

OFFICIAL RECORD OF PROCEEDINGS**Thursday, 27 October 2005****The Council continued to meet at Nine o'clock****MEMBERS PRESENT:**

THE PRESIDENT

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

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

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, S.B.S., J.P.

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG, G.B.S.

THE HONOURABLE WONG YUNG-KAN, J.P.

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

THE HONOURABLE HOWARD YOUNG, S.B.S., J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH, J.P.

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

THE HONOURABLE MIRIAM LAU KIN-YEE, G.B.S., J.P.

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

THE HONOURABLE CHOY SO-YUK, J.P.

THE HONOURABLE ANDREW CHENG KAR-FOO

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

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

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

THE HONOURABLE LI FUNG-YING, B.B.S., J.P.

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE FREDERICK FUNG KIN-KEE, J.P.

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

THE HONOURABLE VINCENT FANG KANG, J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

THE HONOURABLE LI KWOK-YING, M.H.

DR THE HONOURABLE JOSEPH LEE KOK-LONG

THE HONOURABLE DANIEL LAM WAI-KEUNG, B.B.S., J.P.

THE HONOURABLE JEFFREY LAM KIN-FUNG, S.B.S., J.P.

THE HONOURABLE ANDREW LEUNG KWAN-YUEN, S.B.S., J.P.

THE HONOURABLE ALAN LEONG KAH-KIT, S.C.

THE HONOURABLE LEUNG KWOK-HUNG

DR THE HONOURABLE KWOK KA-KI

DR THE HONOURABLE FERNANDO CHEUNG CHIU-HUNG

THE HONOURABLE CHEUNG HOK-MING, S.B.S., J.P.

THE HONOURABLE WONG TING-KWONG, B.B.S.

THE HONOURABLE RONNY TONG KA-WAH, S.C.

THE HONOURABLE CHIM PUI-CHUNG

THE HONOURABLE PATRICK LAU SAU-SHING, S.B.S., J.P.

THE HONOURABLE ALBERT JINGHAN CHENG

THE HONOURABLE KWONG CHI-KIN

THE HONOURABLE TAM HEUNG-MAN

MEMBERS ABSENT:

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE MA LIK, G.B.S., J.P.

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.

THE FINANCIAL SECRETARY

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.

SECRETARY FOR HOUSING, PLANNING AND LANDS

PROF THE HONOURABLE ARTHUR LI KWOK-CHEUNG, G.B.S., J.P.

SECRETARY FOR EDUCATION AND MANPOWER

DR THE HONOURABLE PATRICK HO CHI-PING, J.P.

SECRETARY FOR HOME AFFAIRS

THE HONOURABLE STEPHEN IP SHU-KWAN, G.B.S., J.P.

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR

DR THE HONOURABLE SARAH LIAO SAU-TUNG, J.P.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

THE HONOURABLE FREDERICK MA SI-HANG, J.P.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

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

THE HONOURABLE JOHN TSANG CHUN-WAH, J.P.
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

CLERKS IN ATTENDANCE:

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

MS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

MEMBERS' MOTIONS

MOTION OF THANKS

Continuation of debate on motion which was moved on 26 October 2005

PRESIDENT (in Cantonese): We now proceed to the second debate session. The policy areas for this session are "commerce and industry, economic services, financial affairs, information technology and broadcasting and labour".

DR DAVID LI: Madam President, may I first express my appreciation to the Chief Executive for restoring the delivery of the policy address to the first meeting of the new Legislative Council Session. The change is more than symbolic. It restores the essential distinction between policy matters and budgetary matters. This distinction is at the very foundation of good governance.

In recent years, the Government has paid increasing attention to the financial services industry. I would like to thank the Administration for devoting considerable time and resources to our industry. We believe that these efforts will be rewarded with a stronger, more dynamic and more sophisticated economy. This will in turn provide the basis for a rich and rewarding life for all the people of Hong Kong.

We in the banking industry welcome the measures announced in the policy address to further liberalize the handling of Renminbi transactions within the banking industry. The decision to raise the limits under the Personal Renminbi Scheme, and to extend selected coverage to approved merchants, recognizes the increasing need for such services as our economy becomes more closely integrated with that of the Mainland.

In truth, Hong Kong banks will derive little benefit from these measures. The importance of these measures lies in the fact that they will make Renminbi transactions more convenient. This is good news for our economy as a whole, and the banking industry is pleased to provide its support.

However, the industry is disappointed that the policy address was silent on a number of initiatives it has suggested. In particular, the industry has made known its desire to see progress on developing a local Renminbi bond market, and allowing Hong Kong banks to use local Renminbi deposits to support Renminbi lending through their mainland branches.

With the introduction of a floating exchange rate for Renminbi, both measures are now more vital than ever. For the first time in more than a decade, Hong Kong companies which borrow in Hong Kong dollars to fund their mainland operations are exposed to exchange risk. The risk will only grow over time. It could be eliminated if companies were provided easier access to Renminbi funding.

I know that local officials have been working very hard to expand the scope of permitted Renminbi activities, and I call upon them not to lose heart. It is vital that Hong Kong continues to put forward the strongest possible case for implementation of these and other market opening measures as quickly as possible.

I must also point out that the Mainland is scheduled to fulfil all the conditions set down in the accession agreement to the World Trade Organization by the end of 2006. By that time, all foreign banks will be accorded national treatment. Therefore, the window of opportunity for Hong Kong banks under the CEPA framework is closing fast. There is no time to lose, if we are to implement the remaining items on the CEPA wish list.

While listening to the Chief Executive deliver the policy address, I was most gratified to hear him recognize the importance of attracting talents from abroad, including the Mainland. I very much welcome the Administration's initiative to allow eligible men and women to enter Hong Kong for work, without the need to secure an offer of local employment beforehand.

Hong Kong does not have a natural hinterland from which to draw talents. Shanghai can draw talents from all of China; London from all of Europe; and New York from all of America. Hong Kong is surrounded by borders. The flow of talents is hostage to our immigration policy.

With the lead so admirably provided by the Chief Executive, I call upon the Administration to revisit the misguided policy which limits the employment

opportunities of spouses who transfer to Hong Kong with their partners. The spouses of overseas managers are a valuable resource. They are a rich trove of international experience from throughout the world. Until July 2003, Hong Kong employers were free to tap this resource, and the Hong Kong economy prospered as a result.

Now, employers must apply for a work visa, justify their intention, and expend valuable company time dealing with government bureaucracy. Even then, there is no assurance that the application will be approved. Hong Kong is one of the world's most international cities. Our economy depends on our ability to do business throughout the world. Why have we made it so difficult for companies to tap this valuable and available talent pool?

By denying spouses the automatic right to work, we also make Hong Kong a less attractive destination for expatriate managers. The policy is a lose-lose situation for Hong Kong. I call upon the Secretary for Economic Development and Labour to extend the arrangement announced in the policy address, and give all spouses of managers who transfer to Hong Kong the automatic right to work.

A later session in this debate will be devoted to the theme of environmentally responsible development. The Secretary for Housing, Planning and Lands, and the Secretary for the Environment, Transport and Works will attend. But the environment is not a subject which can be neatly pigeonholed. The environment is also a health issue and an economic issue. Here, I would like to deal with the economic impact of Hong Kong's poor and declining air quality.

I am the Member representing the Finance Constituency at the Legislative Council. My constituents are the banks and the finance companies in Hong Kong. The policy address gave high prominence to our sector, as one of the pillars of the Hong Kong economy. When I asked my constituents to offer their views on the policy address, one issue stood out above all others: Worsening air pollution is reducing the attractiveness of Hong Kong as a place to live and work. Hong Kong's position as an international finance centre is particularly at risk.

International banks and finance houses must weigh a range of factors when deciding where to station their staff. Hong Kong has many points in its favour, but Hong Kong's declining air quality is increasingly raising concerns. How

can any multinational company ask its most senior managers and their families to live in a city where the air quality index regularly tops 100?

We can no longer leave the issue of Hong Kong's air quality under the direction of a single Policy Bureau. This is a matter which must be dealt with from all angles, by the Government as a whole. I call upon the Chief Secretary for Administration to personally take charge of this issue and to lead the Government in taking urgent action to implement real solutions to the problem of declining air quality.

We can no longer allow our air quality to be held hostage to narrow self-interest. We must establish clear priorities. We should review our taxes and duties to ensure that they are, at the very minimum, environmentally neutral. The "polluter pays" principle must be rigorously implemented. We can do more to reduce vehicle emissions. We should explore all options, including pricing, to reduce the use of high-sulphur diesel by cross-boundary traffic. We must aggressively push energy conservation on multiple levels, from building codes to dress codes. With the will, we can reduce the energy we use for air-conditioning.

We can no longer be complacent. The Administration has time and again expressed its concern. But real progress can only be measured in baby steps.

I call upon the Chief Secretary for Administration to take charge, and to make giant strides for Hong Kong. Surely, a clean environment is a necessary foundation of a vibrant economy.

Thank you, Madam President.

MR LAU CHIN-SHEK (in Cantonese): Madam President, a week or so ago, I read in a newspaper the dialogue between Prof LUNG Ying-tai, the former Cultural Minister of Taipei and a famous writer, and her son, Andrew, in their letters. In his letter, Andrew said that after studying in the University of Hong Kong for two months, he found that Hong Kong people always seemed to be in a rush and were always in a hurry. He said they lacked the culture of life, joy of life and attitude towards life which he admired. In her reply to her son's letter, Prof LUNG Ying-tai told him that the working hours of Hong Kong people were the longest in the world. Writers did not have time to write because they were

busy; musicians did not have time to compose new pieces because they were busy; painters did not have time to paint because they were busy; academics did not have time to write scholarly works because they were busy. The hardworking and combatant spirit of Hong Kong could say to have created the past economic achievements of Hong Kong, but at the same time strangled everything else that was not related to economic efficiency.

Madam President, I very much agree with the observations of Prof LUNG Ying-tai. In the past, I have been incessantly urging the Government to identify ways to resolve the problem of excessively long working hours. During the years when Hong Kong was still relying heavily on the exports of our manufacturing sector, the combatant spirit might be a major driving force for our economic growth. For any single worker sewing one more piece of garment or completing one more radio set would mean a possible 1% increase of our GDP. However, the economic structure of Hong Kong today is very different; innovation and creativity have formed part of the most important driving forces for growth. But room for imagination is a must to the development of innovation and creativity. If Hong Kong people always have to work long hours and are always tied down by work, their room for imagination will shrink, which will eventually weaken our competitiveness in the future.

Madam President, to work overtime continuously will not only affect the health and productivity of workers, but also nibble away their room of life during spare time, affecting their personal development and family life. Be they grass-roots workers, professionals or administrators and managers, wage earners at all levels are disturbed by long working hours. Some members of the business sector also recognized the gravity of the problem. Last year, a study conducted by the Community Business Limited pointed out that working overtime regularly would lead to an imbalance between work and life, adversely affecting the health of employees and the profit of a company. The study also found that employees working overtime persistently could be attributed more to the management culture of a company rather than the natural results of competition. The study also recommended that enterprises should weigh the problem of imbalance between work and life from the point of view of undertaking social responsibility, and face the problem squarely.

Madam President, I know the Government and many members of the business sector are still quite wary of regulating working hours by way of legislation. Even if the Government and the business sector agree to legislate

on the issue, from drawing up concrete details and drafting legislation to the official implementation of the law, it may take a couple of years. To alleviate the adverse impact of long working hours as soon as possible, I think we can first try out the "five-day week plan". Upon the implementation of the plan, employees will have an extra day of leisure time, allowing them to take some rest or do some exercises; they may also have entertainment with their families, further their studies or develop their own interest. A year or two ago, the Government flied a balloon to hint at the possible implementation of the five-day week plan in government organizations, however, after some time, the idea died without any cause. I hope the Government will reconsider this idea and discuss with civil service organizations the specific plan as soon as possible. I urge other public organizations and large enterprises willing to undertake social responsibility to implement the five-day week plan, so that employees can again enjoy their life outside work.

Madam President, in fact, the implementation of the five-day week plan may also change the strange phenomenon that "some have to work to death while some may remain extremely slothful". In the last couple of years, the number of employees required to work overtime surged drastically. One of the reasons is that enterprises which have reduced manpower to cut costs required the employees remained to work overtime without pay. If the five-day week plan is implemented, enterprises will have to recruit additional staff, thus creating more job opportunities. Moreover, with an additional day off, employees may have an extra day to spend on entertainment and consumption, which will also help to stimulate the business of the local market.

Madam President, I wish to talk about a verdict made by the Kowloon City Magistracy last week on a case related to the contravention of the Employment Ordinance by a contractor of the outsourced cleaning work of the Food and Environmental Hygiene Department. The Magistrate, LIN Kam-hung, pointed out straightly in the sentence that the labour law in Hong Kong lagged behind that of other countries; and that illegal acts to withhold wages and benefits of employees or prevent employees from participating in union activities were intolerable. I agree with the views of the Magistrate. The legal protection enjoyed by employees in Hong Kong is already less than that provided in other developed countries, if the Government remains lenient and cannot stay firm in law enforcement, this will only add to the suffering of employees. The Government may not necessarily be able to improve the labour law of Hong Kong within a short time, but it should be able to step up enforcement

immediately. I hope the Government will not disappoint our wage earners in this respect.

Madam President, I so submit.

MR WONG KWOK-HING (in Cantonese): Good morning, Madam President. I would like to use "10 major problems have to be resolved to really protect labour rights" as the theme of my speech in this session.

Despite the fact that page 13 of the policy address carries a perfect caption, "Protecting Labour Rights", the seven paragraphs under it are all vaguely written and fail to meet the requirements of the caption for the following reasons: First, they lack continuity; second, they have failed to grasp the greatest concern of workers; and third, they have failed to pinpoint the Government's inadequacies in dealing with labour problems and the crux of the problems. They can merely reflect inadequate strength on the part of the Government in protecting labour rights, a lack of in-depth policy research, and the Government's failure to answer the aspirations of the workers across the territory.

Next I will raise 10 major labour problems confronting us at present. They also represent the areas reflecting the worst inadequacies of the Government.

The first major problem concerns the setting of a minimum wage to resolve working poverty. Given that there are 370 000 workers earning a monthly income of less than \$5,000, with 160 000 of them earning even less than \$3,000 a month, there is an urgent need to legislate on a minimum wage to protect them. However, the Government has merely handed this subject to the Labour Advisory Board (LAB) for continued discussion (see the 35th paragraph). Even the commitment made by the Chief Executive during his election campaign that the problem will be submitted to the Commission on Strategic Development has not been fulfilled. For the labour sector, the Government is simply adopting a "delaying tactic". If the Government is prepared to honour its pledge, it should at least, as in the case of upholding fair competition, examine the feasibility and scope of legislation, instead of indulging in aimless discussions. I would like to ask the Chief Executive a question: If the

Government is committed to legislating on a minimum wage, why does the Government not play a leading role in society?

The second major problem concerns the Government's failure to establish an employment-oriented economic policy. For years, the Hong Kong Federation of Trade Unions (FTU) has been advocating this economic policy. It is especially vital for the Government to play a leading role in creating more employment opportunities, given the present shortage of job vacancies for grass-roots workers. However, the Government has all along emphasized the principle of "big market, small government", heavily relying on demand and supply in the market and the forest rule. In fact, some grass-roots workers, however hard they have studied or upgraded their skills, remain unable to secure a job. The policy direction of the SAR Government has completely failed to pinpoint the unemployed who are mostly middle-aged and characterized by having low skills and educational attainments. Furthermore, there is a lack of co-ordination among government departments, such as the Trade and Industry Department, the Treasury, and the Social Welfare Department, in implementing government policies. I note that Directors of Bureaux are present here today. They each have their own responsibilities, *modus operandi* and considerations. Owing to the absence of an integrated policy, resolving labour and employment problems is never their key consideration. To avoid confusing government policies and poor co-ordination among government departments, it is imperative for the Government to formulate a uniform policy for protecting labour and employment in the territory.

The third major problem concerns the need to comprehensively review and amend existing employment laws. The 54th paragraph of the policy address states that the Government is "determined to combat wage default offences. Employers who wilfully use improper means to evade their obligations will receive severe punishment". Our labour legislation is far from comprehensive, with labour rights protection scattered in a number of ordinances. The fact that our labour legislation was criticized by a Judge for being outdated in a court ruling last week reflects the inadequacy of the policy address in protecting labour rights in terms of continuity, as well as vigour. In fact, in the course of handling labour disputes, the FTU has often found that the workers involved have to spend a lot of time on overcoming obstacles one after another just to claim their rights. As a result, their efforts to claim their entitled rights are impeded. In particular, the procedures involved in making wage claims and

compensation claims for injury sustained at work are extremely cumbersome. Some workers have even been forced to give up. Instead of giving responses in the manner of handling crises, the Government should indeed comprehensively review all legislation relating to labour rights.

The fourth major problem concerns the Agreement on Government Procurement and the General Agreement on Trade in Services (GATS) of the World Trade Organization (WTO). For the sake of safeguarding local employment opportunities, both Agreements should be comprehensively reviewed, and their thresholds raised as well. The policy address mentions that "job creation is always an important consideration". In what way will local employment opportunities be expanded? Where is the Government's determination? The labour sector has not yet seen it. Over the past decade or so, after the signing by the Government of the Agreement on Government Procurement and the GATS, production processes have moved out of Hong Kong as a result of global tendering, thus directly depriving workers of their employment opportunities. The Government must accede to the labour sector's request of retaining more than half of the processes in Hong Kong before local employment opportunities can really be developed.

In response to an article written a week ago by the Director-General of Trade and Industry which obliged me to engage in a debate, I published an article this week in response. I hope the Secretary can pay attention to this debate.

The fifth major problem concerns the exceedingly long and extremely unreasonable working hours. According to the recommendation of the International Labour Organization (ILO), the average weekly working hours of an employee should be 40. However, some surveys have found that the average weekly working hours of local grass-roots employees even reach 57. Without statutory regulation, low-skilled workers, clerical workers, technicians, and even IT employees are forced to work longer without compensation. As a result, they are denied reasonable time to take a break, enjoy their family lives or pursue studies. What is more, those working in new towns have to spend two, or even three, hours commuting to and from their workplaces every day, despite working for 12 or even longer hours. It is simply impossible for them to take a rest. For these reasons, the Government should expeditiously regulate working hours and formulate an overtime wages ratio, such as not less than 150% of the

normal wages, to resolve the unreasonable phenomenon of serious labour exploitation caused by working without reward.

The sixth major problem concerns the formulating of a civil service policy to stabilize the morale of civil servants. During the past eight years since reunification, in order to implement the "financial envelope" policy for the sake of adhering to the so-called "enhanced productivity" principle and implementing the civil service reform, civil service manpower was drastically slashed. The implementation of corporatization and outsourcing has further hit the morale of civil servants. In particular, lower and middle rank civil servants have seen their treatment and prospects worse than before, while their workload and work pressure has increased significantly. The "same work, different pay" situation and the lack of promotion opportunities have badly hit the previously stable Civil Service, and in turn directly affected the quality of public services.

Is it reasonable for the Government to continue the outsourcing and contractization of the primary work of a number of government departments? Can public money really be saved by doing so? This policy of the Government has merely sought to change the original pensionable civil servants into outsourced, temporary or contract employees. The Government has not only become a culprit of direct exploitation, it has at the same time shrunk its management responsibility, thereby subjecting the lower or front-line staff to more oppression and exploitation without increasing cost-effectiveness in any real sense. It is therefore necessary for various government departments to fulfil their responsibilities to safeguard the rights of workers of outsourced jobs so as to plug the loopholes resulting from outsourcing. In short, the Government must comprehensively review the civil service policy that has been severely battered in the past eight years since reunification.

The seventh major problem concerns the need to convert all government temporary staff into permanent staff. The Chief Executive undertakes that the Government will "extend some temporary jobs in the public sector to meet operational needs". In fact, the tasks performed by most of the temporary or contract staff employed by the Government and the public sector have been confirmed to be essential and routine, yet they are not employed on a permanent basis. While some such posts were created in the name of aid the poor, some were created for the sake of disease prevention. Some posts were even temporarily established to meet operational needs. In short, the Government simply finds a reason to justify its act of offering temporary posts to workers who

should have been employed on a permanent basis. In spite of our growing population during the past eight years, the size of the Civil Service has magically shrunk. Why? The truth is that the Government has conjured the magic of exploitation by turning people who should have been employed on a permanent basis into temporary employees.

Let me cite the 156 cleaning workers employed by the Food and Environmental Hygiene Department as an example. During the past seven and a half years, they have signed 23 consecutive contracts. However, their wages were cut whenever they were asked to sign a new contract, with their shortest contract lasting only half a month. Compared to comparable government posts, their treatment is really miserable — no pay increases but reductions time after time, equal work but reduced pay; equal work but no promotion; equal work but no training; no prospects and ideas of what tomorrow will be. Given the four "no's", there will naturally be the fifth one — "no morale". How can the standard of public services be upgraded? Of course, senior government officials have no problem of facing the five "no's". Yet, this is the problem confronting the people of the lower stratum of government departments. May I ask how the Secretary feels?

If the Government is prepared to take the lead in creating employment, why does it not convert all the temporary posts into permanent ones? Chief Executive Donald TSANG talked about extending some temporary jobs, but why did he mention "some" instead of "all"? How many more people will have to be dismissed by the Government? The Secretary must answer this question. Temporary employees are now extremely worried about the prospects of keeping their jobs tomorrow. They have no idea whether their jobs are considered as "temporary", as stated in the policy address. I hope the Secretary can respond to this question by telling us how many people will be dismissed.

The eighth major problem concerns the industry hard hit by unemployment — the construction industry. Despite the policy address's pledge that the Government will create employment, the total number of jobs created for the construction industry will be a mere 6 000 or so, according to my calculation. Yet, this figure already represents the total sum. What will the Government do to resolve the unemployment problem facing more than 200 000 people, particularly the problem facing the hard-hit construction industry, in which more than 100 000 people are jobless? Owing to the Government's failure to come up with matching measures and its lack of direction, a large

number of work processes are now undertaken, and prefabricated parts manufactured, outside Hong Kong. This has directly contributed to the unemployment rate of 11% of the construction industry, which is the highest of all trades and industries.

The Government says that \$29 billion is allocated annually to undertake public works. As it is known to all, 70% to 80% of the work processes are no longer undertaken in Hong Kong. At present, many processes involved in building construction, including the production of walls, toilets, and so on, are not undertaken locally. Even such parts as air-conditioning pipings are not manufactured here. Hong Kong is merely responsible for designing plans which will be sent overseas by computer or fax. Upon completion, the parts will then be shipped back to Hong Kong. The local construction industry is now merely responsible for assembling. How can there be such a terrible joke?

I must point out in particular that the Government has launched seven measures to combat multi-layered subcontracting (including direct salary payment). However, the multi-layered subcontracting experiment is carried out only in three government contracts, and the trial period will last as long as 18 months, to be followed by a conclusion at the end. In other words, the entire experiment is going to take at least two years. In the coming two years, such an unreasonable phenomenon of multi-layered subcontracting will obviously continue to eat into the nearly \$60 billion profits generated by government projects. Given the exploitative nature of the multi-layered subcontracting system, successful bidders are bound to make every possible effort to outsource their work processes to places outside Hong Kong. In the end, the \$30 billion or so projects launched by the Government annually can still not effectively resolve the serious unemployment problem plaguing the local construction industry.

Furthermore, it must be pointed out in particular that the phenomenon of multi-layered subcontracting of government public works and defaulted payment of wages has become extremely serious. Of the 156 labour dispute cases handled by the Hong Kong Construction Industry Employees General Union last year, 70% were related to major labour disputes or defaulted payment of wages. What cases are considered major? According to the definition provided by the Labour Department, only those involving more than 20 people or defaulted payment of wages amounting to \$1 million are considered major cases. It is

really absurd that all these cases are found to be associated with government public works sites. On the contrary, private works are less serious. The very fact that 70% of government public works involved defaulted payment of wages does illustrate the careless attitude of the Government in exercising supervision, and the dereliction of duty on the part of the Government in performing its supervisory and management role.

Last night, I had to work on a case involving defaulted payment of wages to hundreds of construction workers, and it was not resolved until after 10 o'clock. The case happened to be connected with several government construction sites. I have even brought along the agreement, properly signed last night, with me as proof. The representative from the Labour Department was with me last night until the case was resolved after 10 o'clock. So, what exactly is the problem? Incidents like this are now occurring every day, including last night. Had the matter not been resolved last night, it would have rendered me unable to attend this meeting today, for I would probably have to stage a protest with the workers against "working without pay". This ironclad fact, stained with blood and tears, does prove that the seven measures launched by the Government to combat defaulted payment of wages must be put to full implementation immediately. We can no longer wait 18 months for the trial period to end. The Government, which is responsible, must not act like an unscrupulous employer. Though it is not responsible for paying wages direct to employees, it is nonetheless the user. Why can the measures not be implemented immediately? The Government should indeed legislate to exercise self-regulation.

The ninth major problem concerns the Government's failure to capitalize on CEPA to create employment opportunities. In 2004-05, CEPA managed to create only 29 000 job openings for the territory. How effective is the newly implemented CEPA III? Has the Government set any goals for grass-roots employment? Bearing in mind that "made in Hong Kong" *per se* is supposed to be a brand name, the Government should capitalize on CEPA to attract investors to create more jobs. It is a great pity that we have not seen the Government grasp this opportunity by setting goals for job creation. If the Government has not done so, how can the policy address give us an answer like this?

The tenth major problem concerns enhanced participation of labour representatives and labour union representatives for the sake of promoting social

harmony. This is the theme of the tenth major problem. Yet, the inclusion of labour representatives and labour union representatives in various advisory bodies has yet been able to manifest the guiding principle of "protecting labour rights". The approach adopted by various government departments in addressing this matter is not consistent. They simply act as they wish and take what they need. While some departments might reply and give consent, some choose not to respond, and others keep adopting a delaying tactic or making excuses. For instance, it is good for the Government to immediately accede to our request of putting labour union representatives sit on the automobile maintenance advisory committee proposed to be set up. However, some departments keep playing delaying tricks. For instance, the Government keeps delaying our request for putting employees' representatives on the Transport Advisory Committee.

The Government is indeed obliged to ensure that labour union representatives have the right to participate in related advisory bodies. Furthermore, the Commission on Strategic Development should appoint more employees' representatives. Frankly speaking, if the Government is to improve labour relations in Hong Kong in the long run, it must enable collective negotiations to be conducted at three major levels, namely the central authorities (based on the LAB), industries (such as the printing industry) and enterprises, to safeguard the rights of employees by providing them with a channel of involvement.

Madam President, these are the 10 major problems confronting local workers. If the Chief Executive is really committed to protecting labour rights, he must seriously resolve these problems. If various Directors of Bureaux are really determined to assist Chief Executive Donald TSANG, they must make concerted efforts to resolve, or respond to, these problems for the Chief Executive.

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

MR JAMES TIEN (in Cantonese): Madam President, the theme of this session is economic revival. From the angle of economic revival, all countries practising free economy focus on three issues — a favourable business environment, funds and talents are vital before economic revival can be achieved.

To start with, I would like to say a few words on improving the business environment. In fact, the Government has started doing this by breaking down barriers and streamlining procedures as well as simplifying rules and regulations to create a better business environment. Here I would like to congratulate the Financial Secretary, for the Subgroup on Business Facilitation, set up under the Economic and Employment Council led by the Financial Secretary, has recently proposed six initiatives for simplifying licensing, such as streamlining the procedure for opening food retail businesses in public housing estates, issuing temporary licences to theatres, and so on, which are all welcomed by the Liberal Party.

