We will further consider the details of the proposed regulatory framework for mandatory food recall in Hong Kong in consultation with the trade.

Besides, we have completed the public consultation exercise on our proposed labelling scheme for nutrition information in early 2004. Public views are generally in support of the proposed nutrition labelling scheme. We have also completed a Regulatory Impact Assessment (RIA), which shows that substantial net benefits to the community would be available from the introduction of nutrition labelling in Hong Kong. We will report the results of the public consultation, the RIA and our implementation plan to the LegCo Panel on Food Safety and Environmental Hygiene.

We will also strengthen the control of the quality of water used for keeping live fish and shellfish intended for use for human consumption. In this respect, we have appointed the Hong Kong Productivity Council to design and operate a voluntary Accreditation Scheme for Seawater Suppliers. The scheme will help ensure the availability of reliable seawater supply and assist restaurants and seafood stalls in complying with the prescribed standard of fish tank water quality. We are also formulating a proposal to prohibit abstraction of seawater from specified areas, such as the Victoria Harbour and typhoon shelters, for keeping live seafood. We will consult LegCo Panel and the trade on our proposal shortly.

## **Review of food business licencing regimes**

LegCo Panel on Food Safety and Environmental Hygiene has set up a Subcommittee to study the Streamlining of Food Business Licensing. We are working closely with the Subcommittee with a view to streamlining the procedure of food business licencing for the benefit of the trade as well as our departments in view of the growing workload.

On fisheries, our priority this year is to better conserve our fisheries resources. In view of the depleting fisheries resources in Hong Kong, we will introduce a legislative proposal to set up a fishing licence system, to designate fisheries protection areas and to introduce a territory-wide closed season. We hope to better conserve our fisheries resources through the implementation of these measures.

## **Social Welfare**

### **Substantive increase in welfare resources despite cuts in other policy areas**

Despite the financial constraints of the Government and that the public spending in most of the policy areas has to be adjusted downwards, social welfare is an exception. The total provision for social welfare in 2005-06 amounts to **\$34.3 billion**, representing an increase of **6.4%** in real terms over 2004-05.

About **\$240 million** new money has been earmarked in 2005-06 for the implementation of a wide range of welfare measures to help the poor and the needy as outlined in the Chief Executive's Policy Address. The new initiatives cover a wide range of areas including family and children welfare, youth, elderly and rehabilitation services. I would not repeat the details here.

Together with a projected increase of 5% or **\$1,141 million** of the Comprehensive Social Security Assistance (CSSA) and Social Security Allowance expenditure in 2005-06 and the **\$200 million** earmarked last year for the launch of the Partnership Fund for the Disadvantaged, the new resources for the welfare portfolio for the coming financial year is substantive and reflects the Government's commitment towards the disadvantaged groups.

### **Sustainability of the welfare system remains a key issue**

Public resources are finite. Sustainability of our welfare system is a live issue that we have to face. Resources devoted to the welfare side have doubled in the past 10 years, with its share in recurrent Government expenditure increased from 10% to 17%. Even excluding the spending on social security, new resources have been injected to expand our social services every year.

On the other hand, the demand side has also been increasing. The number of CSSA recipients has in the past 10 years increased three folds. Faced with an ageing population, the number of subsidized residential care places for the elderly has been increased by about 60% between 1997-98 and 2004-05. We expect that in 30 years, the payment for social security for the aged will increase from \$12 billion to **\$30 billion** and thrice as much expenditure will be required just to maintain the current waiting time for subvented elderly residential places. Public resources cannot be increased indefinitely.

### **Promotion of Self-Reliance and Cross-sectoral Co-operation**

With the upturn in economy, I hope that more people can support themselves to avoid falling into the safety net. All along, we promote the spirit of empowerment and mutual help so that individuals and families are equipped to overcome adversities, rather than resorting to welfare dependency. Cross-sectoral cooperation, particularly tripartite partnership between the business sector, government and the welfare sector, is also promoted as a shared responsibility to our social issues.