However, I have noticed that, in a report published by the World Bank on the global business environment in September, Hong Kong has slipped from the fourth to seventh place. Of course, the Liberal Party also finds that the state of corruption in the territory and other issues as described in the report are inconsistent with the reality.

Yet, I would like to cite five points of criticism raised in the World Bank report on Hong Kong's business environment for the Government's consideration. According to the World Bank, Hong Kong is confronted with five major problems as follows: First, there is a shortage of highly educated workforce in Hong Kong; second, policies on business operation might not be entirely stable; and third, government bureaucrats lack efficiency. The Civil Service has long been criticized by the Liberal Party for poor efficiency, which needs to be upgraded. The desirability of maintaining the present size of the Civil Service is also questionable. The Liberal Party proposes that the Government recruit fewer people and minimize licensing as far as possible. Moreover, government departments should stop spending weeks, or even a month, processing licence applications. Instead, licences should be expeditiously approved in two or three days. The last two problems concern inflation and the restrictive nature of our labour legislation. Just now, Mr WONG Kwok-hing raised 10 major labour issues too. From the angle of the business sector, Hong Kong now has more than 30 pieces of labour legislation. On the other hand, the World Bank considers our labour legislation restrictive. It is therefore necessary for the Government to strike a balance between the two. While our labour legislation is considered by some people inadequate, our labour laws have been criticized by the World Bank for being restrictive. This matter should therefore warrant careful study by the Government on a continued basis.

Madam President, the second point I would like to raise concerns funds. We can definitely see that funds, particularly those in US Dollar or Euro, are ample in Hong Kong. Another new source of funds is Renminbi business. We greatly support the Government to, with ongoing discussion with the Central Government and the opening up of the Mainland, expedite its efforts as far as possible in such areas as furthering CEPA, expanding the Individual Visit Scheme, strengthening economic co-operation with the Pearl River Delta (PRD) and expanding Renminbi business, with a view to providing us with even more ample funds.

The third point I would like to raise concerns talented people. Concerning the shortage of highly educated workforce, the problem, as I see it, is: Why is it that we seem to lag behind Shanghai in attracting talents? Shanghai is able to lure talents from all over China. All talented people, whether from the Beijing University or the Sichuan University, can go to Shanghai before looking for a job there. In other words, they can gain entry to Shanghai without securing a job offer. In this connection, the Chief Executive has, in this policy address, proposed a new initiative to allow mainland talents to stay in Hong Kong for a certain period of time before looking for a job. They will be requested to leave the territory only when they cannot find any jobs. I think this initiative is excellent, and fairer. According to our understanding, Americans or Europeans, for instance, do not necessarily have to get a job offer from an American or European firm in Hong Kong, or a local company, before they can gain entry to Hong Kong. In fact, they can come here at any time.

Concerning importation of professionals, Dr David LI earlier raised another problem, that is, whether the Government should consider following in the footsteps of other countries by examining the desirability of removing the numerous restrictions imposed on the spouses of professionals. The spouses of the people having been granted an approval to come to Hong Kong for employment should not be required to obtain a work permit for the purpose of gaining entry to the territory. Otherwise, they might not support their spouses in taking up employment here. I think the Government needs to consider this.

I would like to cite some statistics concerning investment immigrants. From 2003 to June 2005, a total of 856 applications were received. According to the information, 439 applications, or more than half of the applications, have

been approved, involving an investment of nearly \$3.2 billion. Madam President, the figure I wanted to present is actually not this one. What I want to point out is that, of the 856 applications, 400 applicants hold Chinese nationality as well. I think the Government should really pay attention to these applications. According to the Government's initial idea, these applicants will definitely be coming from Southeast Asia or countries other than China. In other words, mainland residents are not allowed to apply to come to Hong Kong as investment immigrants or for the purpose of settlement. I see that there is a need for the Government to review its definition of investment immigrants because, after vetting and approval, it is found that half of the applicants qualified to apply for entry to Hong Kong as investment immigrants hold Chinese nationality as well. In other words, they are actually Chinese nationals. As they are not allowed to enter Hong Kong direct, they are forced to take a tortuous route to such places as Singapore and Mauritius before making their way back to the territory. If this is really the case, should the Government not discuss with the Central Government the actual situation to examine whether mainland individuals or small and medium enterprises should be allowed to gain entry to Hong Kong as investment immigrants without the need to first travel abroad before making their way back to Hong Kong?

I would like to say a few words on two issues concerning economic revival. The first one concerns the tax levied on the middle class. In order to tackle the serious fiscal deficit, the former Financial Secretary raised the tax levied on the middle class in 2003. We have since proposed to the Government that when government finances return to a more stable level, such as now, the Government should consider expeditiously restoring the tax levied on the middle class to the 2002-03 level.

Madam President, the other issue concerning economic revival is about a fair competition law and a minimum wage. From a global angle, will the implementation of a sweeping fair competition law promise a high level of fairness for business operation? Conversely, will the absence of such necessarily lead to unfairness? From the angle of legislation, tax revenue and the facilitation of business — I am not talking about breaking down barriers and streamlining procedures — the operation of a hotel by foreign investors in Hong Kong is as difficult, or as easy, as the operation of a hotel by Hong Kong people or mainlanders. If certain sectors encounter problems with fair competition, like the ones experienced by the telecommunications or oil industry, the enactment of fair competition legislation should be supported.

We respect the view of the Chief Executive who said that a study is necessary and he is open-minded towards enacting legislation. In particular, we support the Government's proposal to carry out the study. At the conclusion of the study, however, will the Government decide that legislation should be enacted simply because other places have done so? This is the view held by some people. Others may consider there is nothing bad about enacting legislation, as fair competition has already existed among businesses in Hong Kong. Given that such legislation is already in place in other countries, there is no harm for Hong Kong to ensure that we will not lag behind. Furthermore, many colleagues in this Council have been striving for legislation. Despite this, we still consider it unnecessary to enact legislation. We are not convinced that, with such legislation, the seemingly unfair situation, such as the problems of monopolization by the Hongkong Electric Company Limited (HEC), the CLP Power Hong Kong Limited (CLP) and supermarkets, will disappear. It is my belief that, even after the enactment of a fair competition law, the HEC and the CLP will remain our power suppliers, for it is no easy task to open a power plant.

As regards the issue of a minimum wage, the Chief Executive mentions in this policy address that the Government and subvented organizations must, in approving outsourced contracts, ensure that the wages of non-skilled workers are not lower than the average market level. While we have no objection to this proposal, the Finance Committee will present our view when granting funding approval should the Government spend too much of the taxpayers' money. However, we still have some reservations about the Government's approach of requesting the business sector to follow suit.

Madam President, I think the concept of a mean wage is problematic. How can we come up with a mean wage? Of course, it represents the mean between a minimum wage and a maximum wage. If the Government requires all companies to pay the mean wage, it will very soon become the maximum wage. For instance, the monthly wage of a clerk is somewhere between \$8,000 and \$10,000. Hence, his or her mean wage is \$9,000. Such being the case, employers offering \$8,000 will then be considered not a good boss. Given the Government's appeal for employers to pay the mean wage, it will jump to between \$9,000 and \$10,000 when all employers are offering a wage of \$9,000. In one year's time, it will further rise to \$9,500. Will a mean wage then become the maximum wage in several years' time? I hope the Government can re-examine this issue, because the concept of a mean wage is problematic.

Concerning the Government's request for the business sector to follow its practice, what exactly does the Government want us to do?

There is another problem with a minimum wage too. Despite the small size of the territory, non-skilled workers are paid differently according to the location of their workplace. Let me site Sheung Shui and Fan Ling, both within my constituency, as an example. A dishwasher working in a neighbourhood cafe in Sheung Shui and Fan Ling is normally paid \$5,000 a month. I believe he or she prefers working in a neighbourhood cafe in Sheung Shui or Fan Ling, even with a monthly income of \$5,000, to working in Central with a monthly income of \$6,500, or \$7,000. This is because he or she will have to spend almost \$1,000 on transportation alone, and dress and eat more properly should he or she choose to work in Central. What is more, he or she will have to spend almost an hour to commute to work, right?

Hence, in formulating a minimum wage for non-skilled workers, should the Government base its calculation on a worker working in Sheung Shui with a monthly income of \$5,000 or one working in Central with a monthly income of \$7,000? Despite the small size of Hong Kong, this simple example fully illustrates how difficult it is to define a minimum wage for non-skilled workers. Furthermore, our flexibility is crippled by the link between the Hong Kong Dollar and US Dollar. Unlike other countries with a minimum wage, we cannot adjust by way of devaluation or appreciation. Actually, should a minimum wage be calculated in foreign currencies, such as the US Dollar?

Madam President, as I have to reserve some time for discussion of other issues, I have to stop here. Thank you, Madam President.

MR TIMOTHY FOK (in Cantonese): Madam President, "Strong Governance for the People" is the theme of the first policy address delivered by Chief Executive Donald TSANG after taking office. There are high hopes among the people that the policy address can not only unveil a new style of governance, but also bring fresh prospects and hopes for people struggling to get out of the economic doldrums.

In the policy address, the Chief Executive highlighted our steadfast commitment to promoting economic development. However, the creative industries, once expected to be the new locomotive to lead Hong Kong's

economy, seem to have disappeared into thin air. The film industry is the flagship of our creative industries. Simply put, on the premise of knowledge-based economic development, creativity helps promote economic transformation and upgrade internal driving force. The film industry itself is essentially an industry with extensive prospects and vitality. Let me cite the Mainland's cultural industries as an example. As pointed out by Mr WANG Yongzhang, Director-General, Department of Cultural Industry, Ministry of Culture, not only can the growth of the cultural industries reflect cultural ingredients, it can lead related economic activities as well. In 2003, the creative industries generated a RMB 350 billion yuan output, of which RMB 30.7 billion yuan came from the output of wholesale and retail industries related to culture. Furthermore, there has been a continued growth of between 18% and 25% annually. How can we let our creative economy stand still when we witness the admirable achievements of the Mainland?

Not long ago, Hong Kong's film industry had, for a long time, dominated the whole of Asia and drawn worldwide attention. However, it is now struggling desperately for survival. The numbers of newly produced movies have repeatedly reached new lows, with the combined box office takings dropping 80% compared to that of a decade ago. Voices calling for help are heard everywhere. Faced with the grievances and complaints of the dying industry, the Government once launched a number of initiatives and listed them as the highlights of CEPA. Yet, after all the noises, the result is still not prominent. The film industry is still trapped in the doldrums. The policy address announces that a film development board will be set up to replace the Film Services Advisory Committee for the purpose of providing the film industry with better resources and fully and thoroughly exploring the current state of the industry in Hong Kong and the available opportunities and challenges, so as to chart the direction for development, explore business opportunities and draw up a clear action plan. This is meant to be a further response from the Government to the desperate calls of the practitioners of the industry. I hope the film development board can provide a new opportunity for joint efforts to be made by the Government and industry practitioners in promoting the industry's recovery. Of course, there are a number of external and internal factors leading to the decline of the industry from its peak. It can simply not rely on one or two policies, or a board, for instant revival. The industry must do some serious reflection and take actions to save or rescue itself. As for the Government, it has to take concrete actions in providing resources and consider taking such measures as stepped-up enforcement against privacy infringement. The

incident involving the "Big Crook", not yet sentenced, is only the first step of action. Prosecution must continue to be deepened and strengthened. If necessary, such efforts should be complemented by legislative amendments.

Second, to ensure that the film development board to be set up by the Government can really assist the development of the industry instead of being turned into an advisory organ engaging merely in empty talks, adequate financial, administrative and policy support must be provided. Moreover, all related departments must actively put its proposals into implementation. Only in doing so can the board become a film development arm with adequate resources and necessary power. This can also help prepare the board for upgrading to a film development council.

Third, the Government should treat the production of movies as a cultural industry and, from the angle of assisting industrial development, promote the development of movies with policy support. It should also conduct a fresh round of review, relax its restrictions on film production, and offer tax concessions to export movies. At the same time, it may consider subsidizing locally produced movies to actively participate in overseas film festivals or launching film festivals overseas on a regular basis. All this is helpful to Hong Kong movies in establishing brand names overseas and exploring overseas markets. Furthermore, the implementation of CEPA III will help the film industry speed up its pace in further opening the mainland market.

Madam President, privacy infringement causes the biggest damage to the development of intellectual property and creative industries. The publication industry — an industry represented by me too — has a major commitment to, and impact on, Hong Kong's economic development. It is estimated to account for \$7.11 billion of the output value of the manufacturing industries in 2004 too. Having raised a lot of views on the infringement problem caused by the photocopying of textbooks, the industry has, under an arrangement made by me recently, talked face to face with the Secretary for Commerce, Industry and Technology, Mr John TSANG, to express their hope for further perfection of the infringement legislation. Despite the encouraging result of the BT-technology infringement case which was drawn to a close recently, what will happen in the future? What will happen to the privacy problem encountered by other audio-visual products, textbooks, design ideas, and so on? Frankly speaking, should the Government fail to step up efforts in this aspect and continue

launching major operations to make examples, there is no point in mentioning creativity or knowledge-based economy. I so submit.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, originally, I was only prepared to speak 10 minutes in this session today. However, I think I will speak longer now, for it is a rare opportunity that all Bureau Directors responsible for the scopes of concern to me are present, excluding Secretary Stephen IP who is not in the Chamber now — he has just come back. As all Bureau Directors under the leadership of the Financial Secretary, ranging from the one responsible for Hong Kong economic affairs to the one responsible for employment issues, are now in this Chamber, I will speak longer in this session. Moreover, since Mr WONG Kwok-hing has just set out the 10 major problems found in the labour sector and given a brief description of the situation, I would like to discuss these issues in depth with all of you.

Regarding the maiden policy address delivered by the Chief Executive, I would like to start with the keynote of strong governance set out in the first part. In this connection, I who have been busy running from department to department consider that the Government really needs to enhance its ability of effective governance, or the problems cannot be solved. More often than not, people like us will be passed from one department to another like a ball, but our effort made at different departments will only end in vain. Therefore, I think that as the Chief Executive has set out the relevant problems, he does intend to correct the governance problems plaguing the Government for the last hundred years. I also consider this necessary.

Nonetheless, the problem is that the policy address only pointed out the need for strong government but fell short of appreciating the problems existing, particularly some livelihood problems which demand immediate solutions. I thus consider the slogan "strong governance" mere empty talk. Therefore, I very much hope that the Government can start working on this seriously. I do have some expectations of the incumbent Chief Executive, and thus on the day the policy address was delivered, the Hong Kong Federation of Trade Unions (FTU) expressed its positive attitude on this point.

Madam President, last year, the annual economic growth rate of Hong Kong reached 8%, and the estimated growth rate for this year is 6%. However, the upturn of economy during the last couple of years does not

necessarily mean that all wage earners have received better treatment. Least of all, in this year and the last, many of us have not got a pay rise, including employees of the retail sector which is the most thriving sector at present. In the past few years, grass-roots labourers were affected by unemployment, low wages and long working hours. However, these problems are not confined to the labour market of grass-roots labourers. The day before yesterday, when I went to the New Territories and met some people from the professional sector, they told me that it was difficult to find a job with good working conditions nowadays. My point is that, today, professionals, clerical workers and grass-roots wage earners are all facing the same situation. For example, grass-roots labourers are plagued by low wages, while middle class or professionals have to put up with successive pay cuts, though not to a level as low as the minimum wage, and excessively long working hours. I think I do not need to dwell on this, for Secretaries who have ever conducted inspections in the districts should be well aware of these problems.

The function of the policy address is to set out the direction for the economic and social development of Hong Kong. However, though I have gone over the entire policy address again and again, I can find no direction in it, nor can I identify where the new growth area for our economy lies. In this policy address, not even the four pillar industries are mentioned. What is the direction of development of Hong Kong economy then? According to the figures announced by the Government, there are some 200 000 unemployed persons in Hong Kong at present. How can we find a solution to this problem? As for those waiting for employment, a growing number of them, as many as tens of thousands, are marginalized low-income workers. How should we deal with this problem? How can they find a way out? The Government has failed to outline the way forward and let them see prospects.

During the period from July to September, the employment rate dropped 0.2% to 5.5%, the lowest of the past four years, with the number of unemployed persons having decreased by 9 000. I believe Secretary Stephen IP is glad to see the drop in unemployment rate. On the day the information was announced, I saw him presenting it as a piece of good news. However, I think we have to remember that behind the good news, there are still 206 000 persons who are unemployed. The figure announced by the Government has not taken into account the hidden unemployed who have been unemployed for a long time, not shown in the information provided by the Census and Statistics Department. Frankly speaking, members of society and the Government both consider this

group of people as "middle-aged persons with low skills and low education attainment", but I do not agree. I admit that these people may not necessarily have attained a very high standard of education, but many of them have completed Sixth or Seventh Form. As for the technicians among them, the level of skills they possess are not really low, only that those skills have become obsolete and they lack the opportunity to attain further development. Given the problems faced by these wage earners under the restructuring of our economy, how can we feel glad about the 0.2% drop in unemployment rate? I instead told my colleagues on the spot that the Government must think about why our unemployment rate still remained at this level when our economy had recovered for two years. This is a major problem.

We see that the policy address has made no mention of this; as cited by Mr WONG Kwok-hing, only some descriptive phrases without content, like "protecting labour rights", are used. Let me take the question farther. According to the findings of a study conducted by an organization, a foundation for better Hong Kong, 100 000 clerical jobs would be drained to other places in the next few years, by then, the unemployment rate of Hong Kong will surge to 7% again. In other words, of the entire labour force, more than 1 million workers with Secondary Three standard or below will be affected. In fact, has the Government included these problems in the policy address and made them some of the major issues for handling? I noticed that before the delivery of the policy address, results of some questionnaire surveys indicated that over 90% of Hong Kong people were concerned about the economy and the employment situation. These results, in a way, illustrated that despite the recovery of the economy, people still consider that problems in this respect have not been solved. The SAR Government does have some significant figures which can be provided to the Financial Secretary, who is in charge of this area, enabling him to truly reflect the situation — I am not sure should it be reflected to the Chief Executive or the SAR Government — for these problems must be solved.

In respect of the economic recovery in Hong Kong in recent years, we can see that the implementation of CEPA has brought about crucial changes. The implementation of CEPA enables people who consider CEPA something worth rejoicing, and even those who had gone to Beijing to persuade Kofi Annan to increase the "made in Hong Kong" content, to discover that, in reality, CEPA has only brought us 29 000 jobs in the past two years. Among these job opportunities, approximately 10 000 are generated by the Individual Visit

Scheme, but how long will the individual visit fever last? This year, during the golden week in October, the number of people visiting Hong Kong was only some 300 000 person trips, far from satisfactory. Even though this time, the Chief Executive stated that the Central Government would extend the coverage of the Individual Visit Scheme to four more cities, namely Chengdu, Jinan, Shenyang and Dalian (I am not denying the immediate effect this will bring to the local economy), how will this affect the entire job market and how long will the effect last? Will these elements be able to generate some new economic components?

I often ask Secretary John TSANG and his colleagues whether these problems have been considered under CEPA. They will then cite the merit of CEPA in allowing professionals to work in the Mainland. I do not deny that allowing professionals to work in the Mainland may expand their room of employment, but of the some 3 million workforce in Hong Kong, for what percentage does this group of people account? They are lawyers and professionals, I do respect them. But what can the majority workers who can go nowhere do? These workers are not in demand. Some people are so naive that they do think employers engaging in manufacturing operations in the Mainland will employ Hong Kong people. In this connection, I can only say that we may have to resort to the forming of a triad society to fight against it — am I speaking too fast? I mean to say that, at present, some members in the Government at the senior level, who are not government officials but elites responsible for working out solutions with the Government, consider that Hong Kong employers operating in the Mainland will employ Hong Kong people, and everything will be fine then. I have to tell them, even if Mr Andrew LEUNG's factory is willing to employ Hong Kong people, frankly, mainland workers will not let Hong Kong workers take away their jobs. That is why I just said we might have to form a triad society to back our workers.

This is the situation we are now facing. Then, how come CEPA will be implemented in Hong Kong? This is exactly because the Central Authorities permit the increase of weight of the "made in Hong Kong" elements. Secretary John TSANG, you know that I have been repeating this to you on several occasions; I have also repeated this to Director-General YOUNG Lap-moon many times. Honestly, I do not blame Secretary Stephen IP, not because Secretary Stephen IP and I get along well, only that I think the issue falls within the purview of Secretary John TSANG. However, we then discover that

Secretary John TSANG does not think in the way we think. What has actually happened?

Once, when I inspected the prison, I was accompanied by colleagues of your department. I talked a lot, views I had put forth a couple of years ago, and we also talked about CEPA. Actually, this is not an issue related to workers, but rather one related to small and medium enterprises represented by the commerce and industry sector, who want to relocate their operations back to Hong Kong.

Regarding this issue, I hope that Secretary John TSANG will really think hard and come up with a solution. Since the "made in Hong Kong" element takes such a great share, how can we take advantage of Hong Kong's status as a place of origin to develop some manufacturing industries for our economy? If we do not introduce any new elements to promote economic activities, Hong Kong being claimed a City of Life will really feel the "power of life", but that the power will come from a large-scale riot. As in the case last night, some construction workers complained about their plight of "working without pay" and even claimed that the problem was related to certain government departments. Grass-roots labourers are indeed eager to give full play to their strengths, but they can hardly find the opportunity to do so. I think, with the accumulation of numerous cases of similar nature, this has become a cause of concern. Of course, I cannot blame Secretary John TSANG, for I have also visited his departments and noticed that some issues do not fall in his purview but that of Secretary Frederick MA.

Today, I want to say more because I have to express my heartfelt wishes to the Secretaries of Department and Bureau Directors now sitting in the Chamber, who are responsible for the issues I am talking about today. I hope they will tell their subordinates my concerns when they return to their offices. I do not know the future development in this respect. The Chief Executive is very sharp. He oversees politics, while employment and economy are definitely left to the Secretaries of Department. Furthermore, Chief Secretary for Administration Rafael HUI certainly will oversee the political system. The present state of affairs seems to be so.

May I ask Secretary Frederick MA of his opinion of the problem? What does he think about small-scale operations? What does he think about our restrictions on land issue? What are his views on the constraints of our taxation

system? Some cases do need several Bureau Directors to put their heads together. I know Secretary Frederick MA is very good at doing business. When we visited Guangzhou last time, the Secretary had talked about this with me, but I am not going to crack any scoops here today. Though "scoops-cracking" has been a hot trend recently, I do not intend to do so. I think Secretary Frederick MA is fair and sensible, particularly when he mentioned that in places where he operated his business, attention were given to industries which the youth are interested to join. I am very glad that the Secretary has noticed some of the problems. However, the question we need to address now is what policy can be implemented to settle these problems so as to render assistance to the million-odd workers facing employment difficulties and low-income workers seeking employment.

If the four departments concerned can effect co-ordination and work together on the present problem, a solution may be found. I think nothing other than this will work. Donald may say that he should not be the one to talk about this again. Should not the Secretaries of Department head a team to work out a feasible method and examine ways to create new economic activities in Hong Kong by means of CEPA? Visitors coming to Hong Kong via CEPA should not be a reminiscence of floating weeds, who simply come to Hong Kong to stay for a short while, do some shopping, and then say goodbye to Hong Kong and return to the Mainland. These visitors will then lose their interest in Hong Kong and never return. The Government should examine how to utilize the status of Hong Kong as an individual unit to generate economic activities, in particular in the manufacturing sector.

Recently, we have mentioned the hollowing-out of our industrial structure. I have discussed the issue with some professionals, and they all opined that Hong Kong's problems can hardly be solved in the absence of a stable manufacturing sector. I have talked about this numerous times in this Chamber. I said that I had been to the United States, the United Kingdom and other advanced cities, and found that they maintained a certain proportion of manufacturing industries in their economies anyway. The manufacturing industries they have maintained are not labour intensive in nature, but operations in which they have an edge. In our case, for example, we have a competitive edge in intellectual property rights. The film industry mentioned today is also one of the examples, while manufacturing industries of food products and cosmetics should also be counted. The development of the river loop area at the boundary and the boundary area

has also been mentioned. Has the Government ever considered the abovementioned advantages?

It should not often consider the importation of labour in the first place. Instead, it should first consider ways to highlight our advantages in other aspects in addition to our well-established protection of intellectual property rights. The good quality of our rule of law is one of the examples. Despite its small area, Hong Kong is a hub of resources, and our supplies are in abundance. I believe many business operators, in particular manufacturers, consider these as favourable conditions. In the past few years, I have had several meetings with a subsidiary organization of The Hong Kong Polytechnic University. The meeting included a number of entrepreneurs of small- and medium-scale enterprises. At the time when CEPA was yet to be signed, these people had already expressed their intention of returning to Hong Kong, but they wished that complementary policies could be put in place. Just like cases in Ireland, Sweden and Finland, local authorities will offer some concessions to investors investing there, and job opportunities will thus be created for local workers. This is the practice in overseas places.

Secretary John TSANG may say that it is not feasible. He may say that in a free economy like Hong Kong, we should not draw up measures of this kind. However, Secretary John TSANG should try to think it through. Even in the United States, the freest place, the authorities defend the interest of the locals by implementing many anti-dumping measures and erecting a lot of barriers. Why? For they have to address the domestic political issues.

The FTU has recently designed a three-tier safety net for employment. The first tier is to set a minimum wage. The second tier is to solve the unemployment problem, including the stimulation of new economic activities. For this purpose, we have met with a number of academics, including the most famous economist in Hong Kong. He told me, "Miss CHAN, without support in policies, the employment problems of this group of people cannot be solved. If necessary, I may introduce you to one of the most famous economists on free economy." Eventually, he took our side. According to his analysis from a political viewpoint, we should solve the present problems.

I very much hope that the various departments headed by Secretary John TSANG, Secretary Frederick MA and Secretary Stephen IP (who knows my

viewpoints well), and so on, will come up with some solutions to the problems, enabling the generation of new economic activities under CEPA. If we know that the Mainland does permit the "made in Hong Kong" element to take up a greater percentage, why can we not do better?

I cite the recent employment situation in the textile industry and manufacturing industry to demonstrate our willingness to enter into negotiations. Secretary Stephen IP, after spending nine to 10 months on negotiation, has recently achieved pretty good results. Both parties had studied the issue in detail, while Permanent Secretary Matthew CHEUNG, a subordinate of Secretary Stephen IP, acted as a matchmaker, making good effort to reconcile various parties — for how many months? — (tripartite) Right, Mr Andrew LEUNG corrects me that it should be tripartite, he reminds me that they have also taken part in the negotiations. Good progress has been made. The matchmaker lobbied the business sector on the one hand and the labour sector on the other, so that the two sectors could come up with certain methods to stimulate new economic activities. What we need is not simply the importation of labour; we are looking forward to the new economic activities so generated, for the existing economic activities have already failed to address our problem, we thus hope that we can take advantage of the opportunity provided by CEPA. The Mainland has stated clearly that they hoped Hong Kong officials would apply their political wisdom, making use of the favourable conditions provided by the tariff-free treatment under CEPA to generate new economic activities.