Chairman, this concludes my opening remarks. My colleagues and I will be happy to answer questions from Members.

**Presentation by Secretary for Home Affairs  
at the special meeting of the Finance Committee  
on Thursday, 14 April 2005**

Chairman,

**Introduction**

I am delighted to brief members on the work priorities of the Home Affairs Bureau (HAB) in the new financial year.

2. HAB is responsible for a diversified policy portfolio and is committed to enriching the quality of life of people in Hong Kong as well as building a vibrant, caring and harmonious community. It steers the work of Home Affairs Department and Leisure and Cultural Services Department whilst facilitating the work of many non-governmental organizations (NGOs). Today I will specifically talk about several subjects which are our priority areas in 2005-06. The subjects include the Race Discrimination Bill, the Gender Identity and Sexual Orientation Unit, funding for elite sports and enhancing the role of the 18 District Officers.

**Race Discrimination Bill**

3. Members will, I am sure, wish to know about the state of progress with the proposed law against racial discrimination. The position is that, in September last year, we initiated what was intended to be a three-month consultation period on our detail proposals. Subsequently, in response to public demand, we extend that period to five months, ending on 8 February. By the conclusion of the exercise, we had attended 66 meetings with the public and received over 240 written submissions. My staff are now completing the analysis of the findings, which they will submit to the Home Affairs Panel. And I am pleased to tell Members that the law drafting process is now well advanced. It remains our intention to introduce the Bill into the Legislative Council later this year.

**The Gender Identity and Sexual Orientation Unit**

4. On the human rights front, we are putting more resources into the area of gender identity and sexual orientation. We have already set up a Sexual Minorities Forum. In 2005-06, our initiative is to set up a Gender Identity and Sexual Orientation Unit as a 2-year pilot scheme. This is modelled on our existing "Race Relations Unit".

5. The unit will handle gender identity and sexual orientation issues and conduct activities to further promote equal opportunities of persons of different sexual orientation. The unit will also maintain a hotline for enquiry and complaints about discrimination on the ground of sexual orientation and to liaise with relevant NGOs and government departments. We are in the process of recruiting the necessary staff to run the unit.

### **Funding for Elite Sports**

6. We have all along attached considerable importance to elite sports development in Hong Kong. The Government is committed to promoting and developing a strong sporting culture in the community as well as raising our international profile in sports.

7. Hong Kong athletes have continued to achieve good results in major national and international games. The success of our athletes is the result of their years of hard work and the excellent coaching that they received. The Government, in partnership with the Sports Federation and Olympic Committee of Hong Kong (SF&OC) and the National Sports Associations (NSAs) will continue to provide the necessary technical and other support to our elite athletes.

8. To assist the development of elite sports, we would continue to provide recurrent subvention to the SF&OC, the NSAs as well as the Hong Kong Sports Institute Limited. We would continue to work closely with the reconstituted Hong Kong Sports Institute to ensure the smooth running and efficient delivery of elite training functions. To strengthen support to elite sports training, we propose to increase the recurrent subvention to Hong Kong Sports Institute Limited to \$97.3 million in 2005-06, representing an increase of \$6.37 million (about 7%) compared with 2004-05.

### **Enhancing the role of the 18 District Officers**

9. I will then give an account of the work on enhancing the role of the 18 District Officers -

- The District Administration Scheme has been in operation for more than 20 years. The scheme has successfully helped promote public participation in district affairs and strengthen social cohesion in the local community. The scheme has also helped ensure that we respond promptly to district needs and problems.
- District Officers (DOs) have been playing a very important role in co-ordinating the operation of the District Administration Scheme in the district. As stated in the 2005 Policy Address, Government attaches great importance to how the 18 DOs may

better play their role. In this connection, we will consider how to strengthen the role of DOs in resolving community problems and co-ordinating district work in a more effective manner.