Madam President, I will say that, my emotion has indeed reflected the attitude of the average man towards the signing of CEPA III. We all see that no one talks about this any longer in the community, I will not say much about this then. Regarding CEPA, we did look forward to its signing at the outset, but over time, people became indifferent to this, and eventually, they regarded this as nothing more than empty talk. This is exactly why I have to speak so long today to the various Secretaries of Department and Bureau Directors. I really hope that officials, irrespective of the posts they hold, be they on the Commission on Strategic Development or attending meeting in this Chamber, they may initiate negotiations similar to the meetings conducted for the textile and garment industry this time. Though the result so achieved may not be one that I very much desired, at least, there was a process of discussion. We can at least see that the Government has really made an effort to address the problem, instead of passing it from department to department, each claiming that they are

not responsible for that. I had complained this to Mr TUNG and Mr TUNG wondered why he had known nothing about this. But I instead asked why he should have known. Actually, only Bureau Directors needed to know that. He then stated that he would take the helicopter with me. But eventually, he has stepped down.

I am not suggesting anything in saying this. I just want to make known the difficulties faced by these people. Why did I express approval in high profile of Chief Executive Donald TSANG's suggestion that the governance of the Government should be strengthened? This should be attributed to our past experience in going around different parties. We are worn out mentally and physically, and we hope that a new phrase will come.

Madam President, I very much hope that we can take this opportunity to fill up the opening caused by the hollowing-out of our industrial structure, particularly that of the manufacturing industry, in our economy. We have to work hard through efforts by various trades. If we do not work hard, a few years later, we will not have the chance to do so. I often say that, by then, Hong Kong will also come to an end.

In 1978, the University of Hong Kong conducted a study on multi-level industrial policies. At that time, upgrading and regeneration of industries was discussed. It is considered that Hong Kong should take a road of its own, just like the road taken by Taiwan, Singapore or South Korea (which flourished at a later time) today. The absence of conditions should not be the reason for not going ahead, which was what Raymond YOUNG said — I have to mention his name in particular — in his reply to Mr WONG Kwok-hing, as if he was absolutely in the right. After reading that reply, I even thought of writing an article to rebuke him.

Why is it said that Hong Kong lacks the conditions? Hong Kong does have many products demanded by others. Have we ever designed our products according to the needs of others? Why should it be simply taken as the absence of conditions? Shipbuilders do say that there is a market for their products. There are a lot of shipbuilders in Tsing Yi, why consideration in this respect has not been given? The Government may probably say that prices offered by other places are lower. But in overseas countries, in order to attract Hong Kong manufacturers, preferential treatment may be offered to them specifically in land grant.

However, this is the policy of our Government — it has nothing to do with Raymond YOUNG. I do not know what I can say, so just let me grumble about it. If Members are interested, specific discussions can be held on topics like the ways to revitalize the diversified development of the industries of Hong Kong to enable Hong Kong to find a genuine solution to its unemployment problem. I am willing to hold discussions similar to that have been held on the textile and manufacturing industry with the Government this time around.

Madam President, finally, I would like to talk about another issue, the minimum wages. I disagree with the many arguments put forth recently which appear to be right but are actually wrong. For example, it is said that the minimum wages will turn out to be the maximum wages, that what we are fighting for now aims only to draw support for ourselves or that we are just doing something to draw support for our labour; it is even said that the present situation will affect investors in Hong Kong. I think our points have been denied even before we get to the crux of the problem. They deny the fact that in more than 80 countries, when a group of labourers in the labour market lost their competitive power, a time when the supply and demand of the market lost its balance, the countries resorted to this tool to solve their problem. This tool is adopted by both capitalist and socialist countries as well as other countries. But now, we can only put forth this idea stealthily here.

Certainly, we see that the atmosphere within the Government has changed a bit recently. As the new Chief Executive, who has made certain responses in this respect to members of the Labour Advisory Board (LAB) and Members from the labour sector when he ran for the office, has assumed office, Bureau Directors have followed up some of the issues. However, at certain point, the matter seems to have developed to a stage that is out of the purview of Secretary Stephen IP. I think, to date, regarding this topic, members of society do have both positive and negative views, and views on this issue are divergent. But still, I have to ask, "Why do we have to co-ordinate several parties to hold discussions when we address this issue? Why do we say that this should not be referred to the LAB?" The LAB is composed of six representatives from the employers' side and six representatives from the employees' side. Eventually, both parties will definitely come to a point of making show-downs. If so, why do we not simply refer the issue to the Commission on Strategic Development and make it one of the important issues to be handled by the Commission, so that

discussion can be started right away when meetings are convened, saving the trouble of conducting further studies of various natures? Honestly, if the issue has to be further studied, I think problems related to these workers will probably arise. By then, no matter what the Government has done, it will only become a laughing stock. If grass-roots labourers are forced to take to the streets, there will be hundreds of thousands of them, which is indeed possible. Does the Government really want to wait until that time before it will do something? I myself do not wish to see such a development. However, at present, over 370 000 persons in Hong Kong are earning wages lower than the Comprehensive Social Security Assistance rate. After all, they are willing to endure it, but how much longer do they have to suffer? I very much hope that the Government will swiftly include this topic on the agenda of the Commission on Strategic Development within the next few months, particularly when the Commission has become such a topical issue now.

Madam President, in the past, Hong Kong people engaged in various trades and industries could earn more by working hard; one could rise to a higher position by working hard and told his family proudly that he could support the family. However, it is no longer easy for many to find a job of decent pay, a pay adequate to feed themselves and their families. Actually, this kind of jobs no longer exists and many people are angry about this. Therefore, I hope the Government will face squarely the present situation. Our workers have no bargaining power at all, so the Government really needs to consider the concept of minimum wages and standard working hours. Since a motion debate related to these issues will be held shortly, I will not discuss this in detail here.

Madam President, the policy address makes clear at the outset the quest for stability, harmony and continued progress. However, if the unemployment rate of grass-roots labourers stands at a high level, if they enjoy no protection of wages, social division will only worsen under such circumstances. Given that, how can there be stability, harmony and continued progress? I hope the Government can face this problem squarely and bring benefits to the people. I think, if it really wants to bring benefits to the people, it has to ameliorate the working poverty problem in Hong Kong society, which are now seriously and gravely affecting wage earners, and find a solution to the latter's problems. I hope the vow of bringing benefits to the people is no lip-service. Thank you, Madam President.

MR ANDREW LEUNG (in Cantonese): Madam President, it is pointed out by the Chief Executive in the policy address that he has a steadfast commitment to promoting economic development. This year, the economic growth of Hong Kong continues to be strong, and our performance in foreign trade is equally remarkable. But it must also be realized that foreign trade and manufacturing industries are closely related. The policy address recently announced by the Chief Executive, however, makes little mention of the industrial policy. I wish to take this opportunity to point out that while our economic restructuring has led many to think that Hong Kong manufacturing industries have already entered their sunset days, but Hong Kong is actually developing towards knowledge-based economy. Since their peak in the mid-1980s, local manufacturing industries have by now expanded extensively beyond the boundary, pulling along the rapid development of Hong Kong's financial, shipping and services industries.

Statistics show that Hong Kong manufacturing industries now operate some 80 000 production plants in the Mainland. In the Pearl River Delta (PRD) Region alone, Hong Kong enterprises already employ more than 12 million manufacturing workers, a number 12 times the industrial workforce of Hong Kong at the height of the manufacturing industries in the 1980s. These statistics tell us that Hong Kong manufacturing industries have in fact been developing rapidly all the time; they are also the locomotive of our economy, particularly that of our services industries. According to Prof Richard WONG, half of Hong Kong's services industries are producer services engaged in the provision of services to Hong Kong enterprises operating in the PRD. The production plants of most Hong Kong manufacturing industries are based in the Mainland, especially the PRD. However, their head offices are mostly established in Hong Kong, where all their sales and marketing, design, product development, financial and logistic activities are undertaken. This has directly generated a huge demand for financial, insurance, logistics and trading services, thus creating some 1 million jobs for Hong Kong.

The Chief Executive and Members visited an assembly line of a Japanese automobile manufacturer last month. They could see that all the services required by the assembly line were provided by other Japanese companies. There was almost no demand for Hong Kong services. If Hong Kong is to continue to develop and consolidate its various services, it must integrate with the PRD and upgrade the efficiency of its enterprises, so that the provision of high value-added services can be retained in Hong Kong while actual production

remains in greater PRD. But as the costs of business operation in greater PRD increase, many companies have already shifted their low value-added production processes to the Pan-PRD or even more distant cities and provinces. This has raised the alarm, as the provision of low value-added services may well be taken up by enterprises in greater PRD.

The status of Hong Kong as a world shipping centre, one of our sources of pride, has come under great peril. I am indeed very disappointed at the failure of Chief Executive Donald TSANG to put forward any policies in his first policy address to arrest the decline. Actually, as early as late 2003, the Federation of Hong Kong Industries (FHKI) already sounded a warning, saying that while the Hong Kong container port was recording negative growth, its rival, the Shenzhen container port, had been recording a 30% growth for several months in a row. Only that the subsequent powerful rebound of Hong Kong's economy last year and this year has overshadowed the decline of its relative competitiveness as a shipping centre.

The McKinsey and Company has recently completed a report on revitalizing the Hong Kong shipping trade. The statistics contained in the report unfortunately prove that our warning was correct. What is most worrying is that the fleet of major shipping companies are beginning to sail direct to the Shenzhen port, bypassing Hong Kong. We think that this is a warning that must not be ignored because it signifies the formation of a vicious cycle: As our cargo throughput drops, the number of sailings to Hong Kong starts to fall as well, and this will see a further reduction of the former. The decline of the Hong Kong shipping industry will naturally affect those involved directly. It is estimated in the McKinsey report that once the Hong Kong container port is overtaken by Shenzhen in terms of competitiveness, about 183 000 services posts in the trading, shipping, transportation and commercial support industries will be lost.

Madam President and Honourable Members, if we do not sever this vicious cycle now, we can all imagine the outcome easily. We must administer the right remedies and take immediate actions to strengthen the relative competitiveness of the Hong Kong container port and the freight forwarding industry. If we do not do so, we will lose our relative competitive edge. Once we lose our leading position as a shipping centre, it will not be easy for us to regain the position unless we pay a very high price. I hereby call upon the Government and various social sectors to address this crisis squarely.

Over the years, the FHKI has recommended to the authorities measures to lower cross-boundary transportation costs and to enhance the efficiency of the local logistics sector. These proposals include building new boundary crossings, extending the operating hours of existing control points and inland customs depots, establishing a "green lane" for cross-boundary cargoes, improving the operation of pre-arrival submission of customs declarations, employing full-scale electronic clearance and introducing the application of global positioning system and Radio Frequency Identification (RFID) tags to enhance the efficiency of clearance. The Government of the Hong Kong Special Administrative Region (SAR) and the Guangdong Provincial Government should step up their co-operation, so as to explore and carry out these proposals as soon as possible.

To create a business environment conducive to the development of Hong Kong industries, the SAR Government should adopt a far-sighted attitude and encourage the development of emerging industries to provide a new locomotive for our economic development. Specifically, concrete steps should be taken to strengthen the assistance for and development of emerging industries with strong potentials. Besides, the development of high value-added industries should be set as a target in the promotion of industrial development in Hong Kong and the PRD Region.

Hong Kong possesses great potentials in the development of certain high value-added sectors such as fashion, green industries, creative industries, high technologies and the manufacture of automotive parts. For this reason, the authorities should put in place a greater number of measures to encourage their development. For instance, the money spent by enterprises on product design and technological research may be made 300% tax deductible. This can help encourage investments in technological research, thus making it possible to train up large numbers of research and product design talents. Besides, a fashion centre and design centre should be established as soon as possible to enhance the capabilities of Hong Kong in developing brand name fashion and design. And, Hong Kong must also establish and promote its own brand name goods. Finally, international technological research and design companies should be induced to make investments in Hong Kong.

As for the promotion of the recycling industry, I am of the view that the prosperous development of this industry will bring many different benefits to Hong Kong, including a cleaner environment, the reduction of pollution and the creation of more jobs for local workers. The construction of an Eco Park is

confirmed in the Chief Executive's policy address. But the Government should release the details of access to the Eco Park as soon as possible for the information of the relevant industries, so that they can make early preparations. I also hope that the Government can listen more to the views of the industries when formulating the management framework.

Another high value-added industry with immense development potentials is the manufacturing of automotive parts. As a result of the booming economy in recent years, people in many mainland cities have started to enjoy a well-off standard of living and their demand for cars has grown tremendously, thus leading to a rapid growth of the automotive industry. The SAR Government should grasp this opportunity by assisting our automotive parts manufacturers to gain a foothold in the first two links of the supply chain. There is no car industry in Hong Kong, but we have been doing a very satisfactory job in manufacturing automotive parts, and many Hong Kong manufacturers are the suppliers of parts for overseas car assembly lines. We should take advantage of the opportunity and seek access to the mainland market. We also hope that the Government can invest more resources in actively training up research and design talents for the manufacture of automotive parts. Vigorous policy support should also be made available to foster the development of the manufacturing of automotive parts in Hong Kong.

On the issue of prescribing "minimum wage and maximum working hours", I must say that as a Hong Kong resident myself, I naturally hope that workers in Hong Kong can receive reasonable protection; I certainly do not wish to see any widening of the wealth gap or the worsening of inter-generational poverty. In the policy address, it is said that the Government has taken the initiative to require its service contractors to ensure that the wages of their non-skilled workers are not lower than the average market level. In principle, I agree that the Government should take the lead in this respect. I also think that the business sector should consider offering reasonable wages to low-skilled workers. In particular, special attention should be given to these workers when considering wage increases. But I must add that the introduction of a mean wage will bring about a very great dilemma because this may well be turned into a minimum wage. This will not only run counter to market principles but also bring the opposite results and many undesirable consequences. Any blind pursuit of a minimum wage will certainly see workers with little bargaining power as the first victims. Some work processes may have to be automated due to high costs. Or, it may be necessary to relocate certain processes out of Hong Kong. This will instead do a disservice, because a huge loss of jobs will result,

thus victimizing all those low-skilled and low-income workers whom we originally wish to protect.

Actually, this is the right time for employers, workers and the Government to cast aside their preconceived views and forge a consensus with an open attitude. They should explore how to assist low-income workers and seek to upgrade the skills, abilities, work attitude and economic efficiency of low-income workers. It is especially important to note that instead of artificially fixing wages and working hours at any levels, we must leave the determination of wages and working hours to the market. The Labour Advisory Board can serve as an intermediary, effect co-ordination, and facilitate the seeking of common grounds while tolerating differences, thus achieving a win-win situation in the end.

Miss CHAN Yuen-han mentioned just now that the three sides had recently concluded an agreement on a supplementary scheme for textile workers. I consider it a good thing that the relevant negotiations were conducted in such an atmosphere. We should continue to reach more agreements with such an attitude, so as to create more jobs in Hong Kong.

I am aware of the viewpoint that the setting of a minimum wage will help solve the poverty problem, or precisely the problem of inter-generational poverty. In this connection, I wish to share with Members a recent editorial of the *Sun Daily* which I find very convincing. This editorial is entitled "No Inter-generational Poverty for People with Ambitions". Part of it reads "There has never been any proof that inter-generational poverty is a fixed pattern of life for any groups of people. Quite the contrary, only changes are eternal. As long as one can work hard, one can always change one's destiny regardless of one's background. Poverty is no DNA and cannot possibly be passed to our children like AIDS. Those who look at inter-generational poverty that way do not have enough proof to support their conclusions. Their only aim is to obtain more assistance from society by spreading around such alarmist talks." Another part of the editorial reads "One's achievements are never determined by one's background but by one's efforts and integrity..... Given strong ambitions, even a poor son can in time become a rich father!" As a matter of fact, such Hong Kong stories abound. As further pointed out by the editorial, "Many true stories in Hong Kong in recent years can testify to the saying that neither poverty nor wealth can possibly span three generations of a family,

because most of the successful people nowadays have not inherited any wealth from their ancestors. Rather, many of them were once very poor and have managed to change their fates through their own efforts and hard work." We can hence realize that to eradicate poverty, we must assist the poor in standing on their own feet. Instead of giving them any subsidies, society should give them sufficient opportunities to develop their own economic potentials. Our most important concern now should be the economy; we must make sure that Hong Kong can eventually become a knowledge-based economy marked by high value-added activities and a greater number of jobs. That way, market standards in all respects can be upgraded to the mutual satisfaction of both employers and employees.

It is mentioned by the Chief Executive in the policy address that active consideration will be given to whether or not a comprehensive and cross-sector law on fair competition should be enacted, and whether our existing laws are in line with the times. As a member of the Competition Policy Advisory Group, I do think that it is now the right time for everybody to adopt an open attitude and review how we can possibly create a sound and beneficial competition platform for large, medium and small enterprises in Hong Kong, one that will not affect Hong Kong's international status as a free economy underlined by fair competition. We should draw on the rich experience of other countries, with a view to identifying a model suitable for Hong Kong. That way, we will be able to maintain free and fair competition as our competitive edge while avoiding the risks mentioned by the Chief Executive.

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

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, the Chief Executive's policy address this year has not proposed too many measures on tackling labour problems. Proposals that are comparatively concrete include an increase of the training subsidy under the Youth Pre-employment Training Programme to \$1,000 and the establishment of employment centres in Yuen Long and North District. It must be admitted that these two measures will certainly bring forth some progress and benefits, because more young people will be induced to join the Programme and residents in the areas concerned will find it easier to find jobs. However, we must still ask how much help these so-called concrete measures can offer. This is the question that we must ask.

Actually, there are several main reasons for the persistently high unemployment rate in North District or certain remote areas. First, since there are very few job vacancies or employment opportunities in these areas, it is not so easy for the residents there to find any jobs. The second reason, a reason of much more serious implication, is that when people cannot find any jobs within their own districts, they will go elsewhere to look for jobs. This will give rise to a great problem, the problem of transportation expenses. In the case of a North District resident, for example, every time when he goes out to look for a job, even if other expenses are disregarded, he will still have to spend more than \$40 on transportation. This will definitely pose a great obstacle to young people or even adults who have to look for a job.

I just wonder whether the Secretary is going to give any thoughts to this very practical problem. We have been telling the Secretary that these people do face very great difficulties in finding jobs because one single attempt is unlikely to succeed and they may have to go out and back several times before they can be successful. How can they have so much money to meet the transportation expenses required for job-seeking? Hence, it can be seen that exorbitant public transportation fares do pose a great obstacle to them and we are unable to offer them any help. I suppose the establishment of local employment centres will not be of much help and efficacy. I therefore hope that the Secretary can consider how this problem can be tackled.

There is another problem. The Government thinks that the employment situation has recently improved and the unemployment rate has shown signs of decline. But this is not quite the case with the long-term unemployed, the most miserable group in society. They are comparatively old and short of working abilities. They do not possess any strong skills either. They are unemployed for prolonged periods and this makes it very difficult to tackle the problem. However, we fail to see any measures on the part of the Government to help them.

These workers have repeatedly approached us recently, telling us that most of them were engaged in the textile industry in the past, but because they have not acquired any new skills, it is impossible for them to change their occupation. According to some Members who spoke before me, the Government seems to have reached an agreement with the textile manufacturers, whereby they will be allowed to take on imported workers if they relocate their production lines back to Hong Kong. The workers concerned are not at all happy with this

arrangement. However, Madam President, the greatest problem is that not many workers in Hong Kong take part in trade union activities. As a result, even if trade unions can reach an agreement with the Government or employers, workers who do not participate in any trade union activities will not understand the problems involved. They can only learn the story from news reports and they will wonder why the Government still permits employers to take on imported workers when they are still unemployed. Can Members imagine how these workers feel about this new policy? Instead of getting any concrete help, they have sustained repeated blows from the Government. This is the very problem that these workers have repeatedly raised with us recently. They all want to know why things are like this. They all query why imported workers should still be employed at a time when they are unemployed.

When the Government conducts its so-called consultation, it should really make the whole thing more extensive, instead of just focusing on certain organizations, trade union representatives and employers' organizations. If any consultation is meant to be genuine, its scope must be comprehensive, so as to make workers feel that they are respected by the Government. In particular, at a time when they are caught in such a very difficult situation, they should be enabled to realize that instead of intending to make things worse for them, the Government actually wants to help them. I hope that the Government can consider whether it can do so.

Another problem connected with unemployment is the issue of temporary posts, as mentioned by several Members already. The Government employs large numbers of temporary staff, but it is a pity that all these temporary employees are all the time very anxious because they do not know whether they will be offered any new contracts upon the expiry of their existing ones. I therefore hope that the Government can convert all the long-term temporary posts in its various departments into permanent positions, so as to allay the anxieties of the staff concerned. As a matter of fact, the situation of these employees is really very miserable. As mentioned by Mr WONG Kwok-hing, the temporary employees of the Government are understandably very happy when offered contract renewal, but then, their salaries may well be further reduced. Claiming that adjustments must be according to market levels, the Government has repeatedly reduced the salaries of these employees. Worse still, in addition to salary reduction, there is also the problem of short contract terms, ranging from just several months to half a year. This means that temporary employees may have to face the same difficult problem pretty soon.

This is in fact a very serious problem. Can the Government try to help these employees from the long-term perspective, converting its temporary posts into permanent positions?

Apart from the temporary posts issue, the Government may also implement measures in respect of outsourcing. As Members all know, the Government does not impose any particular restrictions on outsourcing contractors and monitoring is also very weak. This has led to multiple levels of subcontracting in many cases. As a result, while front-line workers may not enjoy protection in terms of wages and working hours, even subcontractors and subordinate subcontractors may also face many difficulties. Can the Government conduct a more comprehensive review of the system of outsourcing? With such a review, the Government will be able to effect more effective monitoring and there will be better protection for contractors and front-line workers in terms of working hours and even benefits, thus pre-empting the current problem of workers failing to receive any wages after the disappearance of contractors. This phenomenon is very common, not only in the construction industry but also other industries and trades. To put it in other words, wherever there is outsourcing, there will be such a phenomenon. I therefore think that the Government should conduct a more comprehensive review of the whole system of outsourcing.

Outsourcing aside, the issue of low wages mentioned by Members is also a problem. We are currently conducting discussions on this issue. I believe that a minimum wage, or even a wage level higher than this, may not necessarily be a reasonable wage level. How are we going to tackle this problem? I think the most important thing is that we should give proper powers and status to trade unions, so that they can bargain with employers. But it is a pity that we have so far failed to give any power of negotiations to trade unions. I think the Government should really reconsider how trade unions can be accorded a recognized status in the formulation of a mechanism for negotiations with employers. What is involved is precisely the power of collective bargaining that we have been advocating. Without collective bargaining, there will be no protection not only for employees' wages but also for other benefits. In times of excessive labour supply, job security will be especially vulnerable. Therefore, if possible, the Government should introduce collective bargaining, so that trade unions can be given a footing in negotiations with employers.

Trade unions can help us solve the unemployment problem, but I also think that what is even more important, as mentioned by Mr LAU Chin-shek, is

for us to introduce a five-day week for employees. This will be a very effective measure. Besides enhancing productivity and the efficiency of employees as mentioned by Mr LAU Chin-shek, it will also help us solve the unemployment problem. As a matter of fact, many foreign countries have adopted the measure of reducing working hours in a bid to tackle unemployment. Once the Government puts in place such a measure and private-sector organizations gradually follow suit, I believe that the unemployment rate will surely go down gradually, instead of remaining at over 5%. Therefore, I think that since the Government has already been considering this idea, it should really put it into practice, instead of marking time and refusing to take any concrete steps.

Both Mr James TIEN and Mr Andrew LEUNG said just now that it would be perfectly alright for the Government to introduce a minimum wage level and standard working hours, but it would be impossible for private-sector organizations to follow suit. This shows that if we do not enact any legislation, and if we only present a request, it will be impossible for us to introduce any minimum wage level and standard working hours in the private-sector labour market. The Secretary will of course claim that the Government does have the intention of putting this idea into practice and has actually launched discussions and consultation. Madam President, as a matter of fact, as early as May 2001, the Government already started to consider the idea of attaching conditions on workers' wages and working hours to its invitations for tender, requiring bidders to adhere to the market levels released by the Census and Statistics Department. Besides, in March 2004, the Government announced that if a certain bidder was found to have violated the Employment Ordinance three times within one single year, it would be disqualified from submitting any tenders. What is more, in December the same year, the Labour Advisory Board (LAB) also commenced discussions on a minimum wage level and standard working hours. Madam President, it is now 2005, four years from 2001. But has there been any progress? According to the Government, the LAB has completed its discussions and is right now consulting the public. We have managed to progress only thus far after four whole years. If any collation of views is required after consultation, I am afraid that it will be necessary to spend a further two years before the whole work can be completed, even if the Government is really willing to enact any legislation. How long must we wait? Should we still conduct any meaningless consultation? I am therefore of the view that if the Government really has the intention, it must make determined efforts instead of delaying any further.

Madam President, in 1998, the Government conducted a round of consultation on stalking, and the Law Reform Commission even submitted a report on this in 2000, urging the Government to do something. Regrettably, it seems that all the recommendations have fallen through, for absolutely nothing has happened so far. I am extremely worried because I do not know whether this will also happen to the skeleton legislation on a minimum wage level and standard working hours, that is, I fear that after repeated rounds of consultation and discussions, nothing at all will happen. I do not want this to happen because unlike Mr Andrew LEUNG, who thinks that a minimum wage level will eventually eradicate the problem of inter-generational poverty or even general poverty, we find it most important to set a minimum wage level as soon as possible as a means of protecting the basic living of the people. The successful eradication of inter-generational poverty and general poverty will have to depend on many more efforts, including those in respect of education. Unfortunately, however, some Members have misinterpreted the matter. I therefore hope that the Secretary can correct this erroneous concept of the business sector.

Finally, Madam President, I still wish to talk about a minor issue, the issue of prisoners. This seems to bear no relevance to this session of the debate. However, I must point out that prison inmates have to work, and in doing so, they may be injured at work. How do the authorities handle such cases? So far, prisoners have not been given any protection in this respect. I hope that the Secretary can consider how prisoners can be given some help. Their wages are very low — perhaps this is a kind of punishment for them. They do not mind all this, but they are still worried about safety at work. There is currently very little, or even no, protection for them. I wonder if we can hear from the Secretary next time how the safety of prisoners is protected at work. As a matter of fact, accidents do frequently happen in the course of their work. I therefore hope that the Secretary can give some thoughts to this issue.

Madam President, I so submit.

MR HOWARD YOUNG (in Cantonese): Madam President, besides the political structure, economic development is another key note of the Chief Executive's policy address. We in the Liberal Party opine that economic development is indeed very important. And, needless to say, economic development and the tourism industry are closely related.

Members are all aware that only less than two years is left in the Chief Executive's term of office. For this reason, the tourism industry does not expect this policy address to accord lengthy treatment to large numbers of new projects like those in the past. We are already very satisfied if the authorities can honour all their past commitments. Consequently, many of those in the tourism industry have told me that we should all support this policy address.

There is one issue which has been discussed for many years, one which I raised in practically all policy debates and even Budget debates — the construction of a cruise terminal. We have always hoped that the Government can assist Hong Kong in becoming a cruise centre. Regrettably, as far as this proposal is concerned, there has just been all thunder but no rain. However, I notice that the construction of a cruise terminal is finally mentioned in the policy agenda this year. The Government has also announced that letters of intent will be invited from private-sector organizations next month. This is a concrete move and I hope that this is the last time that the construction of a cruise terminal is mentioned in a policy address, because we have lost too much time and are lagging behind Singapore.

The policy address also mentions an expansion of the Individual Visit Scheme. The tourism industry has always welcomed this. It is especially delighted to hear that the Scheme will be extended to cities that are farther away. The industry view is that to Hong Kong, the real value of the Individual Visit Scheme is its effects on promoting the prosperous development of many trades and industries. The greatest beneficiaries are the retail and catering industries. We can of course see that many segments of the tourism sector, such as travel agencies and airlines, apparently have not gained any substantial benefits from the Scheme. But since the Scheme is beneficial to Hong Kong as a whole, we will nonetheless render our support. The focus this time around is to extend the Scheme to remote cities. We are of the view that any expansion of the Individual Visit Scheme will necessarily benefit various trades and industries at different levels. For this reason, we will continue to support the work of the Government in this respect.

Yesterday, when I spoke on security issues, I already touched slightly upon boundary clearance. This involves the Secretary for Economic Development and Labour and also the Secretary for Constitutional Affairs. But we note that in the future, the latter will be more frequently involved in our co-ordination with Guangdong and the Mainland. In any case, we must realize

that our aim of inducing more people to visit Hong Kong will definitely be hampered if we cannot tackle the problem of long waiting time for boundary clearance — to be fair, this already falls outside the portfolio of the Secretary for Economic Development and Labour. For this reason, we hope that the Government as a whole can seriously look into all related issues.

In regard to tourism facilities Well, I started to prepare my speech as early as last week and certain parts of it should have been modified to take account of the changes to date, but I have not had any time to do so. How should I modify my speech? In the course of planning, the authorities understandably place emphasis on harbour vista, so sustainable greening projects are introduced and country and marine parks are designated. We welcome all this. But we in the tourism industry have always maintained that the Ocean Park is also a unique and valuable natural asset of Hong Kong, one which we must seek to protect and which calls for our support in its redevelopment and expansion. I understand that the Government has recently announced its approval of the Ocean Park's expansion programme. The formal approval by the Panel on Economic Services and the Finance Committee will be sought shortly. The tourism industry has been maintaining that over the years, the Ocean Park has contributed immensely to the development of the industry; we do not want people to forget the Ocean Park altogether after the inauguration of the Hong Kong Disneyland, nor do we want to get one but lose the other. We hence very much welcomed the Government's move to table the programme before the Legislative Council early this year. Now that it has given its approval so quickly, we must express our strong support and welcome.

We do understand that the Secretary for the Environment, Transport and Works is not responsible for giving any reply in this session of the debate. But as she also mentioned yesterday, in many policy issues, matching facilities are required. Therefore, although the regional redevelopment project of the Ocean Park has nothing to do with the construction of hotels and railways, we nonetheless hope that our railway networks can be extended to the area, for we believe that this will be helpful to the transport and traffic circulations within the entire Southern District. I think that the Ocean Park is just a core magnet of Southern District, which is why the development of Aberdeen and Ap Lei Chau must continue at the same time, with a view to forming a tourism hub. Nowadays, we are talking about our development as an aviation hub and Mr Andrew LEUNG also mentioned the need for us to become a shipping hub. When it comes to the tourism industry, we should likewise seek to form a hub of

some kind. I am of the view that if we can develop a tourism hub radiating from the Ocean Park and stretching across the entire Southern District from Pok Fu Lam to Stanley, a hub where visitors must spend at least a day before they can see all the attractions, we will bring immense benefits to the tourism industry. We frequently talk about the objective of achieving double-digit growth in the number of visitors. Actually, assuming that visitors now stay in Hong Kong for three days on average, there will already be a 33% growth if they can be induced to spend one more day here. What is more, they are more likely to spend more money in Hong Kong.

At this juncture, I must of course mention a rather contentious proposal made by the Liberal Party. There have been no responses to this proposal, but instead of saying no downright as they did at the very beginning, they now reply that they will give some thoughts to it. Our proposal was about the addition of more varieties to our tourist attractions. What we had in mind was about the development of Lantau Island. We were the first ones brave enough to advocate the establishment of a gaming centre providing tourist and recreational services. To put it directly, we proposed the establishment of a casino. Although we in the tourism industry do realize all the great difficulties involved, we still very much support the idea because, as we can see, the prosperous development of the casino business in Macao has created jobs for many people. What is more, we think that other complementary facilities such as spa establishments and golf courses should be constructed. We also mentioned that after the inauguration of the Hong Kong Disneyland, a review should be carried out at a suitable time to explore when and how the second-phase development should proceed.

Madam President, in my discussion on cross-boundary issues yesterday, I already focused on boundary clearance. The Secretary for Constitutional Affairs was present yesterday and he is again present today, so I suppose I should say a few more words here. What I want to say is that although the issues involved are mainly about tourism, shipping and logistics, it may still be necessary for the Secretary for Constitutional Affairs to do some co-ordination work in the course of discharging the duties newly assigned to him. The tourism industry is of the view that in order to turn Hong Kong into a hub, a shipping hub or a tourism hub, we must allow the multiple entry of visitors and make sure that immigration clearance is both fast and smooth. Currently, we are facing competition from the airport of Guangzhou, and we know that many businessmen going to Guangzhou for activities like the Guangzhou Trade Fair

may not fly from the United States to Hong Kong; they may fly direct to Guangzhou instead. But foreigners all need to apply for a visa for entry to China. The point is that according to Chinese laws, after a foreigner holding a visa has left China, he must apply for another entry visa if he wishes to go to China again. Besides, an American is not allowed to apply for a visa more than two times. It is inevitable that more and more people will fly directly to Guangzhou on business or for sightseeing. What are they going to do if they suddenly want to have a short trip to Hong Kong over the weekend, for example, bringing their wives over here for shopping? When they return to the Mainland after the trip, they will have to apply for another visa and this will cost them a few hundred dollars again. The tourism industry has discussed this issue with the Hong Kong Tourism Board and also the immigration authorities of Beijing. I hope that the Secretary for Constitutional Affairs can serve as an intermediary and raise the matter for us. Since this issue is not connected with security, I did not raise it yesterday and have waited until this session of the debate. Actually, if the validity of a foreigner's entry visa is two weeks, then after his arrival at Guangzhou, the Mainland may allow him to come to Hong Kong two times for shopping during the validity of his visa. The mainland authorities may allow him to enter and leave one more time during the validity of the visa, as if he had not left China. This will be very useful to Hong Kong as a tourism hub and can actually consolidate its position as such.

The last issue connected with the tourism industry involves the relaxation of certain restrictions under the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA). The tourism industry naturally welcomes the lowering of the threshold for inbound tourism services in the Mainland. But our ultimate goal is to fight for a share for Hong Kong travel agencies of the fast expanding outbound tourism market of the Mainland. If it is impossible to do so in the whole of China for the time being, can we start with the Pan-Pearl River Delta Region? CEPA III makes no mention of this. We will continue our fight and I hope that this can be achieved under CEPA IV.

Some Members have talked about a minimum wage level just now. Although Mr Andrew LEUNG and Mr James TIEN have both discussed this already, I still wish to say a few more words, because I distributed a questionnaire last week to my constituents in the tourism sector to gauge their views. I can remember that in the last Legislative Session, when Miss CHAN Yuen-han moved a motion on this topic, I also distributed a questionnaire to my constituents to solicit their views on the motion. At that time, there were only

two responses because all thought that the topic had nothing to do with them. But this time around, I have received quite a large number of responses, so I suppose I should share the findings with Members. Roughly 65% of the respondents are against the setting of a minimum wage level. I must of course confess that most of the respondents are managers, but I also notice that some companies do not object to a minimum wage level. Most of these companies are large ones, and since the wages they offer are well over several thousand dollars, or never below any conceivable minimum wage level, they do not hold any objection to the idea at all. In contrast, some small and medium enterprises, especially those travel agencies employing just several staff members, are extremely worried that their competitiveness may be adversely affected. They do hold such a view. Moreover, they opine that this violates the free market principle all along upheld in Hong Kong, which may affect the territory's competitive edge.

Some wonder whether a minimum wage level will become a maximum wage level. They also wonder how the whole thing can be logically explained. I think the only problem is the kind of logic advanced by the Government in the policy address. On the one hand, the Government says that it is going to set out the median or average wage and then it will call upon enterprises with a sense of social responsibility to follow the wage level. What will happen, as rightly explained by Mr James TIEN earlier, is that the average wage this year will become the minimum wage next year. As the wage levels rise, the minimum wage will gradually rise to the level of the original maximum wage. Employees will not find any problem with this because wages will increase year after year. But enterprises are worried that this may affect their competitiveness. Mr Andrew LEUNG has voiced the fear that the average wage may become the minimum wage. This is also a logical argument because as also explained by Mr James TIEN, the level of the average wage may be high or low. As time goes by, the minimum wage level may become entirely meaningless. Or, employers may simply think that since there is a common goal, there is no need to increase the wages of good performers because wages are already well above the statutory minimum wage by, say, 10%. In that case, they will think that there is no need to reward good performers. Employers may like this, but employees will not. How can we explain the logic involved? I guess all this confusion is actually created by the problematic logic advanced by the Government in the policy address.

I have talked about a questionnaire targeted on the tourism industry. Colleagues in the tourism industry all agree that the industry is in a way rather

strange. The basic salaries of tour guides and escorts are very low and their incomes mainly come from the tips, and so on, which they receive from package tour members. Sometimes, if a tour guide is assigned a 14-day tour group to Europe in summer, he may earn as much as several ten thousand dollars a month. But during the low season, he may not be assigned any tour group and he will have to work at the counter, earning just his basic salary. Their employers may thus ask, "Do we have to subsidize our staff during the low season, so as to make sure that their salaries can attain the minimum wage level set for the trade?"

I must therefore point out that this topic actually involves many complexities. The Government should have faith in and adhere to principles of free economy, trying to minimize its intervention. It may be argued that some in society really cannot make ends meet, but we must realize that this should be a problem connected with social welfare and the safety net, and that it is definitely not a problem that must necessitate any wage decision. That said, I must add that this will be outside the portfolios of the Secretaries present here now.

I also wish to say a few words on a fair competition law. As pointed out by other Liberal Party Members and also by the Chief Executive in the policy address, the Competition Policy Review Committee is actively considering whether there is a need for introducing a comprehensive and cross-sector law on fair competition in Hong Kong. Mr James TIEN has asked all these questions: Do we really need to do so just because there are such laws in other countries? What positive purpose can it serve? We in the Liberal Party do have some reservations about revisiting all these old issues again.

To begin with, instead of being as sound as the Chief Executive has described, the economy of Hong Kong is actually plagued with many hidden problems. We also face many challenges. Apart from high interest rates and exorbitant oil prices, there is also the possibility of an avian flu outbreak. There are in fact many hidden worries. And, no one can possibly forecast the consequences of all these problems. According to a recent forecast by an economic analyst of HSBC, the economic growth of Hong Kong will slow down next year, dropping from 5.5% this year to 3.6%. Therefore, Hong Kong must remain vigilant. Besides, since the Chief Executive thinks that there is no market monopolization by any local or large multinational enterprises and also no price fixing and bid rigging in Hong Kong, why must we take any unnecessary move to enact a comprehensive law?

The Chief Executive explains on the one hand that the proposal on enacting legislation is very much a response to the worries of society about "collusion between the Government and business" and also market monopolization. He on the other hand also understands that the enactment of legislation cannot possibly stop all these allegations entirely. And, although many of these allegations are ungrounded, they are nonetheless very contentious. We in the Liberal Party are of the view that since Hong Kong still enjoys a competitive edge in the world and it has even been rated as the freest economy in the whole world for 11 years, any haphazard changes to our market principles will only injure this hard-earned reputation of ours.

The Chief Executive also said that Hong Kong might take reference from the experience of foreign countries in such legislation, so as to avoid the related risks. But it is precisely because of such foreign experience that we have such great reservations about the introduction of a comprehensive and cross-sector fair competition law. One typical example is the case in which Microsoft was sued by the Anti-trust Commission of the European Union for monopolizing Windows operating system. A fine of \$4.7 billion was levied on Microsoft and it was ordered to share the software technology of Windows with its market rival. The case had dragged on for five years before it was concluded last year. But since Microsoft has decided to appeal, the case may have to drag on for four to seven years more. Assuming that there is really market monopolization by Microsoft, we can say that the anti-trust laws have served precisely to sustain such monopolization.

If the enactment of legislation is just a gesture of formalism, and if, as Mr James TIEN commented, we want to enact legislation just because others have done so, then the whole thing will be largely meaningless. In Singapore, the features of which economy are similar to that of Hong Kong, a comprehensive fair competition law has recently been enacted, but a wide range of industries are exempted; even those industries considered by Hong Kong people as having problems with fair competition are excluded from the scope of regulation. It appears that a good law has been enacted, but all may in fact be even worse than having no fair competition law at all.

We in the Liberal Party therefore think that instead of reconsidering the introduction of a comprehensive and cross-sector sweeping fair competition law, we should analyse the features of individual industries one by one. If we detect any monopolization in some particular industries, we should target on these

industries and formulate some meaningful and enforceable laws applicable to them. Once monopolization is detected, precautionary steps should be taken and sector-specific laws should be enacted. For example, the Liberal Party once supported the idea of enacting a law specifically for the telecommunications industry, and it also moved a motion requesting the conduct of studies on enacting legislation for the fuel industry.

With these remarks, I support the original motion.

MR ANDREW CHENG (in Cantonese): Madam President, I shall speak for the Democratic Party on the treatment accorded to labour issues in the policy address. My remarks will focus on two topics, one of which is the setting of standard working hours.

Mr TUNG used to criticize the Democratic Party for being destructive instead of constructive. But when we asked him whether he had read our recommendations, we noticed that he did not seem to have done so. Therefore, in the process of preparing our private Members' bill on maximum working hours earlier this year, we paid very special attention to its printing, trying to make it more colourful, in the hope that the Secretaries of Departments and Bureau Directors could be induced to flip through it and realize that while criticizing the Government for failing to introduce standard working hours, the Democratic Party had actually been putting forward various measures and recommendations. Madam President, you should know the whole story only too well. You still have to wait for the Bureau's reply on whether or not this private Members' bill involves any government policies before deciding whether to approve its submission to the Legislative Council for First Reading.

Yesterday, Members discussed many issues relating to a timetable for the introduction of universal suffrage. And, this debate session today is devoted to labour issues, especially standard working hours. Madam President, I wish to discuss with Members whether a legislative timetable should be set down for the introduction of a minimum wage level and standard working hours. Under the Basic Law, universal suffrage is the ultimate goal, but when it comes to a minimum wage level and standard working hours, we learn from the policy address that all is just at the stage of consultation, with the enactment of legislation nowhere in sight. We are thus very disappointed. Once when Chief Secretary for Administration Rafael HUI spoke on universal suffrage, he

remarked that since he had offered all the \$20 he had in his pocket, it was up to us either to take it or leave it. The Financial Secretary, or the God of Fortune as he is often nicknamed, certainly has more than \$20 in his pocket, and I am sure that Secretary Frederick MA will also have more than \$20 in his pocket, for he even wants to treat all the 60 Members to a feast of seafood. I therefore wish to know how much money these two Secretaries have in their pockets. While universal suffrage has long since been recognized as the ultimate goal — though a timetable is not yet available — the introduction of a minimum wage and standard working hours are still caught in the stage of consultation. Worse still, there have not been any responses. The Government will of course explain that a consultation exercise is underway, but as we can see from the website, the consultation seems rather perfunctory.

I notice from the speeches of Members belonging to the commercial and industrial sector that their main concern is invariably a minimum wage. What does this tell us? It tells us that a minimum wage is a very controversial subject but the issue of standard working hours may not be so contentious. All the discussions on standard working hours reflect the phenomenon that everybody in Hong Kong is living a dog's life. Since everybody is suffering so much, should a timetable be drawn up, so that all the 3 million or so employees in Hong Kong can know that the Government is prepared to set down standard working hours as a goal?

It is often argued that before universal suffrage can be introduced, three conditions must be satisfied — there must be the acceptance of the Central Authorities, mature conditions and public opinion approval. Likewise, I wish to apply these three conditions to standard working hours. As far as the first condition is concerned, the Central Authorities will certainly give their consent because they are also implementing such a measure under the Labour Law enacted in 1995. After some research, I found that under the Labour Law of the Mainland, a worker shall work only eight hours a day, or 40 hours a week in other words. The overtime allowance per hour is set at 1.5 times the worker's hourly pay. Hence, the Central Authorities will certainly give their consent.

Second, are conditions ripe now? As the industrial and commercial sector often claims, Hong Kong is an international financial centre and a mature economy, so I think that the introduction of standard working hours will not possibly weaken the economy of Hong Kong in any way. Actually, according

to a report on the trends of working hours released by the Organization for Economic Co-operation and Development (OECD), there is no evidence to substantiate any direct relationship between working hours and productivity, nor is there any proof that the former will lead to unemployment. We can hence see that the worry of the industrial and commercial sector or the Government about the adverse effects of maximum working hours on the competitiveness of Hong Kong is largely ungrounded. It follows that conditions are already ripe.

Third, is there any public opinion approval? According to many opinion polls — for fear of being criticized for partiality, I shall quote the findings of a survey conducted by the University of Hong Kong instead of those conducted by the Democratic Party — Madam President, this opinion poll was conducted a very short time ago, in August, by the University of Hong Kong. More than 60% of the respondents said that regardless of their positions on a minimum wage, they would still support the introduction of standard working hours. In other words, while some of the respondents might not support the setting of a minimum wage, more than 60% of the respondents agreed to introducing standard working hours. This means that if all those other respondents who expressed support for a minimum wage are also taken into account, basically, more than 70% or even 80% of the people in Hong Kong should be supportive of introducing standard working hours. Surely enough, "8 hours for work, 8 hours for play and 8 hours for rest" is something that Well, even the Secretary is smiling now. Every time when I raise this idea with him, he will invariably reply that even to him, this is something impossible. Of course, I understand that this is something impossible to people like us here, but we are now talking about office workers at the junior or even middle levels who are under heavy work pressure.

The Government has advanced the concept of "strong governance", and so has the policy address. Every time when I see the adjective "strong", I will immediately think of the word "weak". If no one is "strong", how can anyone be "weak"? "Strong" is the antonym of "weak". Who are the "strong" ones now? Obviously, they are the Government and the industrial and commercial sector. Who are the "weak" ones? The "weak" ones are wage earners. While our workers have to work more than 10 hours a day, earning, perhaps, just a very meagre salary, the Government on the other hand simply keeps on talking about strong governance and social harmony. I hope Members can realize what will eventually happen when workers have to continue to live such a difficult life, when the wealth gap problem keeps on worsening. I fear that in

this society, the rich may become ever richer and the poor ever more penniless and weaker in health. This is not how a just and caring society gets things done.

I therefore hope that the Directors of Bureaux and the Financial Secretary can listen to me and realize that there should be no further delay with the issue of standard working hours. The setting of a minimum wage may still be a contentious issue requiring the further discussions of economists. But the case of standard working hours is different, because in more than 100 countries in the world, including, as I have mentioned, our Motherland and even our neighbouring rivals, standard working hours have already been set. Are the 3 million wage earners in Hong Kong just second-class or even third-class workers?

Madam President, the OECD report I have mentioned can serve to remind the Government that we should no longer be discussing the desirability or otherwise of standard working hours. Instead, we should start to discuss how to proceed with implementation, what should be the ideal number of working hours, the provision of overtime allowance, and so on.

Mr LAU Chin-shek has just handed me a slip, asking if the Democratic Party will support the implementation of a five-day week. I naturally support the idea but I must remind Members that if there is no law on maximum working hours, a five-day week may end up forcing employees to work 12 or even 13 hours a day, or 60 to 70 hours a week. This is not in line with the requirements of our private Members' bill, standard working hours and international labour conventions. The Hong Kong Confederation of Trade Unions of course hopes to introduce a five-day week as a first step towards the establishment of a sound culture of work. This is commendable. The Democratic Party thinks that it is very reasonable to require wage earners to work 44 hours in a five-day week. This will mean that wage earners may need to work eight to nine hours a day. That way, they will be able to spend more time with their families and enjoy a bit more normal entertainment and rest. The efficiency of the industrial and commercial sector will increase and so will that of society as a whole. What is more, Madam President, since technologies are advancing so rapidly these days, there should in fact be no need for wage earners to work so many hours a day. Instead, they should be enabled to lead a balanced life of work and rest.

I also wish to share with Members the statistics on working hours contained in the OECD report. According to these statistics, increases in

working hours during the 10 years from 1995 to 2004 were recorded in only four of the 28 member states surveyed (Poland and Turkey were not covered due to incomplete information). In the remaining 24 member states, there were varying rates of decrease in working hours. In contrast, the working hours in Hong Kong have been rising over the past few years. According to the statistics released by the Government, the number of employees having to work eight hours or more a day in 2003 was greater than the corresponding finding of a similar survey conducted in 2001, rising from 32.9% to 39.5%. Besides, what is even more worrying is that the proportion of employees having to work more than 10 hours a day amounted to 14.3%, which was higher than the 13.2% recorded in 2001. Madam President, after some rough calculations, we will notice that 14.3% will mean close to 470 000 wage earners. All of them must work more than 10 hours a day, and their friends and family members, amounting to several hundred thousand or even a million people, were affected by their long working hours. I therefore hope that the Financial Secretary and the Directors of Bureaux can realize one point. We often talk about our wish to surpass Britain and catch up with the United States, to move in step with the international community and to become an international financial centre. For this reason, we must consider the setting of standard working hours and stop opposing the idea on the ground of our market economy and non-intervention. All the other international financial centres such as New York, London and Tokyo have set their standard working hours. Can anyone possibly say that they have all distorted the principles of market economy? No.

Madam President, I have mentioned that over the years, standard working hours have been set, as universal suffrage has been introduced, in most developed countries (those I have mentioned) one by one. The United States enacted The Fair Labor Standards Act in 1938. Laws on this were enacted in Japan in 1947, Taiwan in 1984, European Union in 1993, the Mainland and Singapore in 1995 and Korea in 1997. If we want to bring ourselves on a par with the world, the Financial Secretary and the Directors of Bureaux must read the Democratic Party's bill on standard working hours. I also hope that the President can grant approval for holding discussions and moving the First Reading of the bill in the Legislative Council.

Madam President, there is one more issue I wish to discuss with Members. It is about the stepping up of enforcement and prosecution against wage default offences mentioned in the policy address. I believe that Members will not hold any objection to this. However, I hope the Government can understand that besides stepping up enforcement and prosecution against wage default offences,

it must seek to ensure that employees can get their wages back after the Court has made a ruling or has made a ruling in their favour. But the policy address makes no mention of this point. Under the existing Labour Tribunal mechanism, even if an employee who is owed wages wins the case, he will still face many difficulties. If his employer refuses to pay, he may have to petition for the liquidation of his employer. But the problem here is that if he cannot get any legal aid, he will have to pay \$10,000 or \$20,000, or even more, out of his own pocket. If the wages in default amount to merely \$10,000 or \$20,000, he will most likely be deterred from taking any actions. For this reason, Madam President, over the years, the Labour Tribunal has rarely been able to really help employees get back the wages owed to them. The Panel on Manpower and the Panel on Administration of Justice and Legal Services have discussed this problem many times, but the Government has all along refused to enact any legislation. Madam President, I must emphasize once again that I shall continue to pursue this issue for the Democratic Party and I do not rule out the possibility of introducing a private Members' bill. I may suggest to follow the example of New Zealand, that is, I may suggest to adopt the most effective measure: the introduction of "voluntary liquidation orders" to increase the penalty for unscrupulous employers who refuse to obey the rulings of the Court. This is something the Government must do if it really wishes to build up a just and caring society.

Madam President, the above are the views on two topics which I wish to convey to the Financial Secretary and the Directors of Bureaux on behalf of the Democratic Party. I hope that they can really achieve the goal of "strong governance". Speaking of this, I must advise the Government not to treat wage earners as "阿福" (easy preys). Whenever I see the word "福" in "福為民開", I am very scared. The industrial and commercial sector and the Government must not take advantage of the diligence of Hong Kong people and treat them like "阿福". Thank you, Madam President.

MR CHAN KAM-LAM (in Cantonese): Madam President, yesterday, the representative of the DAB described us as the "royalist party". I believe Members will think that the "royalist party" will most likely sing praises of the Government.

But we think it is most important for us to remind the Government that it should develop an awareness of possible crises and consider in advance how

certain problems can be solved. In the policy address, the Chief Executive announced that the Central Government had agreed to expand the scope of Renminbi (RMB) business in Hong Kong. This includes, among other things, permission for Hong Kong residents to issue fixed-amount RMB cheques. In principle, the DAB welcomes this. However, regarding the treatment accorded to the financial industry, Mr Donald TSANG simply says once again, "Hong Kong is a leading international financial centre in the Asia-Pacific Region. We will continue to consolidate this position, which is of vital importance to our prosperity." We do not think that such a simple reference is enough. What is the crisis faced by Hong Kong? The crisis lies in the long-standing failure of the Government of the Hong Kong Special Administrative Region (SAR) to formulate any long-term and satisfactory objectives and strategies for maintaining and consolidating the position of Hong Kong as an international financial centre. For instance, under the proposals for the 11th Five Year Plan recently endorsed in the Mainland, it is stated that support will be given to developing the financial, shipping, tourism and information industries of Hong Kong, so as to maintain its status as an international financial, trading and shipping centre. We therefore urge the Government to make more efforts in these respects.

We wish to point out several inadequacies. The first one is connected with covered warrants, the subjects of heated discussions these days. The covered warrant market in Hong Kong has recently been developing very rapidly, with the number of covered warrants listed for transaction having increased to more than 1 000. Hong Kong is currently the market with the largest transaction volume of covered warrants in the whole world. Besides, the transaction ratio of covered warrants is also fast expanding. It now accounts for almost 20% of the daily total transaction volume of the stock market. Sometimes, the percentage may even be higher.

It is not difficult to understand why people like covered warrants so much. The first reason is the leverage effect. An investor does not need to put down a huge sum of money but can still invest in the underlying stock. Second, the investor thinks that the greatest loss for covered warrant investment will just be the cost of purchase. They think that this type of investment is quite unlike buying on margin because the latter is no different from gambling and the losses can be rather substantial when stock prices drop. Therefore, small investors of warrants do not quite understand the current problems in the market.

The leading three financial markets in the world, namely, New York, London and Tokyo, are much larger in scale than Hong Kong, but why are they lagging far beyond Hong Kong in terms of covered warrant transactions? Why have these countries not made any vigorous attempts to develop their covered warrant markets? If we simply keep on bragging about our status as the largest covered warrant market in the world without ever trying to find out the reasons, we must ask ourselves seriously whether this should be the attitude adopted by a sound financial market. Does the Government have any awareness of crises? Has the Government ever considered the need for protecting small investors?

Actually, the requirements pertaining to covered warrants in Hong Kong have become very lax since their amendment in 2001, so lax that "regulation" now seems to be synonymous with "no regulation". This explains why the warrant market in Hong Kong has expanded so rapidly in recent years. We think there are three unfair phenomena under the existing regulatory system. First, the banker system for covered warrants is permitted and so is the unlimited issuing of covered warrants. In a way, covered warrant issuers can "gamble" directly with investors and "pay losses in cash but not in stocks". They can thus influence prices by buying and selling the covered warrants issued by themselves whenever they want to. This is one unfair phenomenon in the market.