- Director of Home Affairs and myself will, through our regular meetings with DOs, identify and escalate where necessary complicated district issues/problems that cannot be resolved at the district level to the relevant Principal Officials to help expedite resolution of these issues/problems.
- We will also enlist the support of the senior directorate of all the core departments to work together towards achieving the objective of “people-based” governance at both Headquarters and the district level. We will also organise special training workshops and seminars for the representatives of these departments who attend District Council meetings to strengthen their knowledge and skills on how to resolve community problems in a pragmatic and people-oriented manner.
- Home Affairs Department will at the same time review the core business of DOs by re-prioritising their work and revising some of their work procedures to ensure that staff and resources are deployed in the most cost-effective manner to meet the needs and aspirations of the community.

## **Conclusion**

10. The above only outlines some of our main tasks this year. Members are welcome to raise questions about these or other areas of work. My colleagues and I will be pleased to provide you with the answers. Thank you.

**Presentation by Secretary for the Environment, Transport and Works  
at the special meeting of the Finance Committee  
on Thursday, 14 April 2005**

Chairman,

I am delighted to attend the special meeting of the Finance Committee today to brief Members on the part of the 2005-06 Estimates relating to the environment portfolio.

2. The allocation for the “Environmental Protection and Conservation” policy area in the 2005-06 financial year is about \$5.5 billion, representing a net decrease of \$163 million or 3% in real terms over the revised estimate for last year. The operating expenditure is about \$4.1 billion, which is \$47 million lower than the revised estimate for last year, representing a reduction of 1.1% in real terms. The decrease is mainly due to the reduced cashflow requirement for the non-recurrent item of “One-off grant to assist owners of pre-Euro diesel heavy vehicles to retrofit their vehicle with particulate removal devices” following completion of the retrofit programme, and the reduced requirement in emoluments arising from deletion of posts under the Manpower Plan and the effect of the 2005 civil service pay cut. The reduction in allocation is however partly offset by the additional provision for exporting public fill to the Mainland. In 2005-06, there will be a net increase of 18 posts in the Environmental Protection Department (EPD) resulting from the transfer of 34 posts from this Bureau upon the merger of the Environment Branch and EPD on 1 April 2005, and the deletion of 16 posts through natural wastage. Our capital expenditure for the new financial year stands at around \$1.4 billion, which is \$116 million lower than the revised estimate for last year and represents a decrease of 8.1% in real terms.

**Major Objectives and Initiatives**

3. I would now introduce to you our major tasks under the Environmental Protection and Conservation Policy Area in the coming financial year.

**Improving Air Quality**

- To improve, on a best endeavour basis, the Pearl River Delta (PRD) regional air quality is the consensus between the Hong Kong Special Administrative Region Government (HKSARG) and the Guangdong Provincial Government. The two governments will continue to implement the Pearl River Delta Regional Air Quality Management Plan with a view to achieving the emission targets by 2010. Together

with our Guangdong counterparts, we are now testing the operation of a regional monitoring network with 16 monitoring stations in the region. Subject to the operational condition of the network, we will announce the monitoring results to the public as soon as possible.

- The two governments have also laid down a schedule for developing the Emissions Trading Pilot Scheme for Fuel-burning Power Plants in the PRD Region. Our aim is to present the details of the Scheme to the power plants in Hong Kong and Guangdong in the third quarter of 2006, so that prospective participants can identify their trading partners and draw up emissions trading agreements.
- The motor fuel standard has been tightened to Euro IV since 1 January 2005. We plan to adopt the Euro IV emission standards for all newly registered light duty vehicles in early 2006.