Second, there is partiality. Issuers can market their covered warrants in the mass media and the press. They even hire some famous personalities in the financial industry to recommend, introduce and market their covered warrants on the radio and in the press every day. Actually, this involves a conflict of interests, a subject of heavy regulation in the financial industry.

Third, there is a lack of transparency. It is very difficult for the investor to know clearly all the information about the covered warrants in which they invest. It is very hard to find all such information in the market. No information about conditions of issuance, the public floats of underlying stocks and even the total volumes of warrants issued that can be available in the market. The investor knows only a listing number and, maybe, a very brief and superficial introduction to the underlying stock. This often leads to a kind of herd mentality among investors. There is clearly not enough market transparency.

Besides, since covered warrant issuers can do hedging through the trading of underlying stocks, the covered warrant market will inevitably become more and more active, thus leading to increasingly drastic market fluctuations. The covered warrant market is basically speculative in nature and it cannot serve the function of raising capital. It follows that the continuous expansion of transaction volume in the covered warrant market will only increase the speculative and gambling elements of the Hong Kong stock market as a whole. Since listed companies have to use their stocks as a means of financing, drastic fluctuations of stock prices may induce the banks to tighten the conditions of lending. This will increase the financing costs of listed companies. If the Government continues to ignore this problem, large numbers of small investors will lose their hard-earned money; not only this, normal market operation will also be seriously hampered, leading to a domino effect that endangers the whole system. We hope that the Government can address this problem squarely.

We already discussed this problem with Secretary Frederick MA during our recent meeting with him, and the Government has also expressed a high degree of attention and agreed to negotiate with the Stocks and Futures Commission on stepping up market monitoring. But we still want to urge the Government not to resort to pure academic theories as a shield. In fact, this problem has already become very serious in the market. Therefore, we hold that the Government must promptly and seriously tighten the relevant conditions and clauses, so as to prevent the over-issuance of covered warrants and over-speculation in the market. That way, the interests of retail investors can be protected.

For instance, the authorities may lay down a requirement, whereby, after the issuance of all covered warrants and before listing, an issuer must complete the placement of the majority of the approved covered warrants. Since the system of issuers playing the role of bankers will obviously lead to conflicts of interests, I propose that for the sake of fairness, an appropriate mechanism should be established to prevent issuers from engaging in any covered warrant trading after the listing of their covered warrants. Laws should also be enacted to prevent issuers from influencing prices of covered warrants for profits by controlling their supply. We also hope that the Government can reconsider the idea of requiring issuers of covered warrants to hold a certain amount of the relevant underlying stocks before they can issue any covered warrants.

Another inadequacy we want to discuss is connected with Mandatory Provident Fund (MPF) schemes. Currently, since MPF contributions cannot possibly offer sufficient livelihood protection to employees after their retirement, an employee must increase his contributions or make other investments and savings as early as possible if he wishes to maintain his existing living standard after his retirement. As indicated by the survey conducted by a local bank, 85% of the respondents are strongly against the idea of relying on the MPF as the sole source of financial support after their retirement. Therefore, we propose that in order to encourage people to plan for their life after retirement, the Government should offer some incentives such as tax concessions. That way, employees can be encouraged to increase their voluntary MPF contributions and pre-retirement savings.

We propose that if one's voluntary contributions can be kept intact until one's retirement, one's voluntary contributions should be made salaries tax deductible. The limit of allowance may be set at 5% of one's monthly salary or \$1,000. In other words, we encourage employees to increase their present contributions by a maximum of 100%. The DAB believes that this tax concession can encourage employees to supplement the MPF by setting up their retirement investment portfolios. This will also ease the financial burden of the middle classes.

In addition, the DAB must once again urge the Government to seriously consider the establishment of portable personal MPF schemes and abolish the present mechanism of account retention. It also proposes to introduce the system of scheme members, that is, a mechanism based on the individual, as a means of replacing the existing mechanism whereby employers are empowered to select service providers. We believe that this will greatly enhance people understanding of the MPF and their initiative of increasing investments in funds. Besides, the costs of account transfer, possible losses resulting from transactions and the additional expenses of account retention may also be avoided.

Under the existing MPF System, an employee's income is defined as any wages, salaries, allowances and bonuses paid to him in cash by his employer. But some employers have tried to pay part of their employees' wages in the form of uniform expenses, safety allowance, car cleaning allowance or even housing allowance, so as to reduce their contributions and evade their responsibility of making contributions. Therefore, the DAB proposes that the Government should consider the inclusion of cash housing allowance and all other types of

allowances invented for contribution evasion in the definition of income under the MPF System. We also urge the Government to encourage employees and employers to hold discussions on how best to eradicate attempts to evade contributions.

We also wish to talk about Individual Investor Accounts. The Government has conducted some studies on stock investors and we also know that the Stock Exchange of Hong Kong has been trying to promote such accounts for a very long time. However, there is still a long way to go before there can be any full-scale success. We think that the progress has been a bit too slow. We hope that the Government can intensify its efforts of promotion. One of the greatest advantages of encouraging stock investors to open Individual Investor Accounts is that they can hold all their stocks directly under their own names while the records of their holding are directly received by trustees. As a result, individual investors do not have to worry about any theft of their stocks. That way, the reputation of the entire financial market can be enhanced and investors will have greater confidence in small brokers. We are of the view that this is very useful in protecting the business environment of small and medium brokers and preserving their room of survival.

We therefore urge the Government to upgrade the system capacity of Individual Investor Accounts operated by the Hong Kong Exchanges and Clearing Limited. Since stocks are kept in individual accounts and brokers must conduct a very complicated verification procedure before any transfer of stocks can be made, negotiations must be held with the industry to work out possible solutions. Besides, the charges concerned should also be lowered to levels comparable to those of the stock deposit fees charged by banks, so that the system of Individual Investor Accounts can be fully implemented.

Madam President, I also wish to raise one issue which we think should merit the vigilance of the Government — the development of shipping, air freight and logistics. In September, the container throughput of Hong Kong was 2 million TEUs, while those of Shanghai and Shenzhen were 1.56 million and 1.51 million respectively. In terms of container throughput, Hong Kong is still among the top ones in the world, followed by Shanghai and Shenzhen in the third and fourth positions. But in terms of growth rate, the records of Shanghai and Shenzhen in the past one year were 15.4% and 13.5% respectively, and there was just 4% growth for Hong Kong. So, Hong Kong was no match for these two places in this respect. This leads precisely to the awareness of crises we

have referred to. Besides, the container throughput of Hong Kong in the first three quarters, standing at 16 726 000 TEUs, was already very close to that of Singapore, being 1 666 TEUs. There was just a mere difference of 70 000 TEUs.

The status of the Hong Kong port as a shipping hub is now in great danger. One of the fatal causes is our exorbitant container terminal charges. Faced with the challenges posed by the Mainland and neighbouring places, we have been greatly weakened in terms of competitiveness. In the case of a 40-ft container routing via Hong Kong, the total costs of transportation from the point of load-up to various destinations in the Asia-Pacific Region, Europe and the America are respectively \$12,000, \$13,000 and \$23,900. If we make a comparison with Yantian, we will notice that the transportation costs of using our port are higher by as much as 10% to 18%, or even more.

The consultancy report commissioned by the Government in the past one year clearly points out that low transportation costs were the main consideration of consignors when making a choice between Hong Kong and other ports, and that high haulage and container terminal charges are the greatest weakness of Hong Kong. With the competition posed by neighbouring ports, the market share of the Hong Kong port is gradually dwindling. If Hong Kong loses its edge in its competition with other ports, the logistics industry will lose an important pillar. This will deal a heavy blow to its development in future, thus severely affecting our economy as a whole.

It is not difficult for us to notice a very great crisis if we study the value of our import and export. In 2004, the total import and export volume of Hong Kong amounted to \$2019.1 billion. And, the value of re-export accounted for a very huge proportion of this total import and export value, amounting to \$1893.1 billion. In other words, if our neighbouring ports become fully developed and can help consignors reduce costs, we may well lose huge amounts of revenue as many goods may cease to be shipped to Hong Kong for re-export. That is why we must find out what problems there are.

Like the shipping industry, the air freight industry of Hong Kong is similarly facing the problem of high transportation costs. In the case of a shipment of 5 000 kg of cargo, for example, if one exports the cargo from the Hong Kong airport, the transportation costs payable will be 11% higher than

what he will otherwise have to pay if he chooses the Baiyun Airport in Guangzhou. I am mainly talking about cargoes destined for Europe. If a shipment is destined for Japan, the transportation costs will be 26% higher. One reason is that the air cargo terminal charge in Hong Kong is \$8,750, which is 2.18 times the \$2,750 charged by the Baiyun Airport in Guangzhou. The business of the Hong Kong airport is still very good, for it enjoys a unique geographical advantage and there are still many flights. In terms of passenger volume, our airport ranks 17th in the whole world and has recorded a growth rate of 36%. For air cargo volume, it ranks second in the world, handling 3.13 million tons of goods and growing at a rate of 15.7% a year. However, we must not allow ourselves to become complacent because of all these figures. If we do not exert our utmost to reduce the transportation costs of consignors in our competition with the emerging airports surrounding us, the problem facing the Hong Kong logistics industry may easily surface.

In order to consolidate Hong Kong's position as a logistics hub, we must as a matter of urgency narrow the price differences between Hong Kong and neighbouring places in terms of air and sea cargo transportation. This year, the Hong Kong Government has relaxed the "four-up, four-down" and "one-truck, one-driver" restrictions on cross-boundary container trucks. The berthing charges for ocean-liners were also lowered in the middle of this year, and the port call formalities for river trade vessels were at the same time simplified. All these measures have greatly increased the efficiency of transportation and reduced shipping costs. We would like to express our welcome here. But high container terminal charges still remain a key problem. Recently, in a bid to enhance the competitiveness of its ports, the Indian Government has implemented some regulations requiring container terminal operators to lower their charges, in the hope that shipping companies may in turn be compelled to lower their container terminal charges. If our Government continues to watch the situation with folded arms, arguing that it should have nothing to do with container terminal charges and other fees, and that they should be determined commercially or by operators, then the situation will only worsen. We are of course not urging the Government to apply a tangible hand. But it is still important to upgrade or improve the business environment, take proactive actions and handle the problem with a positive attitude.

People have been discussing the charging mechanism to be adopted by the Airport Authority (AA) after its privatization. We are equally concerned about this problem. There will still be quite some time to go before the privatization

of the AA can be finalized because the Housing Department is not yet certain whether the listing of The Link REIT will encounter any further snags. We must, however, take this opportunity to issue the strongest warning to those in the market or society who may want to instigate any lawsuits. We hope that they will not abuse the judicial process, will not lightly threaten to pose problems to the listing of The Link REIT middle of the way, just because they want to achieve any ulterior political motives. That said, we still have to pay attention to the charging mechanism of the AA after privatization. We hope that the Government can work out a solution by holding negotiations with the industry. In any case, it must be prudent, very prudent and it must conduct sufficient consultation.

That Hong Kong faces the problem of high costs is an incontestable fact. Therefore, it is understandable that we may not stand a great chance of gaining the upper hand if we have to compete with our neighbours solely in terms of pricing. Consequently, while striving to reduce costs, we should fully utilize our existing advantages to upgrade our logistics services, in the hope of inducing consignors to use our services even if they have to pay more. This is the only way out for Hong Kong. We hope that the Government can hold more discussions with the industry, studying how best to solve all these problems.

We have also taken reference from the successful experience of other countries. A flower auction market in the Netherlands, for example, has basically become the centre of flower auctioning for both Europe and Africa. If Hong Kong can broaden its vision and establish some major markets of flowers or other trades, we may see huge business prospects. Not too long ago, some friends of mine from Singapore told me that the establishment of a large koi or gold fish market may well bring Hong Kong huge commercial prospects — incidentally, the Chief Executive also likes koi or gold fish. To the local transportation industry and those who like aquarium fish, this is a nice idea, and Hong Kong is indeed a very good place for that, because we are well-developed in transportation networks and other aspects. We hope that the Government can consider the possibility of exchanging views and liaising with the relevant sectors in various aspects.

Madam President, the DAB hopes that the Government can discuss the economic development of Hong Kong with us from time to time. As a matter of fact, the economy has become one of the greatest concerns of the people. We

hope that the Government can continuously review the problems with promoting our economic development. Thank you, Madam President.

MR JEFFREY LAM (in Cantonese): Madam President, the latest unemployment and inflation rates announced last week indicate that the economy of Hong Kong continues to perform well. This is also what the 7 million citizens in Hong Kong wish to see. We can see that the Government has made enormous efforts to induce improvement in the economy of Hong Kong and its employment situation. However, to enable the economy of Hong Kong to continue to develop on this favourable trend, the Government must make continued efforts to perfect the business environment in Hong Kong, removing hurdles and barriers; and it should also refrain from imposing additional or new legislation or restrictions which are indeed not suitable for Hong Kong.

First, I would like to talk about minimum wages and maximum working hours. Though this topic has been repeatedly discussed in the Legislative Council, I, not minding to take the trouble, have to reiterate the standpoint of the business sector — I object to address this issue by means of legislation. We all know that different trades and companies have their specific modes of operation, thus, any top-down or sweeping approaches of enacting legislation will affect their operation. More often than not, this may even be counter-productive.

I do not wish to describe minimum wages and maximum working hours with terms like "sugar-coated poison" and "beautiful lies". I only hope everyone will understand that the imposition of minimum wages and maximum working hours by way of legislation will definitely send a negative message to investors. All Hong Kong people have heard about "the adoption of the *laissez-faire* policy in Hong Kong" since their childhood. We all see that this policy has been proven and time-honoured, so any restriction intervening the operation of the market will be deemed unnecessary.

Mr Andrew CHENG pointed out earlier that both the United States and the United Kingdom have legislated on minimum wages and maximum working hours. However, Members must note that, though other countries like Germany, France and Japan do have similar legislation in place, the introduction of such legislation has given rise to the problems of migration of corporations and rising unemployment rate, impeding the development of the economy of

these countries. Why can we not learn a lesson from their experience instead of repeating the same mistake? We should share both the merits and demerits of the arrangement, so as to strike a balance.

I would also like to tell Members that the majority of employers in Hong Kong are good employers rather than unscrupulous employers as some people often say. These employers maintain harmonious communication with their employees, holding dialogue with employees on many issues, such as improving employment. Confrontation can in no way improve labour relations but will only drive a wedge between the two parties. Employees are the most precious assets of employers. If employees only look forward to off duty when they go to work every morning, think only about the Saturday off right from Monday, or look forward only to the payment of salary at the end of the month from the very first day of the month, and if the mentality of all the employees of a company or members of the entire society is like that, will Hong Kong society still be able to maintain its vibrancy? If this is really the case, I think the entire society will come to a deathly still.

Actually, employers are more than willing to hear the views of their employees for the purpose of making improvements. We have heard that some employees may resort to "demonstration or bargaining" actions when they are dissatisfied with certain regulations or actions of their employers. Are radical actions of this kind a channel for harmonious communication? I really do not think so. However, in recent years, I see that more and more companies are committing more resources to their human resources division to enhance the benefits of their staff. In order to alleviate the work pressure faced by their staff and their emotional problems, many employers have set up fitness rooms and common rooms in their companies, hoping that their staff may make use of the fitness equipment to keep fit during their leisure time, or make use of the places provided to hold birthday parties, or organize seminars on health, diet or beauty. Some employers have even set up nurseries. These employers have done all these to provide more and better benefits to their employees. These are achievements that may not be accomplished by mandatory legislation on minimum wages and maximum working hours.

The latest unemployment rate announced by the Government last week is 5.5%, a new low for the last four years. The overall employed population has also reached a record high, rising to 3.39 million. These results cannot be

achieved merely by the imposition of minimum wages and maximum working hours. For a certain period in the past, we have seen the Government consulting the trade with an open attitude, inducing improvement in the economy. This is the fruit of co-operation and mutual accommodation by all parties. Therefore, I think, for the continual improvement in employment situation, it is most important that the competitiveness of Hong Kong be maintained, attracting more employers to stay in Hong Kong and create more job opportunities. Last week, the Mainland and Hong Kong signed the third phase of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA III). Under CEPA III, all products of Hong Kong origin exported to the Mainland will enjoy tariff-free treatment starting from next year, and the scope of benefit of several sectors will be further enhanced. It is believed that these measures will attract more Hong Kong businessmen to relocate their business to Hong Kong. Take the watch and clock industry as an example. Under the new arrangement, if the products comply with the requirement that the three processes of design, assembly and quality check are conducted in Hong Kong, the 30% value-added requirement may be waived and such products may be exported to the Mainland tariff free. According to the conservative estimation of the watch and clock industry, this will attract several dozens of brands to re-establish their production lines in Hong Kong, creating over 1 000 new jobs.

Actually, given Hong Kong's advantage of leveraging on the staunch support of the Mainland and engaging itself globally, CEPA has provided much room for the favourable development of various industries in Hong Kong, enabling Hong Kong to develop into a brand-name centre.

Moreover, the AsiaWorld-Expo with a rentable space of more than 70 000 sq m is expected to open by the end of this year, providing a new venue for the holding of large-scale conferences, exhibitions and recreational activities in Hong Kong. The Hong Kong Convention and Exhibition Centre Atrium expansion which is now in full swing will provide approximately 50 000 sq m of exhibition space. These two new construction projects are both conducive to the development of the exhibition sector in Hong Kong.

With the extension of the mainlanders' Individual Visit Scheme to the four cities of Chengtu, Jinan, Shenyang and Dalian, the opening of the Hong Kong Disneyland in a month or so ago and the imminent opening of the Tung Chung Cable Car, and so on, our local tourism and retail sectors will flourish.

The inflation rate of Hong Kong last month was 1.6%, the greatest increase recorded in the last 15 months. To promote the continual development of the economy, we have to attract more talented persons from the Mainland and overseas to come to Hong Kong. Therefore, I strongly support the new admission scheme considered to be introduced in the policy address.

In the past, we saw that some professionals who had come to work in Hong Kong had left because they could not adapt to the life in Hong Kong. I believe, if the Government allows eligible talents to stay in Hong Kong for a certain period of time without requiring them to secure any offer of local employment beforehand, providing to them an "adaptation period" so that they can decide whether they will come to Hong Kong or stay in Hong Kong to carry on with the great plan in their life, such a measure will be well recognized and will attract a large number of professional talents to work in Hong Kong.

To help the economy to power ahead at full steam, proactive improvement in the business environment for small and medium enterprises is a crucial link. In a report announced by the World Bank on business environment around the world, it is pointed out that owing to the complicated licensing procedures adopted in Hong Kong, Hong Kong's ranking has slipped from the fourth last year to the seventh this year. I was very glad to hear the Financial Secretary saying, in his replying to my oral question last week, that there might be discrepancies in the data of the World Bank. No matter how, I consider it a hint that warrants our gravest concern — we must expeditiously improve our licensing procedures.

Businessmen know that they have to apply for different licences from various departments before they can officially commence operation. However, some of these procedures are very time-consuming and sometimes even "discouraging". Many small and medium enterprises, wishing to reap returns as soon as possible, may start operating before they have obtained the necessary licences, thus violating the law. This is the last thing we wish to see. Though the Government has made some improvement in recent years, we hope that further efforts of perfecting and streamlining the relevant procedures can be made.

I am very glad to see that the Financial Secretary has mentioned a detailed study on an integrated licensing system seeking to reduce the number of licences required. In the meantime, procedures relating to provisional licences,

one-stop services and private validation certification will be streamlined, and the issuance of business licences will be sped up. The Food and Environmental Hygiene Department is now studying the amendment to the Food Business Regulation; it is expected that amendments relating to the integrated licence scheme will be completed within the coming legislative year. I hope that the integrated licence scheme can be extended to other areas as soon as possible. It is also hoped that communication among various government departments can be enhanced, so that vetting and approval work can be carried out at the same time, enabling all sectors to obtain the required licenses promptly. They may thus take advantage of the first possible opportunity, enjoying the benefit thus brought.

The Government should understand the importance of "removing hurdles and obstacles" to some 284 000 small and medium enterprises, so the work concerned must be implemented as soon as possible. We hope that we will soon see the collapse of these walls one after the other.

To consolidate Hong Kong's position as an international financial centre and improve our investment environment, obsolete legislation must be repealed. I very much hope that the proposal on the abolition of estate duty under the Estate Duty Ordinance will be endorsed as soon as possible. This will not only alleviate the burden of small and medium enterprises but also attract investors to purchase and invest more in Hong Kong, providing impetus to the economy of Hong Kong and thus promoting Hong Kong's development into an assets management centre. By then, the economy of Hong Kong will certainly take a great step forward.

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

MR FRED LI (in Cantonese): Madam President, today, I wish to express our concerns about the electricity market, fair competition and the Disneyland.

The 61th and 62th paragraphs of the policy address mention the emissions reduction targets for the two power companies and the requirement that the two power companies achieve the emission reduction targets by 2010. Furthermore, the installation of emission reduction facilities and meeting the specified emission reduction targets will be the foremost condition for licensing. We very much support this move, since we cannot put up with the pollution in Hong Kong

anymore. I will talk about pollution in the next debate session and for the time being, I will focus on the pollution caused by the two power companies and the installation of flue gas desulphurization units.

Last month, the World Economic Forum drastically downgraded the ranking in global competitiveness for Hong Kong. Environmental problems are one of the reasons and air pollution is the primary culprit. If the air pollution problem in Hong Kong cannot be solved early, even the desire of overseas businesses in investing in Hong Kong will be affected. In September last year, the air quality in Tung Chung hit the worst level since the beginning of records and the index was as high as 201. The sight of Hong Kong shrouded by filthy smog also became the cover story of the *Time* magazine. The turbid and opaque sky over Hong Kong and the low visibility are mainly attributable to the accumulation of suspended particulates and the two power companies are the primary culprits.

Recently, the Government has imposed caps on the annual emissions of three air pollutants when considering the application for renewal of licence submitted by the Castle Peak Power Plant. However, after careful study, we found that these caps are still a far cry from the actual emissions generated by the power plants of the two power companies and useless in improving air quality.

In addition, in the financial plans announced by the two power companies this year, the CLP Power Hong Kong Limited (CLP) states that since the supply of natural gas is unstable, it is necessary to back-peddle and increase the proportion of coal used in power generation. In addition, since it is increasing the electricity supply to Guangdong Province, the proportion of coal burned locally has also increased substantially. The Castle Peak Plant operated by the CLP generates 40% of the power supplied by the CLP, however, so far no flue gas desulphurization unit has been installed there, so it is the perpetrator of air pollution.

As I have pointed out, to set the installation of flue gas desulphurization units and the imposition of caps on emission as the foremost conditions for licensing is like trying to put out a fire by fetching water from afar. Meanwhile, Mr Donald TSANG said in his policy address that he will bring pressure to bear on the two power companies to avoid the costs of installing emission reduction facilities being passed onto consumers. However, the responses of the two power companies to the Government were tepid. The CLP even insisted that the public have to bear the cost of installing emission reduction facilities.

Secretary Stephen IP is well aware that the two power companies plan to invest \$35.8 billion in the next three years to implement projects on power generation, distribution and transmission and environmental protection. The projects are not designed to build any new power plant but purely for transmission and distribution. Since the permitted rates of return of the two power companies are calculated on the basis of their fixed assets, the power companies can reap a maximum of 13.5% in return based on their fixed assets. Therefore, so long as their net fixed assets keep growing, the electricity tariffs will keep rising every year and the profits made by power companies will also become more and more handsome.

The two power companies, by adopting a mentality of reaping all benefits themselves (including shareholders) and making everyone (including the 7 million people in Hong Kong) share the hardship, make profits by generating electricity and causing pollution. What is more, they are reaping double profits by investing in environmental protection facilities. Such behaviour is inappropriate. To make profits by causing pollution and then saddle the burden of environmental protection on the public fully exposes the lack of corporate ethics on the part of these power companies. The Democratic Party suggests that the Scheme of Control Agreements executed with the two power companies be revised to delete environmental facilities such as flue gas desulphurization units from the list of assets, so as to prevent the two power companies from reaping further benefits from pollution and prevent environmental protection items from becoming profit-making tools for the two power companies.

In view of the fact that the Scheme of Control Agreements for the two power companies will expire in 2008, we have made a series of proposals and I believe the Chief Executive has received our "Proposal on the Future Development of the Electricity Market in Hong Kong", released by us in the middle of this year. I will now give a brief account of the parts that I find it appropriate to recount now. First, in order to strengthen the interconnection between the two power companies serving Hong Kong Island and Kowloon, the Government can bear on its own the cost required to strengthen the interconnection between the two power companies, which amounts to a total of \$2.1 billion, as a commitment to opening up the market, enhancing competition and attracting a third party to the electricity market. It is expected that this amount of money can be recovered by leasing the power grid to the users. In future, when the Government enters into new agreements with the two power

companies, it should also consider adopting new ways of calculating the return, including the use of the Consumer Price Index (CPI)-X or Weighted Average Cost of Capital (WACC) to calculate the rate of return. These indicators are commonly used in Australia in considering the level of electricity tariffs after taking into account the performance indicators and the performance in environmental protection.

The two power companies, in particular the CLP, have established power companies overseas. The rates of return achieved by these power companies are basically single-digit and it is practically impossible for them to get such handsome returns as their counterparts do in Hong Kong. Secretary, why is it that whereas these power companies can get reasonable returns in overseas countries, the same companies are allowed to get more than reasonable returns in Hong Kong? I believe it is necessary for the Secretary to act as a proper gate-keeper for 2008 and introduce competition, so that the two power companies will no longer be so brazen. Otherwise, a reduction of the rate of 13.5% by only 1% or 2% is not something that the general public wish to see.

I now wish to talk about another relevant subject, which is fair competition. For over a decade, the Democratic Party has initiated a number of debates on fair competition in the Legislative Council and we will initiate another one very soon, so let me give an advance notice to the Secretary here. On fair competition, the Chief Executive said in the policy address that the need to introduce a comprehensive and cross-sector law on fair competition is being considered. It is also the first time that the Government is seen to be so open. As a mature economy in Asia, it is necessary for Hong Kong to introduce a comprehensive fair competition law to ensure that the market will not be monopolized by consortia, so that small and medium enterprises can be in a better position to compete and consumer rights can be protected. Among the many public utilities, finding examples of a lack of competition is as easy as lifting a finger. The Hong Kong and China Gas Company Limited (HKCG) has 1.54 million clients and its market share in the domestic fuel gas market is increasing every year, thus creating a situation of monopolization. As a result, the public is obliged to pay high gas charges. Not only are the profits made by the HKCG substantial, they are also not subject to any control.

Although there are two power companies in Hong Kong, each of them has staked out its own territory so that residents on Hong Kong Island cannot choose to use the services provided by the CLP, nor can residents in Kowloon choose to

use the services provided by the Hongkong Electric Company Limited (HEC). However, residents on the Kowloon side would not want to use the services of the HEC because its electricity tariffs are higher. Although the two power companies do not operate under franchises, basically, they operate in a monopolistic position.

The Government is now conducting a study on the market for vehicle fuels. I hope to read the report as soon as possible to see if competition in the fuel market has been curtailed. This is because even though the operating costs of the four oil companies are different and the wages they pay cannot possibly be the same, their retail prices and even the discounts offered are exactly the same. This is an interesting phenomenon and I hope that the Government can find out the answer for us. In addition, some driving instruction organizations and driving instructors have formed a united front and strictly required the driving instructors affiliated with them to follow the decision to increase fees uniformly. Earlier on, the Laundry Association of Hong Kong Limited also placed an advertisement requesting the trade to increase its laundry charges by 10%. In such a business environment, some business associations have raised their prices and charges uniformly with the public being aware of it.

Throughout the world, close to 100 countries and regions have enacted comprehensive laws on fair competition. The value of trade at these places accounts for 80% of the global total. Our neighbouring countries, such as Japan, South Korea and Singapore, have enacted laws on fair competition long ago. I believe Secretary John TSANG and Secretary Stephen IP are fully aware that among the 22 members (if I have got this wrong, I stand to be corrected) of the Asia-Pacific Economic Co-operation, only three members have not yet enacted laws on fair competition, including Malaysia, Brunei, Papua New Guinea (which I have never visited) in addition to Hong Kong. Members can consider if our economy is a developing or developed one and whether we should talk about Hong Kong and Papua New Guinea on the same terms?

Globally, accusations of monopolization by corporations are surfacing one after another. A giant corporation in South Korea, the Samsung Electronics, admitted to the United States Department of Justice that it had colluded with other members of the industry to manipulate the prices of memory chips and was consequently fined US\$300 million. The European Union also accused four major global elevator companies of forming a cartel in secret to monopolize the

European market and as a result, these four major elevator companies may face a substantial fine.

In sum, it is now a pressing issue to introduce a comprehensive law on fair competition and it is only natural to reform the Competition Policy Advisory Group (COMPAG). At present, the COMPAG convenes a meeting only every three months and this invites questions about its efficiency. In addition, only the Consumer Council is represented by its chief executive in the COMPAG and its meetings are just like the internal meetings of the Government, so its representativeness is extremely low. Even if the COMPAG discovers any anti-competition behaviour, it does not have any power to initiate investigations or propose any sanction. Therefore, we propose that its functions should be enhanced by setting up an independent secretariat, legislation be enacted on fair competition, a study be conducted on the need to establish a fair competition committee and academics, professionals and people in society well-versed with this issue be invited to join the COMPAG.

Mr James TIEN also mentioned fair competition in his speech. I found that he does not have an adequate understanding of what legislation on fair competition is about. He queried whether, since so many countries in the world have introduced fair competition laws, the business environment in these countries are superior to that in Hong Kong. The business environment in Hong Kong is not bad, so why is it necessary to enact legislation on fair competition? This is a specious argument. If laws on fair competition have been introduced in other countries, there is of course the need for their existence. The main point is that people who take part in ball games must follow the rules of the game. Enacting legislation on fair competition is just like laying down the rules for ball games to prohibit players from engaging in such behaviour as tugging at other people's shorts, poking at others' eyes, pinching others' noses and elbowing others. Apart from the rules of a ball game, it is also necessary to have an adjudicator, that is, a referee. The present problem is that although we have already laid down the rules of the game because the Chamber of Commerce has already issued some guidelines on anti-competition behaviour to friends in the business sector since 2003, those are only guidelines but not legally binding regulations, so it does not matter even if the guidelines are contravened, since they are just guidelines. It is possible for Hong Kong to make reference to similar guidelines and anti-trust legislation throughout the world. It is not necessary for us to go to the extremes of the United States by establishing two organizations to counter monopolization. We can make reference to the United

Kingdom and Australia and many other well-developed entities similar to the Hong Kong economy. Why can we not make reference to them? Mr James TIEN also said that even if legislation on fair competition were introduced, the CLP and the HEC would still continue to monopolize the market. Therefore, such legislation is irrelevant and cannot solve the problem. Certainly, a law on fair competition is not a panacea and will not stamp out the monopolization in some industries. In some industries, natural monopoly will continue to exist. Even in the 80 countries which have enacted legislation on competition, it is still impossible to eradicate the natural monopoly that exists in some industries. However, with a law on fair competition, the industries in which natural monopoly exists will be regulated. Since the Government or the statutory bodies appointed by the Government will protect the interests of the public from the detrimental effects of natural monopoly in the industries concerned, such practices do not conflict with the legislation on fair competition. In future, the CLP and the HEC will remain the major suppliers of electricity. Even if a third party joins the market as a competitor, it will take some time before it can catch up.

Regarding telecommunications, Secretary John TSANG is well aware of the wrangle over fixed-line service has persisted for many years. Right from the beginning, all parties have been competing to get a foothold in areas yielding high returns, for example, in business districts like Wan Chai and Central, whereas faraway places like Ngau Tau Kok are shunned. However, through anti-monopolization laws, the Government has gradually achieved results. Therefore, the telecommunications industry is an example of success but such success is limited to this particular industry only. Actually, the anti-monopolization measures adopted in the telecommunications industry can be extended to all the other industries. Therefore, I hope that Members will understand that a piece of legislation on fair competition does not mean that monopolization can definitely be prevented, rather, instances of monopolization will definitely occur in some industries. The point is how such instances can be regulated and there are a lot of such examples throughout the world.

It is now almost time and I wish to talk about one last subject — the Disneyland. Many Honourable colleagues have been to the Disneyland. The Government contrived all sorts of ways to attract Mickey Mouse to settle in Hong Kong, so as to create more business opportunities and attract more tourists. I once asked the Secretary if the number of visitors during the golden week

starting from 1 October had dropped or been fewer than expected. The Secretary said that the number of visitors was over 10 000, so there was no problem because the target number of visitors for the whole year was 5.6 million. The problem is, if the daily average number of people is over 10 000, the number should be more than that during the golden week. If the number is several thousand to ten thousand on ordinary days, this is of course not a problem, however, on Saturdays, Sundays and festive days, the number of visitors should be greater. Unfortunately, the number of visitors did not increase on this occasion. The Government should duely review if there has been too much negative publicity on Disneyland, thus reducing its appeal. All members of the public in Hong Kong, including every Member seated here, have contributed \$4,000 towards building the Disneyland, so we are all major shareholders. Since we love it so much, we may sometimes be very critical of it. I hope the Disneyland will cease to give people the impression that it is an independent kingdom and it has to prevent unacceptable practices such as requesting officers of the Food and Environmental Hygiene Department to remove their caps and badges. I hope that the Government can enhance its communication with Disneyland so that it can be integrated into the Hong Kong community and will not become an independent kingdom. In addition, the theme park should commence the second phase expansion as soon as possible because it is the smallest Disneyland in the world — this is a small, small world and this is a small, small theme park. I hope the Secretary can discuss the future expansion plan with the theme park early, including how the Government plans to make investments, whether it is necessary to finance it using public funds or the Disney Company will have to sort this out itself. According to a media report earlier on, a Buzz Lightyear toilet costs \$9.48 million and building the Space Mountain costs \$100 million, so the cost of construction is really stunning. We do not wish to see public funds being used inappropriately. We hope that we can get value for money and every cent will be spent optimally. We support the expansion of the Disneyland because it is so small that its appeal will diminish very quickly. However, the authorities concerned have to provide more information to us. Members of the Legislative Council bear the important responsibility of monitoring how the Government uses public funds, so we cannot write out blank cheques at will and approve hundreds of millions of public funds, such that in the end, public funds are wasted or we become spendthrifts who buy things that are not worth the money at exorbitant prices. We are worried that such a situation would occur.

Madam President, I so submit.

MR WONG TING-KWONG (in Cantonese): Madam President, it is necessary to set priorities when formulating policies and deciding government tasks. The urgent tasks for the Government of the Hong Kong Special Administrative Region (SAR) right now are those relating to the Sixth WTO Ministerial Conference (MC6). I believe the Government should closely monitor the progress of the negotiations on agricultural products and keep close tabs on the latest developments, so as to make evaluations and proper preparations for the MC6 to be held in Hong Kong at the end of this year.

Meanwhile, according to the information obtained by the Government, it is estimated that during the MC6 to be held in December, over 10 000 people will come to Hong Kong to stage demonstrations. Since the estimate on the number of demonstrators made by the Government is greater than the number estimated by the Hong Kong People Alliance on WTO, the security problem during the period of the conference is a major cause for concern. In the remaining period of a little more than a month, the Government must communicate more closely with non-governmental organizations, in particular, on such sensitive issues as the protest zones and the route of the procession, so that all parties can reach a consensus beforehand. In addition, in view of the chaos that occurred after the last meeting, the Government must make adequate deployments and devise strategies aimed at enabling the smooth conduct of MC6.

On the contents of the policy address, I personally believe the fly in the ointment is that the SAR Government has provided relatively little support to the business sector. As we all know, the Central Government strongly supports economic development in Hong Kong, and as a result, the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) came into being to create business opportunities for Hong Kong. We should make good use of this zero-tariff agreement to revitalize the industries in Hong Kong.

The production technology of Hong Kong industries is excellent. For example, watches of Hong Kong makes are much sought after by fashionable people overseas and the fans of world-renowned shirts manufactured in Hong Kong include the Presidents of the United States. Hong Kong industries, in particular, the garment industry, have always enjoyed a good reputation and the higher end brands made in Hong Kong are far superior in quality than those cheap garments produced in such places as the Mainland, Indonesia and Vietnam.

In the past, the Hong Kong Government claimed that it adopted a so-called non-intervention policy on the business sector. I believe that this is not the reality. The Cyberport and the Disneyland are typical examples showing that the SAR Government has also put in place some concessionary policies in the past. I believe that better results can be achieved with less effort only if the Government participates and lends its support actively and puts in place practical and effective measures to develop the business sector.

Therefore, the SAR Government should formulate a comprehensive policy to fully exploit the geographical advantages of Hong Kong, the excellent designs of local products and its advanced production facilities to attract international brands to establish factories in Hong Kong, promote Hong Kong as a production base for world-class brands, and with the concessions offered by CEPA, enable these world-class brands to expand their business in the mainland market, so as to make this a new growth point in the Hong Kong economy and make the structure of the Hong Kong economy even sounder.

Madam President, although the unemployment rate in Hong Kong has exhibited a downward trend of late, we notice that the unemployment rate among young people is still high, rising from 17.8% at the beginning of this year to 29.2% at present. This is the unemployment rate among young people. When looking for jobs, this group of non-engaged youths encounters the same difficulties as labourers who are more advanced in years and have low academic qualifications and occupational skills. Both the SAR Government and society should not abandon them and turn a blind eye to them. We believe that by riding on the tide of an industrial revival, employment in various sectors in society can be promoted and the unemployment problem in this group of people can be solved. Social contradictions can thus also be reduced, a harmonious society can be created and the pressure on the Government to provide social welfare can also be eased.

In addition, another focus in the governance of the SAR Government this year is to strengthen the economic and trade network on the Mainland. The focus of CEPA does not only lie in assisting Hong Kong people in doing business on the Mainland and professional services in entering the mainland market but also in attracting mainland capital to Hong Kong, so that mainland enterprises can make use of Hong Kong as a platform for going global. Only by accomplishing the latter can the original intention of making a mutually beneficial and complementary arrangement be fulfilled.

To strengthen the economic and trade network on the Mainland, apart from increasing the number of economic and trade footholds on the Mainland, it is also necessary for the Invest Hong Kong and the Hong Kong Trade Development Council under the SAR Government to work in concert and promote through various channels the idea of setting up companies in Hong Kong to private enterprises on the Mainland, with a view to expanding into the international market. At present, Invest Hong Kong has already established three promotion teams in Beijing, Tianjin and east China. In future, it should more actively organize visits to various provinces on the Mainland, with a view to attracting investments. In particular, it should regularly launch promotional activities in the Pan-PRD Region and in the nine provinces therein, so as to provide one-stop services to mainland enterprises planning to come to Hong Kong, step up the publicity targeting them and enhance the support provided to them.

Madam President, the DAB has all along devoted a great deal of effort to enabling mainland private enterprises to come freely to Hong Kong to do business and requested the SAR Government to lobby for a relaxation of the control over the flow of capital owned by mainland private enterprises to Hong Kong, to step up promotional activities aimed at attracting mainland capital to Hong Kong and to actively support mainland enterprises seeking to establish businesses in Hong Kong. The policy address proposes expanding the areas covered by the Hong Kong Economic and Trade Office in Guangdong (GDETO), establishing additional offices in Shanghai and Chengdu and stepping up the promotion of economic and trade ties undertaken by the Office of the Government of the HKSAR in Beijing (BJO). The DAB welcomes all of these moves, which have met the expectations on the policy address expressed by the DAB earlier on.

The policy address also mentions that with increasing exchanges between Hong Kong and the Mainland, the SAR Government must enhance communication with the Central Authorities and the governments at all levels on the Mainland. The Chief Executive, all Principal Officials and Permanent Secretaries will visit Beijing and other places on the Mainland more frequently to engage in communication, promote mutual understanding and hold discussions on practical issues. On encouraging mainland enterprises to make investments in Hong Kong, we believe that in future, officials of the Hong Kong Government should take part in visits to the Mainland and in economic and trade activities

more often, so as to promote the advantages in using Hong Kong as a platform for going global.

In order to target the problem of Hong Kong businessmen having no one to turn to when encountering difficulties on the Mainland in the course of doing business, the DAB requested the Hong Kong Government to establish a mechanism to systematically receive and deal with the requests made by Hong Kong businessmen and to assist small and medium enterprises in reflecting to the relevant mainland departments the difficulties encountered in their daily operation, as well as helping Hong Kong businessmen resolve cross-boundary business disputes. The latest policy address has proposed the setting up of a Mainland Affairs Liaison Office to co-ordinate the liaison between the BJO, all other Hong Kong Economic and Trade Offices on the Mainland and the relevant mainland authorities. We hope that this new liaison office can also perform its role as an intermediary properly and assist Hong Kong businessmen in negotiating the trade obstacles that they encounter in mainland provinces and cities, so as to further the implementation of CEPA.

Madam President, I so submit.

MS MIRIAM LAU (in Cantonese): Madam President, concerning regional economic co-operation, the Chief Executive pointed out that the scope of co-operation between Guangdong Province and Hong Kong is being continually expanded and the level of co-operation is being continually elevated, particularly in such areas as cross-boundary infrastructure and logistics. Fostering co-operation in cross-boundary infrastructure projects can promote the development of logistics in Shenzhen and Hong Kong, however, if we look at the handling capacities of the container terminals and the actual throughput, it can be seen that a serious imbalance has occurred in the development of the container ports of both places.

Regarding the port in Hong Kong, the total handling capacity of the container ports, excluding those of mid-stream operations and cargo handling areas, is more than 18 million TEUs each year. However, last year, the Kwai Chung Container Terminal only handled some 13.4 million TEUs. In view of this, there is in fact a great deal of spare capacity in the container port in Hong

Kong. However, the growth in throughput in Hong Kong is very slow and the accumulative increase in the third quarter is only 2.1%.

Regarding the container port in Shenzhen, in 1997, its container throughput stood at only a little more than 1 million TEUs. However, the container terminal in Shenzhen has developed in leaps and bounds thereafter and as of last year, its throughput has risen drastically to over 13.6 million TEUs. Not only has this throughput surpassed that of the Kwai Chung Container Terminal, it has also exceeded its own handling capacity of 10 million TEUs. It is only because the port in Shenzhen is as yet unable to handle all cargos in the Pan-PRD Region that some of the containers have to be diverted to Hong Kong for export, thus giving the Hong Kong port some room for survival.

Some of the terminals under planning in Shenzhen have yet to come into operation and the development of some ports is still pending. After all the terminals and ports have been commissioned, the total handling capacity of all container terminals in Shenzhen will be further boosted. By then, it will be doubtful if the volume of cargo in the Pan-PRD Region will be large enough to support the numerous berths in Shenzhen and Hong Kong. However, it is certain that the survival of the port in Hong Kong will surely be threatened. Even though Hong Kong possesses some advantages, for example, we have more frequent schedules, a better system and a highly efficient port, we must be aware that the efficiency of the ports on the Mainland and their systems are also being constantly improved. When one day, the throughput of the Shenzhen ports greatly surpasses that of the Hong Kong port, the ships will also go to where the cargos are found. By then, Shenzhen may replace Hong Kong as the international shipping and logistics centre in south China. The manufacturing industry has already been relocated across the border. At present, the logistics industry in Hong Kong supports the livelihood of over 100 000 people, including drivers and people from the working class. If the logistics industry also relocates to the Mainland, the Hong Kong economy will surely suffer a serious blow and more workers in Hong Kong will become unemployed.

I am not raising alarmist talk. In fact, a lot of people also share my concerns, so I am not feeling as relaxed as the Chief Executive is. However, since the Chief Executive has sought my views in the Question and Answer Session, I will also be glad to express my views to the Chief Executive. However, I hope that the Chief Executive will not just ask but not listen.

Firstly, in respect of the cost of transportation, the Chief Executive said that it is necessary to enhance efficiency and make the operating costs more competitive. However, how can we make the charges in Hong Kong more competitive? We have to know that the cost of exporting a container via Hong Kong on land is US\$300 higher than that of exporting it from Shenzhen. Of this amount, the cost of land transport is US\$200. Of course, the difference in the wage levels of the drivers at these two places is also one of the factors, however, I wish to point out that under the present system, another factor that leads to the high cost of cross-boundary land transportation is that the cross-boundary freight forwarding industry in Hong Kong has to pay the insurance premiums, vehicle examination fees, and so on, charged at these two places. Is it possible for the Chief Executive to discuss with the mainland authorities how this system can be streamlined and how the charges can be combined? Moreover, cross-boundary land transportation also involves transportation within Hong Kong and the duty on diesel also forms part of the freight cost. Can the Government waive the duty on diesel so that the operating cost of the transportation industry in Hong Kong can be lowered?

Secondly, in respect of efficiency, I wish to thank the Government for successfully securing a relaxation of the "four-up-four-down" and "one-truck-one-driver" requirements, however, whether it is possible for trucks to make more trips and thus reduce the cost also depends on complementary measures taken in many other aspects and whether there are enough cargoes. Therefore, it is still necessary for the Government to pay attention to this area, since it is not true, as many people claim, that after relaxing the "four-up-four-down" and the "one-truck-one-driver" requirements, it will immediately be possible to make more trips and the freight cost can be lowered immediately. In fact, one of the reasons for Hong Kong ranking first among the busiest ports in the world for 12 of the 13 years since 1992 is the rapid growth of the river trade. Take last year as an example, of the more than 22 million TEUs handled last year, 6.5 million of them, or about 30%, were handled at places and by facilities outside the Kwai Chung Container Terminal and the vast majority of them by river trade. However, in recent years, the growth in river trade has also shown signs of slowdown and it has dropped from 38.9% in its heydays in 1996 to 10% last year. Therefore, it is necessary for the Government to study how the efficiency and attractiveness of the river trade can be enhanced to maintain the overall throughput of the port of Hong Kong.

Thirdly, apart from reinforcing the logistics industry in general, it is also necessary for Hong Kong to develop value-added logistics services, for example, by attracting more multinational companies to set up distribution centres or procurement centres in Hong Kong, or attracting more companies to carry out the final production process in Hong Kong, so as to raise the volumes of import and export in Hong Kong. I have already pointed out that the port in Hong Kong still has considerable surplus handling capacity, therefore, building a cost-effective logistics park is probably a more pressing task than building a new container terminal. I hope that the Government can focus its "firepower" on expediting the planning of a logistics park, so that there can be a place to develop in Hong Kong a kind of logistics services unique among Asian cities, so as to reinforce the established edge of the logistics industry in Hong Kong.

Fourthly, to enhance the training of talents for the logistics industry. In fact, there is a great demand for talents in logistics management in Hong Kong. Just take a look at CEPA. Since October 2003, a total of 867 applications to become service providers in Hong Kong have been approved and the number of approved applications for providing transportation and logistical services among them is as many as 405, that is, nearly half of the total. These transportation and logistical service providers in Hong Kong all require talents in logistics management. Although these companies will operate on the Mainland, they have control over the route of freight transport. In logistics management, it is not necessarily the case that companies charging the lowest charges are the best ones, rather, it is necessary to take into consideration the efficiency, speed and reliability in the transportation of goods. I believe that these logistics companies are familiar with the operation of the port in Hong Kong and also understand the advantages that Hong Kong possesses, so they will make even better use of the facilities of the container terminals in Hong Kong.

Fifthly, to strengthen the co-operation between the Shenzhen and Hong Kong ports. In fact, if we look at the example of airports, it is beneficial to both places for the airports in the PRD and the airport in Hong Kong to carry out co-operation. However, in respect of ports, no such co-operation can be found. If there is only mutual understanding between Shenzhen and Hong Kong but no concrete action is taken to foster co-operation, in the long run, this will have an adverse effect on the development of the two places and the resources used on port and cross-boundary infrastructure at these two places will only be wasted.

Sixthly, to introduce the Digital Trade and Transportation Network (DTTN) System as soon as possible. Recently, Secretary Stephen IP led the Logistics Hong Kong in visiting three European countries to promote the logistics industry in Hong Kong. I noticed that the development of the information technology used in the logistics industry in some of these countries is even faster than that in Hong Kong. Furthermore, they have the strong support of their governments, one example being Marseilles in France. My first reaction is that in order to attract the people in the logistics industry in these countries to use Hong Kong as a platform, the logistics industry in Hong Kong must catch up fast in information technology. In fact, Hong Kong dares not drag its feet in this area either. It is expected that the DTTN system, which has been in the works for many years, will be launched by the end of this year. Not only can this system facilitate the exchange of data among members of the logistics industry in the supply chain, so that the flow and reliability of information can be enhanced and the operation cost lowered, it can also facilitate the industry in liaising with the regional and even global players in the supply chain. However, some people have queried why there is government participation in the DTTN system and why the Government holds a certain proportion of shares in the company operating this system. In fact, it is precisely because of government participation that there is hope that the DTTN system can be successfully implemented. One major condition on whether the sector will participate in and accept the DTTN system is the participation of the Government, so as to ensure that the system is a neutral and open electronic platform that will not be biased in favour of the operators in any sector. In other words, without government participation, various sectors, in particular, small and medium enterprises, would not be willing to adopt the DTTN system and it will be doomed to fail. Therefore, I hope that the skeptics will try to understand the reasons for establishing the DTTN system and the factors that needs to be taken into consideration.

Madam President, I will now talk about the shipping industry. Recently, the total tonnage of ships registered in Hong Kong has crossed the 29 million GT mark, reflecting the position of Hong Kong as a shipping centre. Throughout the world, shipping centres or places related to shipping have all established maritime museums subsidized by their governments. The shipping industry in Hong Kong has a long history, however, it is only recently that a private maritime museum has come into being in Hong Kong. Not only will the establishment of such a museum give Hong Kong another tourist spot, more

importantly, it signifies the contribution made by the shipping industry in the past, at present and even in future.

In fact, this maritime museum has not come into being easily. Its conception and preparation took as long as eight years and it was made possible only with the generous donation by the industry. Of course, it also has the support of the Chief Executive, who personally officiated at its opening ceremony. The shipping sector is very grateful to the Chief Executive for his support. However, I hope that the support given by the Chief Executive is not just limited to officiating at the opening ceremony but that he will give long-term support, including offering financial contribution towards its annual operating expenditure in future and providing a permanent site for the museum (for example, the West Kowloon Cultural District may be a suitable location), so that Hong Kong people can really have a maritime museum of their own.

Madam President, I so submit.

MISS TAM HEUNG-MAN (in Cantonese): Madam President, ever since the colonial era, the state of the Hong Kong economy has always been an indicator of the mandate commanded by the Government. As long as all sectors of society can enjoy the benefits of economic development, even though they may not be satisfied with the Government, no instability will occur in society. Mr TSANG, who has been a bureaucrat for many years, of course knows this principle very well. In his first policy address, he emphasizes the direction of "helping the economy to power ahead", hoping that by developing the economy on all fronts, people will feel contented and a harmonious society can also be built in this way. It can be said that developing the economy is one of the main dishes in the policy address.

Precisely because of the importance of economic development to Hong Kong society, I believe Honourable colleagues all have different expectations on the policy address in respect of the economy. However, I believe we were all a little bit disappointed after listening to the policy address delivered by the Chief executive because this policy address is indeed very prudent, so much so that it is devoid of even one or two specific policies. It only keeps rattling about the Government's present policy direction, saying that it will adhere to this direction, yet it does not say how the direction will be implemented. I hope that it is due to the lack of space in the policy address that the Government did not spell out

any specific policy proposals, rather than due to the desire to simply offer lip-service.

(THE PRESIDENT'S DEPUTY, MS MIRIAM LAU, took the Chair)

Although the specific economic policies proposed in the policy address are indeed limited, I still wish to discuss several of them in particular.

Hong Kong is a city with an open economy and the Government also adheres to the direction of "big market, small government". However, unfair market structures have developed in the markets for some commodities in Hong Kong and the situation is worsening. The policy address says that the Government has established an independent Review Committee to study the policies on competition in various industries in Hong Kong. I believe no one will object to this proposal. However, we must bear in mind that we still have one important job to do, that is, to follow up in earnest the results of the study conducted by this Committee. I believe that the operators of various industries and consumers in Hong Kong all have expectations for this Committee and what is more, they have expectations for the Government of the Hong Kong Special Administrative Region (SAR). When the Government comes to the Legislative Council to report to us next year, I really do not want to hear it say, "At present, there is no need to formulate any fair competition policy in Hong Kong", or "Although we know that there is a need to formulate a policy on fair competition, at present, due to such and such constraints, it is not possible to follow up this policy." I hope Mr TSANG will really deliver on his promises and will not let the public down.

Madam Deputy, the accountancy profession, just like other local professions, has all along been eyeing the Mainland as the target of its development. Many accountants hope that they can go to the Mainland and look for business opportunities there. I am very glad to note that Mr TSANG once again told us that the SAR Government will continue to further the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA). I understand that under the recently announced CEPA III, further measures will be taken to facilitate Hong Kong professionals in practising and developing on the Mainland. I hope that the SAR Government can continue to discuss with the Central Government the arrangements for future phases of CEPA, so that the

economic co-operation and exchanges between China and Hong Kong can be boosted further and professionals in Hong Kong put in a better position to seize the opportunities offered by the high-speed economic development on the Mainland, and at the same time as they contribute to the development of their country, they can also expand the scope of their businesses.

However, many of my friends in the accountancy profession have reflected to me that although opportunities abound on the Mainland, it is also fraught with obstacles and even pitfalls. Problems often occur when various local governments implement CEPA. In addition, given the complicated systems at various places, professionals have to face quite a number of risks in seeking development on the Mainland, so they have trepidations in developing their businesses across the boundary. I believe that in the process of furthering CEPA, apart from offering concessions to the enterprises in both China and Hong Kong and to individuals, it is also necessary to ensure that these arrangements can be implemented smoothly in various provinces and cities. Otherwise, the conservative forces and protectionists at various places will only adopt the strategy of countering the policies from a higher level of government, so that no matter how well formulated CEPA is, all efforts will only end in vain. If efforts expended in the discussions with the central authorities all come to naught, what is the point of doing so?

Therefore, the SAR Government must enhance its communication with various levels of government at various places on the Mainland. The policy address proposes enhancing the functions of the existing offices in Beijing and Guangzhou and those soon to be established in Shanghai and Chengdu. I believe that all along, just like me, Members have held the view that the purposes served by these offices are in fact limited. Should Hong Kong people encounter problems on the Mainland, the support for such emergencies is really inadequate. Similarly, when Hong Kong people encounter business disputes or are involved in legal proceedings, they often have no one to turn to, so how can they possibly work, do business or even travel on the Mainland with peace of mind? Therefore, no matter which Policy Bureau will take charge of the offices established on the Mainland and how the organizational structure will be like, I hope that these offices can truly assist Hong Kong people in engaging in various kinds of activities on the Mainland and further boost the exchanges between the two places.