### ***Waste Management***

- To promote and facilitate the development of the recycling industry, we will work out measures on land provision, procurement policy and expansion of the recycling network. In respect of land provision, apart from leasing land to recyclers under short-term tenancies, one of our major initiatives this year is to establish a 20-hectare EcoPark in Tuen Mun. It is expected that Phase I of the EcoPark will come into operation by the end of 2006.
- To expand the collection network for recyclables and provide raw materials for the recycling industry, we will launch a large-scale publicity programme in 2005 to promote the Source Separation of Domestic Waste Programme. So far, 136 public/private housing estates and government quarters have signed up for the programme. Besides, Government departments will take the lead in adopting a green procurement policy to create a market for environmentally-friendly products. For the purpose of reducing waste and promoting waste recovery to facilitate the development of a circular economy, the Government will consider introducing legislation on mandatory product recovery. As a first step, we propose to implement a product responsibility scheme on waste tyres to facilitate re-use or recycling.
- In addition, to put into practice the “polluter pays principle”, the Government will implement the Construction Waste Disposal Charging Scheme in 2005.
- We have started to look into the problem of plastic bag disposal. ETWB and EPD are now studying overseas practices of levying a tax or charging fees on plastic bags and examining the feasibility of applying

such schemes to Hong Kong. Should feasible options be identified, the Government will consult the relevant industries and the public.

### ***Harbour Area Treatment Scheme (HATS)***

- We will devise a detailed implementation plan and the way forward for HATS Stage 2 in the light of the views collected during the public consultation. Since HATS Stage 1 has brought about significant improvement to the water quality of the Victoria Harbour, we will implement as soon as possible Stage 2 of the Scheme, which includes expediting the installation of disinfection facilities to improve the water quality of Tsuen Wan beaches and giving priority to the construction of the deep tunnel network which is the most time-consuming process. To relieve tax-payers of the long-term burden of subsidizing the operation of sewage treatment facilities, and to encourage households and businesses to take the initiatives to reduce pollution, the Government introduced the sewage charges and trade effluent surcharges in 1995. Since then, the levels of the charges are reviewed every year in order to strike a balance between upholding the polluter-pays principle, attaining cost recovery and catering for the affordability of the public. To avoid additional subsidies from taxpayers to polluters following the completion of various new sewage treatment facilities, and to address the views of the industry on the existing charging scheme, we will conduct a review of the charging scheme this year so that fairer arrangements for sharing the cost of sewage treatment can be worked out.

### ***Nature Conservation***

- With regard to nature conservation, we will implement the recently announced new nature conservation policy, especially the two pilot schemes which involve voluntary participation of landowners (namely, management agreements with landowners and public-private partnership). Our aim is to enhance the conservation of ecological habitats on sites in private ownership

### ***Conclusion***

4. I hope Members will continue to support our policies and measures to protect the environment and conserve our ecological resources, which will further improve our living environment and competitiveness as a world city

**Presentation by Secretary for the Environment, Transport and Works  
at the special meeting of the Finance Committee  
on Thursday, 14 April 2005**

Chairman,

I am delighted to attend the special meeting of the Finance Committee today to brief Members on the part of the 2005-06 Estimates which relates to the transport portfolio.

2. The allocation for this policy area in the 2005-06 financial year is about \$10.9 billion, representing a decrease of \$1.45 billion or 12.01% in real terms over the revised estimate for last year.

3. Of the total allocation of \$10.9 billion, the operating expenditure is about \$3.0 billion, which is \$9 million less than the revised estimate for last year. The net reduction is mainly due to a reduced requirement in Transport Department's Departmental Expenses for Contract Maintenance, Workshop Services and General departmental expenses arising from the cessation of the contractor management scheme for public transport interchanges, and further discount of charges through joining the Service Level Agreement with the Electrical and Mechanical Services Trading Fund. There is also a reduction in Highways Department's requirement for Highways Maintenance following the revisiting of the road maintenance works schedule, partly offset by additional electricity requirement for street lighting, traffic signals and ventilation equipment in public transport interchanges. In 2005-06, there will be a net reduction of 2 and 27 posts in Transport Department and Highways Department respectively.