Madam Deputy, although the Hong Kong economy is recovering, we must not lower our guard. To further promote economic development in Hong Kong, I believe the most effective way is for the Government to increase its investment in infrastructure and to use the funds to trigger a chain reaction in the economy, so as to create jobs and boost economic activities in various areas. I express my staunch support for the Government's intention to expedite the major infrastructure projects that have been planned. Apart from expanding our economy and yielding a number of benefits, these infrastructure projects can also enhance Hong Kong's competitiveness and strengthen our ties with the PRD Region. Therefore, implementing these infrastructure projects as soon as possible will foster a better environment for the public and investors. However, when implementing some of these infrastructure projects, in particular, items relating to transportation, it is necessary to prepare more accurate financial plans and estimates on traffic volumes in order to better safeguard the interests of the public and the users, so as to avoid repeating the mistake of having to drastically increase the tolls charged by a number of tollways due to insufficient traffic volumes.

Earlier on, a number of international organizations coincidentally pointed out in their study reports that Hong Kong's competitiveness had decreased and they even made specific criticisms such as that concerning the application for licences. The policy address should, apart from stressing once again the advantages of Hong Kong, also put forward more specific policies to address the concerns of the public and investors. Certainly, I appreciate that it is not possible for a short piece of policy address to include all the specific policies, however, I hope that the Government can always bear in mind the wishes of the public and work hard to turn the policy directions spelt out by the Chief Executive in the policy address, such as those relating to small and medium enterprises, on the administrative measures pertaining to businesses and on offering assistance to the creative industries, into specific policies for the benefit of the public.

Madam Deputy, it is the common wish of everyone in Hong Kong to help the economy power ahead. I really hope that when the term of office of the Chief Executive comes to an end, he can come here again and tell us loud and clear that every policy objective in his policy address has been put in place and is being implemented smoothly, that all aspects of the Hong Kong economy are developing in a balanced way, society is prosperous and thriving and the public

is living and working in contentment. I look forward to seeing such a day. I so submit. Thank you, Madam Deputy.

MRS SELINA CHOW (in Cantonese): Madam Deputy, when the Chief Executive came here for the Question and Answer Session last week, he exchanged views with Honourable Members on many issues. However, media reports have instead focused on the Chief Executive's three "challenges" to the Liberal Party. The first target is the Hong Kong Tourism Board (HKTB) chaired by me, which was described by the Chief Executive as being "expensive". Although it appeared that he was joking, a number of listeners considered that he was indeed "saying something full of sarcasm" knowingly or unknowingly. It is therefore rather difficult to pretend that nothing had been said even though he immediately "withdrew" his remark. What was the Chief Executive thinking in his mind? There is no guessing it. I certainly hope that he is just trying to crack humour at that moment. When he found that his joke had gone a bit too far, he "withdrew" his remark to avoid giving others a wrong impression. Whatever the truth is, being the one who has a good understanding of tourism and the HKTB's operation, I am obliged to account for this publicly.

In the first place, I would like to quote some facts which are scarcely known to the community: Over the past few years, the recurrent expenditure of the HKTB has reduced from \$510 million in 2000-01 to \$466 million this year. The number of staff in the head office has reduced from 325 in 1999-2000 to 226 at present, whereas staff deployed in overseas offices is maintained at a level of about 95 persons due to continuous market expansion. This 320-man team is responsible for the promotion of Hong Kong's tourism globally in 22 cities of 16 countries spreading over seven regions, and the provision of services to consumers, the trade and the media. Meanwhile, the number of inbound tourists has increased from 13 million in 2000 to 21.8 million last year, during which catastrophes such as the September 11 incident and the outbreak of SARS occurred and dealt a serious blow to global tourism.

Certainly, the brilliant performance of our tourism industry is definitely not the effort of the HKTB alone. The whole community has been involved under the leadership, promotion and with the support of Mr TUNG Chee-hwa, Chief Executive Donald TSANG and Financial Secretary Henry TANG, together with the assistance of the Tourism Commission and the HKTB from all possible

angles. As a result, Hong Kong's position and competitive edge in the global travel and tourism market have been strengthened.

Nevertheless, the effort made by the HKTB should not be negated. First, the key task of the HKTB is to promote the image of Hong Kong externally, with a view to ensuring that people around the world know about Hong Kong and will be attracted to pay a visit here.

Second, in respect of the internal affairs of Hong Kong, the HKTB as a public organization also serves as a platform for various trades and industries to enable the development of tourism and its promotion, thus benefiting all walks of life.

Furthermore, we have to look around the countries of the world so as to open new markets and boost patronage in a balanced manner, with a view to bringing about the healthy and sustainable development of the tourist industry of Hong Kong.

We understand that some misconceptions may have resulted in some unfair views on us, which include: First, Hong Kong definitely benefits from the continuous growth in global tourism; second, Hong Kong definitely benefits from the relaxation of the Individual Visit Scheme (IVS) for mainlanders.

I said these are misconceptions because, though it is true that new horizons have been opened up by the growth of global tourism and the relaxation of the IVS for mainlanders, Hong Kong may not benefit from them "definitely".

Last year, tourist spots around the world stepped up promotions in order to gain back the market lost during the outbreak of SARS. At the same time, new spots have also entered into competition in view of the enormous potential offered by the Mainland's relaxation of restrictions on outbound travel. Various tourist spots have strengthened their tourism facilities and stepped up promotion, which means that the competition faced by Hong Kong has become more and more intense. Against this background, we still recorded an increase of inbound tourists by 32% last year when compared to that of 2002, which is much higher than that of Thailand, Malaysia and Singapore, ranging from 8% to 18%. Furthermore, Hong Kong was ranked the seventh by the World Tourism Organization among the top 10 places in the world tourist destinations for the first time. Are we enjoying such a ranking without making any effort?

Despite that the IVS had brought about a remarkable increase in inbound tourists last year, there was a mere 3% increase in the number of mainlanders visiting Hong Kong for the first seven months this year. Although we are already very lucky when compared with Malaysia and Singapore, whose recorded increases are -48.4% and -7.9% respectively, our investment promotion on the Mainland has actually no room for reduction in view of the lifting of restrictions on outbound mainland tourists and increasing options for mainlanders.

From another angle, we appreciate very much the support rendered by the Government to the HKTB's promotion policy of a balanced international portfolio of visitors. Last year, while acknowledging the rapid development of the mainland market, we did not give up other markets, especially long-haul markets, and kept on with our promotion efforts instead. As a result of an overall expansion of the aviation industry this year, Hong Kong immediately became the premier tourist destination of tourists from different places. Nearly all markets recorded a double-digit growth in the first eight months of this year, and the number of inbound Australian tourists has increased by 33.7% this year over the same period last year.

Madam Deputy, I know that people may still say the HKTB is "expensive" after today, with an added remark that "even the Chief Executive said so". I just hope that the media and the public can look at the work of the HKTB in a fair way, and to objectively and seriously examine whether it is, just as I have said, value for money.

Madam Deputy, next I would like to talk about another issue which caused the "suspected three 'challenges'", that is, what can be done to support the development of the film industry. The Chief Executive said that it was necessary to develop creative industries, and he was determined to provide assistance to the film industry in particular, because it is one of the flagships of Hong Kong's creative industries. I think the Chief Executive has made a very true remark. The film industry is not only a flagship of creative industries, but also one of the oldest industries in Hong Kong. The birth of the film industry dates back to the '20s and '30s of the last century, and it has a history of more than half a century. So far, how many industries, other than the film industry, whose birth was before the Second World War can still stand? It can be said that the film industry is a totem of pride for Hong Kong. It is the collective

memory of and belongs to every Hong Kong citizen. Therefore, the rescue of the film industry is indeed of great significance to Hong Kong.

As we all know, the film industry of Hong Kong or the so-called local productions, used to be very prosperous. In 1993, the number of local productions was 242 and box office exceeded \$1 billion. Last year, the box office dropped to \$400 million while films released were 64 only. As far as I know, there is even a decreasing trend.

I have attended a seminar in Korea earlier, during which a Korean member of the industry said that "Hong Kong is no longer hot" when he briefed the audience on the wake of increasing popularity of Korean culture. I felt very uncomfortable at hearing that. In fact, Hong Kong's film industry has so many talents and is endowed with the qualities for development, yet why has it become so discredited?

The Government has announced the members of the newly-formed Film Development Committee, among them are many famous trade representatives. I find it a very good idea to have representatives of the film industry taking the initiative to revitalize the industry. However, the Chief Executive has only responded to some of the requests of the trade because, as far as I know, the trade has actually requested for the setting up of a Film Commission vested with real powers, rather than an advisory committee.

In fact, in order to save the film industry, I think that, in addition to the continuous self-improvement of the industry, it is also necessary for the Government to develop a set of long-term strategies and invest sufficient resources. Furthermore, everyone should demonstrate perseverance and determination. Someone may query why the Government has to salvage a particular industry, and the reason is simple. It is because if the cultural position of a place in the world is lead by its television and entertainment industry, it will bring about a multiplier effect. Farther away, we have the effect produced by Hollywood to the United States, and nearer, we have seen the benefits brought about by popular products to Japan. A recent example is of course the increasing popularity of the "Korean culture". These are, in fact, iron-clad evidence.

What should the Government do to help the film industry? I believe that the most important thing is to look at some precedents of success. The two

most successful precedents are Australia and Korea. The film and television industries of Australia, which emphasized "direct support", were first developed in the '70s. At present, the Australian Commonwealth Government co-ordinates its comprehensive support to the film industry mainly through seven organizations. Among them, the Australian Film Finance Corporation (AFFC) is wholly owned by the Australian Government. Its main duty is to select local film productions with potential for investment, and then re-invest in other film productions with the profits earned. In 2003-04 alone, the AFFC, as mentioned earlier, invested HK\$330 million in the production of 10 dramatic films for distribution worldwide, eight television drama series and 34 documentaries. As regards the Australian Film Commission set up in 1975, it is mainly a production support organization. In addition, it will provide travelling expenses for independent filmmakers to produce their films overseas and participate in film festivals, thereby providing whole support to Australian film productions.

As for Korea, the Korean Motion Picture Promotion Corporation set up in 1973 was originally tasked with the responsibility of promotion, but was later turned into an official organization called the Korean Film Council (KFC). It fully assists the development of the local film industry by granting loans and setting up seed funds. Between 1999 and 2003, the KFC invested HK\$1.1 million to finance the film industry. Furthermore, Korea has also implemented the "Screen Quota System", requiring that all cinemas nation-wide should dedicate at least 40% of its operation hours to show local film productions of South Korea every year. Furthermore, the Korean Government has also organized different film festivals, which of course include the famous Pusan Film Festival, and conducted a series of activities in parallel, with a view to vigorously promoting Korean films to overseas distributors.

Madam Deputy, of course, I am not saying that we should follow direct the experiences of Australia or Korea. Yet, I maintain that we should not rely solely on some means without any parameters to salvage our film industry.

The local film industry has in fact repeatedly requested for the establishment of a Film Commission over the past 20 years, for the purposes of promoting and further developing an industry which has already made great achievements. It was because should the Government fail to do so, I am afraid

that in the near future, others will not just say that "Hong Kong film industry is no longer hot", but "Hong Kong film industry is no longer".

Thank you, Madam Deputy.

MR VINCENT FANG (in Cantonese): Madam Deputy, just as I said in the Question and Answer Session of the policy address, I am so glad that "Fostering harmony in the community" and "Helping the economy to power ahead" have been made by the Chief Executive as the two major policy initiatives of the SAR Government. I think that a harmonious society must be supported by a favourable economic environment, while economic development will only gain momentum with the concerted effort of the community. These two elements complement each other. The Government can only give full play to its ability of governance with these two pillars, and the three combined together form the three legs of the Chinese traditional tripod. Without any one of them, the tripod will fall over.

We find that the people of many poor developing countries consider their governments impotent due to the sluggish economy, and thus there are great grievances among them. Neither do they have trust in nor willing to co-operate with their governments. They even rise in protest against the government. As a result, there are social unrests and the governments are weighted down with work. Despite that a country may be well endowed with natural resources, but since its people have no commitment to the community, both the country and the economy are unable to develop, and will only end up in a lose-lose situation for the country and its people. Therefore, I agree that economic development is very important to both the community and the government.

The policy address has analysed the characteristics of Hong Kong economy and highlighted its highly externally-oriented nature, which serves as "a window on the world for the Mainland". Moreover, it has many advantages. Under the "big market, small government" principle, entrepreneurship and fair trade should be promoted so as to consolidate our status as "Asia's World Metropolis".

Therefore, our economic strength, competitive edge, business environment and government policies, business operating principles and fighting spirit are crucial to the sustainable development of Hong Kong in the

international economic arena. However, I believe businessmen operating in Hong Kong will agree that our business environment is much poorer than our neighbouring countries or cities. The reason is not necessarily retrogression on our part, but rather greater progress by others.

Even the Mainland, which has always been criticized as bureaucratic and full of red-tape, is currently providing "one-stop services", and the processing time for business licences is even shorter than that of Hong Kong. It was because even the Mainland has acknowledged that, in order to attract foreign investors and induce businessmen to make further investments, they should be made to feel that importance has been attached to their business and business operation is convenient. Not only market is available to them, but also plenty of business opportunities.

Much to our regret, what happens to Hong Kong now is that the Government no longer attaches importance to enterprises which have made contribution to Hong Kong economy.

For example, the Government is actively introducing legislation on a comprehensive ban on smoking in indoor workplaces, which prohibits smoking in all indoor workplaces. Is smoking also prohibited in laboratories of tobacco factories which are workplaces also? While Hong Kong launches active brand name promotion and attaches great importance to intellectual property and trademarks, yet brand names and trademarks which have been adopted for more than 20 years may be banned as a result of this legislation. According to the laws of Hong Kong, even cigar lounges which are established in full compliance with the relevant regulations may have to close down. As for the news-stand operators in the street, their revenue will be greatly reduced as a result of the waiving of exemption on tobacco promotion. If they fail to survive, they will become historical relics like "dai pai dongs" (roadside cooked food stalls).

Hong Kong is not the only place in the world which prohibits smoking, and yet in other countries, room has been reserved for businessmen to continue with their business. Why must Hong Kong make itself the world's forerunner regardless of the consequences? If the legislation is passed without amendment, even the last tobacco factory in Hong Kong cannot escape the fate of relocating northward, whereas products of overseas brands may also withdraw from the local market. There will not be any cigar lounges in Hong Kong to treat

business and high spending tourists, and a large number of mahjong parlours and nightclubs may have to close down.

Employees of the affected industries told the Bills Committee early this month that, "The Government said the smoking ban aims to prevent us from dying of lung cancer caused by passive smoking. However, if we are rendered jobless as a result of our employing companies closing down, it is not different from dying of lung cancer, and even sooner." Therefore, once the Government implements this ordinance, it is hard to imagine how many people will be rendered unemployed.

Furthermore, according to the risk assessment conducted by the consultant engaged by the Government on the implementation of the "labelling scheme on nutrition information for prepackaged food", 191 small to medium enterprises are expected to close down if the proposed scheme is implemented. If a company have five employees, nearly 1 000 people will be affected. However, in view of the small size of the Hong Kong market, it may be very difficult to request suppliers to draw up a "9+ 1" standard specifically for us. If more room can be given to the industry in enforcement, for example, exemption being granted for small import volume, industry compliance will be easier. This will not only help the Government to safeguard public health, but also allow the industry to continue to survive, thereby contributing to Hong Kong economy and giving consumers a wider choice of products.

As evident in the Chief Executive's policy address, much emphasis has been put on job creation, enabling Hong Kong products to benefit from zero tariff through CEPA, as well as considering the importation of mainland workers in the textile and garment manufacturing industry. The purpose is none other than attracting more manufacturing processes to move back to Hong Kong, thereby giving new impetus to the local economy and creating more job opportunities. Furthermore, it also intends to continuously expand the Individual Visit Scheme for mainlanders, in the hope that the tourist and related industries, including hotels and retail industries, will be promoted.

Take the live poultry industry as an example. The Government has adopted a voluntary surrender scheme for retail and wholesale operators to surrender their licences. In face of the imminent avian flu outbreaks, proposals of mass slaughter of chickens have been drawn up, and the trade workers should

understand that they will sooner or later lose their jobs. However, the Government should not just consider the slaughtering of chickens without taking into consideration the livelihood of employees and employers of the industry. Looking back at the training provided for employees of the retail business, it turned out to be the training for domestic helpers and on child rearing. Neither was there tailor-made training for the employees nor plans to help restructure the industry. The Government may consider facilitating industry participation in the regional slaughtering, rather than focusing on how to attract foreign investments for the development of regional slaughtering of live poultry.

Without long-term planning in the employment and economic aspects, I am afraid that local employment opportunities will shrink against the growth of others, whereas business opportunities will become fewer and fewer.

It seems not at all appropriate to mention what I have said earlier in this session on the "revitalization of our economy", because both the smoking ban and regional slaughtering are initiatives put forward by the Health, Welfare and Food Bureau. However, the problem is many policies are currently undertaken by the departments concerned on their own, and yet responses to these policies may not be addressed by them alone. The few initiatives mentioned earlier will also affect the business environment and the prospects of economic development of Hong Kong.

I said in the motion debate on "Actively improving the business environment for small and medium enterprises" held in June that I hoped the Government would conduct interdepartmental studies and negotiations when new policies were implemented, so as to assess the chain effects brought about by such policies. The Government would then do its utmost to assist the affected enterprises to restructure and help the affected employees to switch to work in other trades. Being a responsible Government, it should not turn a blind eye to the closing down of enterprises and creation of unemployment.

Meanwhile, the advantages which Hong Kong presently enjoys have to be preserved. In the past, Hong Kong was famous for its free economy, and whatever types of businesses, only if they were legal, were welcomed here. We have a simple tax regime with low tax rates, a sound legal system and non-interference from the Government, and so it is a paradise for business-starters. Furthermore, by leveraging on the Mainland, plenty of development opportunities are available.

Therefore, Madam Deputy, I think it is necessary for Hong Kong to preserve these advantages, particularly in connection with the edges of free economy.

I find that many Honourable colleagues have been pursuing legislation on "minimum wages, maximum working hours" over the years. I agree that some people make unreasonable earnings in individual industries in return for very long working hours. However, the situation is improving as a result of economic improvement and boom in the job market. More and more people are switching jobs. The current situation shows that unreasonable earnings only exist in individual industries.

The Liberal Party has all along opposed the imposition of restrictions on the room for doing business by way of "broad-brush" legislation. It was because legislation tends to tie up the law-abiding people only, whereas people who deliberately break the law can always find a way out. Despite the implementation of minimum wages, yet cases of paying wages lower than the statutory level, for example, wages for foreign domestic helpers, are still found.

We hope that the Government will examine which trades and industries are currently offering unreasonably low wages and safeguard the interests of employees of industries which have adopted minimum wages, including projects contracted out by the Government, by stepping up supervision and imposing heavy penalties on law-breaking employers.

In respect of maintaining fair competition, I appreciate that the Chief Executive has highlighted the need to provide small and medium enterprises with "adequate and favourable development opportunities". It is because many existing large enterprises in Hong Kong are in fact successfully developed from small and medium enterprises, and one of the factors for success is Hong Kong's reliance on market forces. I agree that the existence of leading enterprises coupled with foreign enterprises entering the market has made the competition faced by small and medium enterprises more intense. Furthermore, as the economy of Hong Kong matures, the business environment mentioned earlier is not as favourable as in the past. If the Government imposes further restrictions, it will impede their efforts of developing new horizons.

Therefore, if we go against the market forces by suppressing large enterprises with bigger market shares, it is tantamount to penalizing those who have operated their business successfully. It may even discourage small and medium enterprises from expansion, thereby impeding their development.

The Chief Executive has pointed out that, "There has been concern over the small and medium enterprises being forced out of the market by multinational enterprises". In regard to this point, I am worried that if it is interpreted as pinpointing foreign investments, where fair competition law is introduced as a means to restrain foreign investments and prevent them from gaining local market shares, investments by foreign capital in Hong Kong will be hindered. It may also be misunderstood as an act of protectionism, resulting in more losses than gains.

Just as the Chief Executive has mentioned, Hong Kong is a "Metropolitan City" facing the world. Being an important metropolitan city, investments by multinational enterprises are definitely most welcomed. Besides, for 11 years in a row, Hong Kong has been ranked as one of the freest economies in the world, and such an achievement is not easy to come by. If we adjust the market forces at will, the overall image of Hong Kong will be damaged.

In fact, the small and medium enterprises of Hong Kong are not afraid of competition. Rather, an improvement in the business environment is their greatest concern. An entrepreneur of a medium enterprise told me that, in the past three years, he has been busy meeting with trade members and the Administration, drafting correspondences and responding to various consultations on government policies concerning the allergen labelling requirements, undesirable medical advertisements, volatile organic compounds and nutrition labelling, and so on. Therefore, not much time can be found for actually doing business.

The Liberal Party has all along considered a "broad-brush" competition law lacks flexibility, which will impose excessive restrictions on individual industries. And we do not agree with the anti-competitive practices such as collusive pricing, bid rigging and market sharing. It is only desirable for the Government to impose appropriate regulation specific to different industries. For example, in view of the practices of oil industries, such as raising prices quickly and reducing prices slowly, which have implications on the community,

the Liberal Party also agrees to impose regulation by means of industry-specific legislation.

In view of the grave public concern for the electricity market, we think that it is necessary to enhance competition and reduce tariff for the benefit of the public. However, while enhancing competition, a stable power supply must be ensured.

In any event, I was very glad to note the correct stand taken by the Chief Executive in respect of fair competition law: The competitiveness of Hong Kong should be maintained without prejudice to its business environment. Precisely for this reason, I hope that the Chief Executive will seriously consider and balance the pros and cons, and not to aim at quick success by making a decision hastily.

I should have felt very gratified since the Chief Executive did not mention the "Goods and Services Tax" (GST) in the policy address. However, he said in the press conference that "not mentioning does not mean not doing it". Moreover, the Government also emphasized that the economy of Hong Kong is riding on a growth momentum. This may be correct if we look at the rentals of luxury flats and shops, which have been restored to the level of 1997. Today, a newspaper report points out that, as shown in a valuation report, the shop rentals in Causeway Bay have risen by 90% this year. As such, Causeway Bay has overtaken the Avenue des Champs-Elysees of Paris as the second most expensive shopping street in the world.

Nevertheless, the average income and average spending, and the living standard of local residents in particular, are still a far cry from that of 1997. The retail industry has been shadowed by the sharp increase in shop rentals, rise in operating costs and tightened government control. Coupled with an added uncertainty about the introduction of GST by the Government, our industry will be dealt a serious blow. I hope that the Chief Executive will make serious consideration and not to introduce measures that will undermine the economic benefits, social harmony and public confidence in the Government which have not come by easily.

With these remarks, I support the original motion. Thank you, Madam Deputy.

DR PHILIP WONG (in Cantonese): Madam Deputy, I spoke on the constitutional reform proposals yesterday, and today, I am going to speak on the other parts of the policy address, for example, on commerce and industry, economy and governance.

Madam Deputy, I find the policy address of Chief Executive Donald TSANG a rather pragmatic and comprehensive one. This policy address has paid heed to more public opinions, and is broadly in line with the proposals put forward by the Chinese General Chamber of Commerce (CGCC), and the business and financial sectors sometime ago. The CGCC has also convened one special seminar to express its support for the policy address.

First, the policy address has devoted considerable length to elaborating the new thinking on sustained economic development and, in particular, set down a clear positioning for Hong Kong. This is the right direction. Certainly, at times like today, when China is becoming the new engine for global economic development, the support from the Central Authorities and matching efforts from various provinces and cities are required to consolidate Hong Kong's status as an international financial centre. The Central Authorities have, on the basis of the four original Renminbi (RMB) business areas, given in-principle approval to extend the scope of RMB business of banks in Hong Kong, with a view to bringing about further improvements to the local financial system, promoting economic integration between Hong Kong and the Mainland, as well as facilitating interaction between Hong Kong and mainland residents. Earlier, the views of the CGCC on the expansion of Hong Kong's RMB business had been conveyed to the Central Authorities through the Financial Secretary, which were mainly proposals on raising the existing limit for exchange and remittance of RMB per person, and extending the scope of operation of RMB business by authorized merchants, including two-way exchange, remittance and permission to open accounts. I hope that the Government will continue to negotiate with the mainland authorities concerned with a view to achieving more progress, thereby gradually turning Hong Kong into a true off-shore centre for RMB.

As we all know, since the Central Authorities granted permission to the Individual Visit Scheme (IVS) and CEPA, various trades in Hong Kong have benefited enormously from them. As regards the Central Authorities' granting of an extension of the IVS to residents from such mainland cities as Chengdu, Jinan, Shenyang and Dalian to visit Hong Kong effective from next month, I see

very good prospects and expect more prosperous future development for the tourist, hotel, restaurant and retail sectors, hence giving a vitality boost to the sustainable development of the Hong Kong economy.

As for regional economy, I can see that the Government has decided to give priority to taking forward cross-boundary infrastructure, for example, the Hong Kong-Zhuhai-Macao Bridge, Hong Kong Shenzhen Western Corridor, the Guangzhou-Shenzhen-Hong Kong Express Rail Link, and so on. At the same time, various large-scale infrastructure projects in Hong Kong, such as the Sheung Shui to Lok Ma Chau Spur Line operated by the Kowloon-Canton Railway Corporation (KCRC), the Kowloon Southern Link, Route 8, and so on, will be completed in succession in the next few years. I appreciate the pledges and efforts made by the Government very much. I have always maintained that the interface of various infrastructure projects is very crucial to the deepening of supplementing Hong Kong's edge with the strengths of the Mainland, so as to avoid a decline in competitiveness. The Government's promotion of large-scale infrastructure projects does not only have strategic implications on the sustainable development of Hong Kong, it can also relieve the unemployment problem. The Government has to strike a balance in the labour market through the implementation of infrastructure projects. In the past, the Government did not give full play to this function, and as a result, there was no ample supply of jobs in times of high unemployment, whereas in times of economic boom, there was great demand for labour among government works, thereby pushing up inflation. This is the lesson which we should bear in mind. I hope that the Government will expeditiously implement the relevant plans so as to facilitate the smooth flow of travellers and cargoes, as well as improving the business environment.

In the face of fierce competition as a result of globalization, the economy of Hong Kong is like a boat sailing against the currents, falling back if not making any headway. I hope that both the Government and the business sector can heighten their crisis awareness, break away from some outdated concepts, grasp the valuable opportunities "bestowed on Hong Kong" by the Central Authorities, and to meet future challenges through self-betterment and exerting their best in innovation.

Second, as regards the pursuance of excellence in governance, the policy address sets out the vision of "strong governance". For example, the Chief Executive said that a good relationship between the Central Authorities and the

Hong Kong Special Administrative Region (SAR) was the cornerstone for the successful implementation of "one country, two systems". Furthermore, it proposes the reorganization of the organization structure of the Chief Executive's Office; strengthening political leadership; authorizing the Chief Secretary for Administration and the Financial Secretary to take up the task of policy co-ordination on a daily basis; strengthening co-operation with the Legislative Council; enhancing work in districts, as well as nurturing political talents, and so on. I expect these measures will help the Government respond more promptly and comprehensively to community views on various initiatives, thereby bringing about enhanced effectiveness in governance.