4. The provision for capital expenditure in 2005-06 is around \$7.9 billion, which is about \$1.44 billion less than the revised estimate for last year and represents a decrease of 15.84% in real terms. The decrease is mainly due to a net decrease in expenditure for capital works projects as a result of completion of a number of mega projects such as the Hong Kong-Shenzhen Western Corridor, Deep Bay Link, Widening of Yuen Long Highway between Lam Tei and Shap Pat Heung Interchange.

5. I will now outline the priority areas under the Transport portfolio in the coming year:

- (i) We will continue to plan and implement the various cross boundary infrastructure projects with a view to enhancing further our link with the Mainland. We will monitor closely the

construction of the Hong Kong–Shenzhen Western Corridor for completion by end 2005, and the Sheung Shui to Lok Ma Chau Spur Line for completion by 2007. We will coordinate joint effort among the governments of Guangdong, Hong Kong and Macao in the preparatory work for the Hong Kong – Zhuhai – Macao Bridge with an aim to facilitating early implementation of the project. We are also exploring the feasibility of using the West Rail and the proposed Northern Link to form the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. Apart from the hardware, we will also review the current regulatory system for cross-boundary vehicles in preparation for the commissioning of the Hong Kong–Shenzhen Western Corridor.

- (ii) On local transport infrastructure, we will monitor the implementation of the Disneyland Resort Line for completion in 2005 to tie in with the Opening of the Disneyland. We will also oversee the planning of the Sha Tin to Central Link and the implementation of the Kowloon Southern Link, and will explore jointly with the MTR Corporation Limited the West Hong Kong Island Line and South Hong Kong Island Line projects. We will also continue to implement the various highways projects under construction, including Deep Bay Link and the widening of the Yuen Long Highway for completion in 2005, and Route 8 for completion in 2007 to 2008.
- (iii) On public transport services, we will oversee the deliberation on the way forward of the merging of the MTR Corporation Limited and the Kowloon-Canton Railway Corporation. We will also aim to finalise the formulation of a more objective and transparent fare adjustment mechanism for public transport services, and implement measures to improve the regulation of non-franchised bus operation.
- (iv) Finally on the environment and safety side, we will work closely with franchised bus companies on the deployment of environmentally-friendly buses along busy corridors, and oversee the implementation of new measures by means of legislation, enforcement and education to enhance road safety. Highways Department will also strengthen the bridge parapets and road side barriers at 39 designated locations to further improve road safety.

6. Chairman, I, together with the Permanent Secretary for Transport, Director of Highways and the Commissioner for Transport, would be pleased to answer Members' questions on this part of the Estimates.

**Presentation by Secretary for the Environment, Transport and Works  
at the special meeting of the Finance Committee  
on Thursday, 14 April 2005**

Chairman,

**Capital Works Programme**

In the 2004-05 financial year, most of the public works projects progressed smoothly. The revised estimate for the total expenditure on the Capital Works Programme is \$32.1 Billion, which is close to the original estimate of \$32.9 Billion and slightly higher than the actual expenditure of \$31.4 Billion last year.

Looking ahead, the Government remains committed to keeping up its investment in infrastructure. In the short term, overall spending on capital works may moderate slightly due to the progressive completion of some mega projects e.g. infrastructure works for the Hong Kong Disneyland, Deep Bay Link, Hong Kong-Shenzhen Western Corridor and Science Park phase 1 development. Nevertheless, we will make every effort to implement new mega projects, such as the proposed link road to the Hong Kong-Zhuhai-Macao Bridge, South East Kowloon Development, reconstruction of Tuen Mun Road as well as the remaining works for the improvement, replacement and rehabilitation of water mains, so as to honour our pledge of investing an average of \$29 Billion per annum on public works.

In addition, we will adopt alternative procurement approaches and systematic risk management methods to improve efficiency and cost effectiveness. Since 2001, the Government has adopted non-contractual partnering in contracts for public works projects. We will further introduce voluntary adjudication and the Dispute Resolution Advisor system on a trial basis. Furthermore, the new Public Works Programme Information System launched in late 2004 allows more effective monitoring of works progress.

**Greening Policy**

On greening, we will continue to develop and implement a sustainable greening programme through the collaboration of various departments and with the input of experts and specialists in the field. In this regard, we have set up a high level Steering Committee on Greening to oversee and co-ordinate relevant matters

With concerted efforts of various parties, we planted some 27 million trees, shrubs and annuals in the past two years. At present, we will focus our efforts on improving the urban greenery and preparing an overall framework with coherent themes and plant species to promote a clear identity for individual districts. The Greening Master Plans for Tsim Sha Tsui and Central will be ready by mid-2005 and the related beautification works will be implemented in phases for completion in 2006. In addition, we have compiled a register for protection of old and valuable trees on government land in urban areas.

### **Decking of Nullahs**

We have identified 16 sections of open nullahs in urban areas to be decked over in phases. Our major considerations include the potential risk of flooding, the improvement to the environment and the number of residents to benefit from the works. We are carrying out advance planning and will include projects at a total cost of \$1.231 Billion in the Public Works Programme. Upon completion of the works, problems including the unpleasant odour and the unsightly view of the open nullahs, which have long been a nuisance to the residents, will be alleviated progressively. The land thus created will be used for public purposes which will benefit the community, such as greening, amenity and road widening.

### **Water Conservation**

Fresh water resource is increasingly scarce worldwide. Saving, protecting and recycling water resource have thus become very important issues. In this regard, we will continue promoting rational utilization of water through public education; striving to protect existing water resources; reducing leakage by means of effective maintenance and rehabilitation of the water supply network, and proactively conducting various reclaimed water pilot schemes under the Total Water Management Programme. On reclaimed water pilot schemes, we will introduce reclaimed water reuse at the Ngong Ping Sewage Treatment Plant which is due for completion soon. We are also planning to implement trial schemes on reclaimed water reuse at the Shek Wu Hui and Tai Po Sewage Treatment Plants. Moreover, we will further the pilot desalination study to ensure that Hong Kong is equipped with a sustainable water supply system to meet its development needs.

### **Public Private Partnership for In-situ Reprovisioning of Sha Tin Water Treatment Works**

The Government has been actively channelling capital and talent in the private sector into designing, constructing and managing suitable projects under the Public Works Programme. Reprovisioning and operating the Sha Tin Water Treatment Works by adopting the Public-Private-Partnership (PPP) approach is one of the proposals under consideration. We are consulting the staff of the Water Supplies Department (WSD) on this proposal. We have undertaken not to pursue any forced redundancy and agreed to reserve vacancies to accommodate

staff who may be so affected. The PPP proposal is only an alternative procurement approach, like outsourcing, and definitely not a means to corporatize or privatize the WSD progressively. The Government will brief the Legislative Council on the relevant details before a final decision on this matter is made.

### **Establishment of the Construction Industry Council**

Establishing the Construction Industry Council (CIC) and vesting with it statutory powers to perform self-regulatory functions will be a significant milestone in elevating the performance and quality of the construction industry. Based on the fundamental principles laid down by the Construction Industry Review Committee, we have drawn up the relevant bill and carried out extensive consultation prior to introducing it into the Legislative Council in October 2004. Serious considerations have been given to the views of the Bills Committee on enhancing the transparency in the operation of CIC, developing a nominating and appointment mechanism to facilitate industry participation, increasing the seats for the labour sector, and ensuring a smooth process in subsuming the Construction Industry Training Authority as a committee under CIC.

Upon the passage of the bill, we will make every endeavour to arrange for the setting up of CIC and implement all necessary transitional measures so that it can carry out the functions in promoting industry reforms as early as practicable.

### **Construction Workers Registration System**

After many years of efforts by the Government and the construction industry, the statutory Construction Workers Registration Authority was established on 18 September 2004. Registration of workers is expected to commence at the end of 2005.

Chairman, I, as well as the Permanent Secretary and the Works Directors, will be pleased to answer any questions the Honourable Members may have.