The policy address also mentions that exchanges between government officials of the SAR and officials of various mainland departments at all levels should be increased, so as to enhance mutual understanding and trust. It also proposes to forge closer ties between the SAR Government and National People's Congress Deputies and Chinese People's Political Consultative Conference delegates. This is the first time that such a proposal is raised in a policy address throughout the years. I totally agree with these two proposals.

In all fairness, the Chief Executive has served in the Government for nearly 40 years, and his familiarity with the operation of the Government may even exceed that of any of his precedents. Since he took office, Hong Kong has faced a better environment. It is truly justified that the public should hold higher expectations of his policy address and believe his promises made in the policy address will be honoured during his term of office.

Furthermore, in respect of fostering harmony in the community, the policy address advocates the people-based approach, upholding social justice and encouraging fair competition. This shows that the SAR Government has a good understanding of the target of fostering harmony in the community as set down by the Central Authorities, and it deserves our support. Harmony does not only refer to that between people and between groups, it also covers harmony between people and the nature as well as between regions.

The policy address mentions that additional offices will be set up in Shanghai and Chengdu, other than those in Beijing and Guangdong, which is indeed a very good arrangement. As the relation between Hong Kong and the Mainland is getting closer and closer, it is necessary for the public to have a

better understanding of the Mainland. I hope that the offices of the SAR Government in the Mainland can enhance communication between the Governments of the SAR and the Mainland, and provide additional support services to Hong Kong residents and enterprises encountering problems in the Mainland, especially those small and medium enterprises, in a more prompt, direct and appropriate manner.

As regards the issues of minimum wages and standard working hours, which have been widely discussed for a long time, I notice that the Government has adopted a cautious approach. The purpose of the current practice, which has demonstrated a certain degree of flexibility, is to strike a balance between the aspirations of the labour sector and that of the business sector. The Government has taken the initiative to require service contractors to ensure that the wages of their non-skilled workers are not lower than the market level, and appeal to the business community to follow the level of average market wages when conducting recruitment. I consider this a pragmatic measure which helps employers to recruit staff following the laws of the market and in accordance with the principle of market economy, so as to safeguard the interests of more workers.

There are people of insight in the local labour and business sectors, and they have pointed out that minimum wages carry more disadvantages than advantages. It may result in more unemployment, especially those less competitive workers, such as the middle and old-aged workers or the disabled persons who lack working experience. When our economy prospers, minimum wages can offer protection to the workers; during times of economic adversity, however, it is difficult to follow such a standard and may even result in unemployment of low-income workers. I suggest that the issue of minimum wages should be considered in conjunction with the Comprehensive Social Security Assistance (CSSA). If the CSSA rates are set at a level too high, the incentive of the unemployed to rejoin the labour market will be dampened. The Government should, at the same time, consider adjusting the level of disregarded earnings of CSSA recipients, so as to encourage the unemployed to eat the humble pie and take up low-pay jobs. As for the issue of minimum wages and standard working hours, it had better be left to the Labour Advisory Board for further discussions.

I have to mention in passing that, I support the establishment of the Food Safety, Inspection and Quarantine Department to strengthen control on food

safety. Food safety not only concerns with the people's livelihood, it also affects economic exchanges. When the CGCC met with officials like Secretary Dr York CHOW sometime ago, it suggested that the Government should set a chemical standard with a view to exercising comprehensive control over different kinds of food, and establish a quality labelling scheme for Hong Kong products. I hope that the Government will continue to listen to views from the trade and engage in active communication with the Central Authorities, the relevant provinces and municipalities on the implementation of a notification system, so as to ensure a quality living and working environment for the people.

In general, I believe that with the SAR Government and all Hong Kong people joining hands to build and innovate, the future of Hong Kong will be even more buoyant and harmonious, be better able to make greater contribution to the country, thereby boosting the people's confidence in Hong Kong and improving their understanding of the country and affairs China. This is definitely more conducive to achieving a complete reunification and revival of our great nation.

(THE PRESIDENT resumed the Chair)

Madam President, I so submit.

MR TOMMY CHEUNG (in Cantonese): Madam President, I would like to focus this part of my discussion on minimum wages and maximum working hours. These two issues have been discussed in this Council many times before, and I believe that Honourable colleagues, and Bureau Directors in particular, should be fully aware of each other's stance. The Liberal Party and I both consider that the rigid setting of minimum wages and maximum working hours is not compatible with the overall interests of the community, and runs counter to the long-term development of Hong Kong. It may even undermine the interests of the grass-roots workers which they originally intend to safeguard because employers in many small and medium enterprises will probably be forced to close down as they cannot afford to pay the minimum wages. By then, the job opportunities for workers will further reduce, and it runs every risks of "killing them as a result of loving them too dearly".

I remember that Honourable colleagues have stated that the catering industry is one of the low-pay industries, because the average monthly salary of dishwashers, odd-job workers and dim-sum workers is just a little more than \$5,000. Therefore, there should be minimum wages to protect these workers. In fact, the majority of dishwashers and dim-sum workers in the catering industry are grass-roots housewives or jobless elderly persons who usually make use of their leisure time to do "part-time jobs" in restaurants near their homes. On the one hand, transportation time and costs can be saved, and on the other, they can enjoy convenience and great flexibility in taking up dishwashing, cleaning or dim-sum work to earn some extra dollars to help improve the family income.

Once minimum wages are introduced, employers will definitely turn to workers of a better quality and younger age. By then, even the entry requirement for dim-sum workers and dishwashers will be set at matriculation level, as well as an age between 18 and 22 years. Will these housewives and elderly persons still be employed to do odd-jobs?

The imposition of minimum wages will not only affect the employment opportunities of old-aged, low-qualification and low-skilled workers in many cases, it may even deal a heavy blow to the Hong Kong economy. I have talked to many foreign investors in the industry. They told me that, one of the main reasons for them not choosing to invest in their homeland, but far, far away in Hong Kong, is not to take advantage of the competitiveness of Hong Kong's catering industry. Rather, it is because there is legislation on minimum wages in their homeland, whereas Hong Kong is free from such worrying and frightening legislation. If Hong Kong also introduces such legislation, foreign investors may be frightened away.

Mr LEUNG Kwok-hung, who is sitting in front of me, has stated in this Council from time to time that — I have heard him mention twice — the rental in Hong Kong is exorbitant. Honestly speaking, even the famous "Tai Cheung Bakery" in Hong Kong was forced to close down as a result of the landlord doubling its rental. Fortunately, it managed to find another shop with a lower rental in the same street and is now reopened for business. Mr LEUNG Kwok-hung always says that shop rental is extremely high, and I have tried to tell him the highest cost for the catering industry is in fact wages, which is normally a multiple of shop rental. It is very difficult to find any food and beverage outlets that have to pay a rental higher than wage. Therefore, the cost that worries us most is wages. As shop rental is a fixed cost, so by the time the

contract was signed, we should be able to know when the rental will increase. Therefore, it is easier to adjust business operation in the light of the rental, but wages are rather difficult to control.

Last year, I discussed with Honourable colleagues about a restaurant in Shanghai Xintiandi which I patronized in December. The owner of this restaurant is a vivid talker. He told me that the restaurant was about 8 000 sq ft to 9 000 sq ft, with a monthly business turnover of around \$1.8 million. At that time, the rental was about \$180,000, but it has increased to \$350,000 this year. Since it is still financial viable, it needs not close down. This is attributable to the high business turnover of over \$1 million but merely \$120,000 of wage expenses. This restaurant is at the upper and middle ends in the market, and the average spending was around RMB 300 yuan per head. He told me that his restaurant was quite famous in Shanghai, and so he had planned to set up a similar outlet in Hong Kong. He had even come here for a site visit. However, he later found that in order to operate a business of a similar scale in Hong Kong, apart from the rental that cannot be saved — since the rentals in Shanghai and Hong Kong are more or less the same — the wages payable amount to \$400,000, while that in Shanghai are \$120,000 only. The difference of \$200,000-odd is crucial in determining the profits or losses of the business. He then gave up the idea of investing in Hong Kong and so tens of Hong Kong workers lost their job opportunities.

We must understand that, in relation to the catering industry of Hong Kong, the wage of a certain occupation is claimed to be relatively lower. However, if the wage of that occupation is increased compulsorily, such an increase may trigger off other increases such that "the boat rises when the river swells". If the minimum wage requirement is also applied to cleaning workers, can you imagine the increase in wage involved in respect of various occupations ranging from chef, head chef, executive chef, butchery, waiter/waitress, cashier, captain, supervisor to manager? In any event, will the wage of dim-sum chef be lower than that of a cleaning worker? Increasing the wage of one post will also push up that of the others. Therefore, we should never underestimate the issue of minimum wages.

Madam President, next I wish to talk about the seminal paper released by the renowned economist and Nobel laureate in economics, George J. STIGLER, in 1946, which rocked the economics sector. He pointed out then that the minimum wage might not necessarily protect the interests of employees because,

according to his findings, the number of workers employed would be reduced or even dispensed with, so as to avoid paying the minimum wage which they considered too high. As a result, the overall unemployment rate would be even higher. Therefore, he thought that a statutory minimum wage is a bad instrument to solve the problem of poverty.

In the policy address, Chief Executive Donald TSANG said that service contractors of all government departments and public organizations would promote the practice of minimum wage. Actually, we do not have strong opposition to it, which a number of Honourable Colleagues have already indicated in their speech. However, we have reservations about the Government's call on the business sector to follow this practice. It was because the so-called average wage introduced by the Government has some conceptual problems. Our Party Chairman, Mr James TIEN, has spoken on it earlier and so I am not going to discuss any further.

Furthermore, let me cite another overseas example. As we all know, there is legislation in the United States on minimum wages and maximum working hours, and yet as we are aware, the problem of "illegal employment" is serious. It is estimated that the United States currently has at least 1 million "illegal workers" whose average hourly rate is below the statutory level. Take the Chinatown in New York as an example, the average hourly rate of an "illegal" waiter in a restaurant is US\$4.15, which is lower than the stipulated US\$5.15 set by the New York State Government. The working hours of these "illegal workers" can be as long as 12 hours daily, for six to seven days a week. The problem of "illegal employment" is still rampant in the United States despite sustained enforcement actions. One of the main reasons is the low wage and their willingness to work. Many employers know that this would break the law but deliberately choose to do so, merely to save costs. The jobs of many local workers are thus snatched by these illegal workers. May I ask Honourable colleagues, "Do you want to see the proliferation of similar problems to 'illegal employment' in Hong Kong by enacting a 'minimum wage legislation which appears to protect but in fact hurts the workers'?"

As for maximum working hours, the French Ipsos Poll released in last July pointed out that 90% of the respondents welcome more alternatives in their working hours, including the permission to negotiate for an extension of working hours between employers and employees. The findings also indicated that even the French, who have long been regarded as people indulging in comfort and

enjoying life, want to work longer hours. Therefore, it reflects that the system of maximum working hours is already outdated. In addition, the number of working hours of hourly rated workers is subject to their personal preference and their deal with the employers. Although the working hours for some jobs are relatively longer, they have been reflected in the pay, and the case is particularly obvious in the catering industry. Therefore, I think it is not necessary for further intervention by the Government.

Madam President, I so submit.

MR LEE CHEUK-YAN (in Cantonese): Madam President, concerning the entire policy address released by the Government, I said yesterday that the pace of democratization is really like a snail's crawl.

The policy areas covered by this debate session are economic services and labour. I think that the greatest failure of this policy lies in helping the poor as the Government is merely paying lip-service. The Chief Executive keeps saying that he is concerned about the unemployed and he feels as the people feel. I would like to ask the Chief Executive, the three Secretaries of Departments and 11 Directors of Bureaux: Does the Government have any substantive policy to help the poor extract themselves from poverty?

The Government often says that economic growth is of the utmost importance. However, the present situation is there for all to see. How can there possibly be any economic growth? The general public cannot share the fruits of the prosperity in Hong Kong. The disparity in wealth is getting greater and it is possible for the wealth of the rich to grow substantially. We can see that property prices are higher than those before 1997. People who have profited from the brisk sale of luxury properties are those who are successful. Just now, a Member mentioned the hefty increase in the rental of the former shop premises occupied by the Tai Cheong Bakery. People who have profited from the runaway shop rentals are those who are successful. Property prices, finance and shop rentals have accounted for all the economic growth in Hong Kong.

The general public, especially poor people who have fallen into the vicious circle of poverty, do not even have the chance to get a share of the fallen bread crumbs. Those who are receiving low wages have still less hope of getting a pay rise. People getting low wages and the unemployed have in fact little

chances of finding employment. Therefore, problems such as unemployment, low wages, working poverty, and so on, are still besetting us. Throughout the policy address, there is not any proposal that can solve this fundamental problem of wealth disparity in practical terms.

Therefore, Madam President, we in the Hong Kong Confederation of Trade Unions support the amendment proposed by Dr Fernando CHEUNG and hope that all of us can express our regret to the Government in the same clear terms. Just now, I have been making appeals to the FTU because I know that they have no intention of supporting Dr Fernando CHEUNG's amendment. Since the Government has described the situation as so perfect, they should also express their regret over this. I believe there is no reason for not doing so. Leaving democracy aside, on this issue, I have deliberately arranged for Dr Fernando CHEUNG and Mr LEE Wing-tat to raise the issues separately and for Dr CHEUNG to talk about helping the poor, so that we can bombard the Government together on this issue of helping the poor.

I think we must make it clear to the SAR Government that it is not doing enough to help the poor. If the Government really wants to deliver results, the Secretary surely knows that what we ask for is legislation on a minimum wage. We believe that if we do not set a minimum, the level of wages will only slip backwards and workers can never share the fruits of economic success. However, all that the Government has done is to make appeals and call on the business sector to take the appeals into consideration. The Secretary said that this was the most pragmatic approach. I feel most sorry for him because the most pragmatic action that he can take is only to make appeals. I think that the most pragmatic approach is to legislate. This is the right of the Government. The Government has the power to legislate. I am sure that if the Government can introduce a bill, enough votes can be secured in this Council to pass it. There will be enough votes to pass the bill in this Council as long as there is no separate voting. Madam President, I believe that the most practical approach is to expedite the legislation process.

Of course, just now, I heard Mr Tommy CHEUNG present some specious arguments to explain why setting a minimum wage is not desirable. I think he has insulted women by putting forward the trite argument that women work in society just to make contributions to household expenses. That is no longer the case nowadays. Sometimes, when the husband in a family becomes unemployed, the wife has to work in society to support the living of the whole

family with the wage she earns. When Mr CHEUNG spoke for the Tai Cheong Bakery again, he said that it did not matter if shop rentals increased because it was excessively high wages that hurt most. However, if the wages for all workers in the catering industry in Hong Kong are reduced, no one will patronize restaurants and consumption throughout Hong Kong will slump. Therefore, Members should not regard wages as the greatest enemy of the bosses in the catering industry. Otherwise, we can simply stop going to restaurants or patronizing any eateries since we have no money to spend.

In fact, it is for the sake of the catering industry that we demand setting a minimum wage as people will then have money to support their families and take their children to a tea treat. Even such a humble request has drawn a lot of flak. Let us leave the discussion on minimum wages to the next debate. If the Government is not going to do anything other than making appeals, it is not doing justice to the workers in Hong Kong. I can only say that it is a heartless Government that is insensitive to the plight of the people. I feel really lost for words and can only use the word "disappointed" to describe my feelings.

Secondly, regarding work hours, Mr LAU Chin-shek once proposed a five-day work week system in the hope that it will allow workers to get a breather. This is also good for the Hong Kong economy and will stimulate consumption. It is also hoped that workers in Hong Kong can have their own free time. In fact, we should further regulate the working hours so that workers can spend time with their families. The word "family" is mentioned in the policy address this year a number of times. If the working hours are not regulated, how can wage earners in Hong Kong spend time with their families? More than 700 000 workers in Hong Kong have to work for more than 60 hours weekly. How can they possibly enjoy family life? If we say that we attach great importance to family life, we should at least regulate the working hours and should not make workers in Hong Kong toil away like slaves.

Thirdly, regarding job opportunities, in delivering his policy address, the Chief Executive announced that 200 posts would be created in the construction industry. At that time, I felt sweat dripping down my forehead. If he has to make an announcement merely because 200 posts will be created, the situation is surely far from optimistic. It sends a very bad message. I hope that in the next report, the Government can state clearly how many billions of dollars will be committed to development projects and how many jobs will be created, and I

also hope that more jobs can be created. I am not asking the Government to report anything arbitrarily but to really create more jobs, not just 200 jobs.

Even though construction projects will be launched, we still have to solve the problem concerning the procurement agreement. As Secretary John TSANG knows, and we have also pointed out in a number of discussions with him, that only the Hong Kong Government is so stupid as to be willing to sign the procurement agreement. Of the more than 100 countries throughout the world, only 26 countries are willing to bind themselves in such a rigid manner, consequently, all manufacturing processes can only be carried out on the Mainland. For example, all uniforms used in Hong Kong are manufactured on the Mainland and the entire manufacturing process of all these garments also have to be carried out on the Mainland. If this problem cannot be dealt with properly, Hong Kong will be rigidly bound by this WTO agreement which will have negative effects on employment in Hong Kong.

Just now, Members have raised issues relating to working hours. I think that one point relating to working hours and job opportunities is that, if the working hours of workers in Hong Kong are regulated, workers will not be exhausted physically and mentally, furthermore, more job vacancies will become available. I really hope that in order to create more job opportunities, the Government can reduce the working hours, so that more job opportunities can be created. Moreover, the Government can also introduce a five-day work week system to create more jobs, handle the WTO agreement properly, launch more construction projects, and so on.

I would like to talk about job placement services. Of course, I welcome the establishment of a job placement centre in Yuen Long. However, I hope that the Secretary can consider providing a one-stop service by centralizing all services, including the collection of Comprehensive Social Security Assistance, counselling and job placement services, under the job placement centres of the Labour Department so that people do not have to bustle about. Moreover, the centres should also accept applications for a "job-seeking allowance", so that the unemployed will not feel utterly helpless.

Lastly, I would also like to further talk about the issue of the non-payment of wages. Madam President, I do not object to increasing the fine. However, directors must be held responsible for non-payment of wages. If the current legislation is not amended to hold directors responsible for the non-payment of

wages, no deterrent effect will ever be achieved. Therefore, the current legislation is not effective and must be amended. Finally, the Government still owes us a piece of legislation against the discrimination of trade unions. I hope that the Government can tell us when this piece of legislation will be enacted to safeguard the right to join labour unions. Thank you, Madam President.

MR PATRICK LAU (in Cantonese): Madam President, the new economic revival measures proposed in the policy address include setting up a Mainland Affairs Liaison Office, co-ordinating the regional co-operation between Hong Kong and the Mainland, strengthening the networks of our representatives in the Mainland and Europe, and boosting Hong Kong's economic and investment interests. While the idea of setting up a mainland office is worth supporting, the office at present is merely able to play a passive role by purely providing assistance to Hong Kong residents seeking help. It will be even better if the mainland office can further enhance its functions by turning its role from passive to active to proactively help Hong Kong enterprises to explore business opportunities in the Mainland.

Owing to the lack of an extensive flow of information and the absence of an official website to centralize the release of information, professionals in Hong Kong can hardly access information about the Mainland's works projects or tender notices. Offices set up in the Mainland would be better able to, if they could provide diversified services including publishing the information collected on their official websites in a centralized manner and playing the role as an intermediary to assist in liaison work, help local professionals explore mainland markets in a more concrete manner, in the same way as foreign consuls-general in Hong Kong proactively introducing to their own enterprises opportunities for regional commercial collaboration in Hong Kong.

Under the CEPA framework, Hong Kong enterprises are encouraged by the Central Authorities to go northward to start up businesses and strive for business opportunities. Insofar as the development of professional services is concerned, however, only lawyers currently find it easier to practise in the Mainland. It is still not easy for other professionals, such as architects, surveyors and planners, to do likewise in the Mainland. Despite mutual recognition of professional qualifications, it is virtually impossible for small and medium enterprises and young professionals to cross the threshold owing to the

requirements of start-up funds and professional qualifications, and the exceedingly high threshold for joint ventures and consolidated business.

The professional sectors therefore earnestly hope that Hong Kong people can be treated in the same way as other Chinese nationals for mainland provinces and cities have already succeeded in lowering the start-up business requirements for local professionals. I hope that this preferential treatment can be extended to Hong Kong professionals as well, for this will be of immense help to our professional sectors.

Madam President, the Tourist District Enhancement Programme, capable of improving the community environment, attracting tourists and promoting economic development, is an excellent initiative. However, I am quite disappointed that improvements will be focused on tourist spots only. I hope that this is only a start and improvements can be gradually extended to the community environment of all districts. On the other hand, the Government must, in developing tourist spots, give due regard in planning to the harmony between an entire community and its surrounding environment, particularly the development of conservation areas. Priorities must be accorded to conserving areas of ecological value or easily susceptible to environmental factors. The original characteristics must not be damaged for the sake of developing tourism.

Madam President, the policy address undertakes that, in formulating public policies, the development of local employment opportunities will be made a prime consideration. The unemployment problem in the New Territories is particularly serious — it was discussed by a number of Members from the labour sector earlier too — because the New Territories residents cannot afford the exorbitant transportation expenses. Furthermore, not only will they have to travel long distances, it is inconvenient for them to work in the urban areas too. To tackle the unemployment problem in remote areas, the Government must start by planning to facilitate residents in remote areas in finding jobs in their own communities. Therefore, it is an excellent idea to set up employment centres in Yuen Long and North District. This can encourage the residents to actively seek employment and help them take up employment in their own districts so that they can become self-reliant and help one another as well as themselves. Nevertheless, securing employment is of vital importance. Therefore, in the long run, I still hope that the 18 districts can be planned in a community-oriented manner so that various small communities will be equipped with compatible

comprehensive support facilities to provide suitable employment opportunities to the people living in the districts. Thank you, Madam President.

MS LI FUNG-YING (in Cantonese): Madam President, in the section on the protection of labour rights in the policy address, it is clearly stated that "despite the economic recovery, some employees have yet to see any improvement in their livelihood". The Chief Executive also expressed that he deeply appreciated the difficulties faced by the working man and woman. However, regarding the fight for setting minimum wages and standard working hours of the labour sector, why does the Government have to delay it continuously, refusing to put it into practice after all? I am extremely disappointed about this. To alleviate the employment problem faced by some 200 000 unemployed workers, I hope the Government can give serious consideration to the working hours issue. We have put forth proposals on a five-and-a-half-day work week, and Mr LAU Chin-shek has raised the issue of five-day week just now. I hope the Government can give active consideration to this.

Since the SAR Government is the largest employer in Hong Kong, it does have the responsibility to take the lead in protecting labour rights. I am glad to note that starting from the Labour Day last year, the Government has required contractors of outsourced service contracts to pay their non-skilled workers wages not lower than the average market level, and that the arrangement has been promoted to all public organizations, subvented organizations and aided schools gradually. However, as a responsible Government, in view of the numerous wage earners working in the private sectors who are still in deep water at this very moment, could it still remain completely indifferent? At present, the problem of exploitation and oppression of workers of government outsourced services still persists. The methods employed by some employers in exploiting the rights of their employees come in an inexhaustible variety. I thus hope that the Government will continue to step up its effort in this respect to further crack down on and punish these unscrupulous employers. At the same time, I hope the Government will review the demand for its services and the effectiveness of the outsourcing arrangement, and temporarily stop the release of new outsourcing items.

Though the Government emphasizes the continued promotion of economic development, it has failed to formulate any employment policy suitable for the economic development of Hong Kong. For example, according to the

assessment of some organizations, upon the integration of the economy of Hong Kong and the Pan-Pearl River Delta in the Mainland, Hong Kong will loss tens of thousands, or even hundreds of thousands, of jobs. What countermeasures does the Government have? Has any assessment been made? A number of Members from the labour sector have already mentioned that despite the signing of the Agreement on Government Procurement and the General Agreement on Trade in Services under the World Trade Organization by the Government in 1995 and 1997 respectively, over the past decade and so, no assessment has been conducted on the effects caused by the signing of these agreements on the employment of local workers and the entire labour market. I hope the Government will conduct a comprehensive review of the influence of all the agreements signed on the local job market.

In the past few years, the number of non-civil service staff in the SAR Government has been constantly expanding, with the present number of non-civil service staff standing at more than 15 000. Some of these employees have been employed for more than seven years, which clearly reflects the actual need of these contract posts. Besides, the salaries, benefits and treatment of non-civil service contract staff and that of permanent staff in the same department are different. If the Government continues to employ contract staff on the excuse of short-term demand, this is undoubtedly an exploitation to them. It will not only dampen the morale of non-civil service contract staff, but also significantly affect civil servants, dampening the spirit of co-operation of the entire team and affecting the quality of services provided by the Government. I strongly demand the Government to include posts which have been on non-civil service contract terms for a long period of time into its permanent establishment, thereby providing fair and reasonable rights and benefits to these employees.

Madam President, recently, a group of single parents on Comprehensive Social Security Assistance (CSSA) have reflected to me some of their opinions on employment, which I would like to share with all of you here. For single parents on CSSA, it is no easy task to be self-reliant, for most of them have to take care of their families and young children. More often than not, working hours and location of a job are obstacles they have to face in job-seeking. They suggested that the Government should implement effective measures to actively assist the placement of single parents. For example, assistance in job placement should be provided to these parents according to their skills and the actual situation of their families; flexible working hours should also be promoted in society, so that single parents may take care of their work and their family.

The policy address also mentioned that the Government was considering the introduction of a new admission scheme. Under the scheme, a certain number of talented people from the Mainland and overseas who meet specific eligibility criteria will be allowed to stay in Hong Kong for a certain period of time, without meeting the requirement of securing an offer of local employment beforehand, so that they can decide whether they want to develop their career in Hong Kong on a long-term basis during their stay. As a representative of the labour sector, I must remind the Government that before the introduction of this policy, it must give careful consideration to the influence to be brought about by this policy on the employment of local workers, and that agreement of the labour sector must be sought before any decision is made.

Recently, the Government, together with the textile sector and the trade unions concerned, has commenced negotiations on human resources. The trade unions are open towards this. However, given the imposition of quota on textiles from China by the United States and European countries and heavy tariffs levied by the Mainland, some trade unions worry whether manufacturers returning to Hong Kong may only aim to seek shelter from these troubles and take advantage of the specific policy here to get benefits, but will pull out of Hong Kong after the troubles are settled. I express my worry in this respect and hope that the Government will face the problem squarely.

To enhance the quality and competitiveness of our labour force, one of the most important tasks the Government must do is to encourage the working man and woman to draw up their own advancing roadmap and set their target for lifelong learning. Therefore, I support in principle the establishment of the qualification framework for employees by the Government. However, both the Federation of Hong Kong and Kowloon Labour Unions and I have reservations about the present approach and arrangements for implementation. All along, the Government has not set out clearly the outline and concept of the implementation of the entire qualification framework to enable the community at large to gain a good understanding of it. Besides, the Government insists that consultation on Industry Training Specifications should be conducted first, while discussion on the Recognition of Prior Learning mechanism has to be postponed to the very last moment. Such an approach is putting the cart before horse and may induce worry that a "licences for employment" system will be formed imperceptibly in the labour market, such that employees who may have to encounter more obstacles in future in employment and changing jobs will feel insecure and anxious — though they are not directly killed by it, they died

because of the policy of the Government. I hope the Government will pay heed to the views of the labour sector.

Madam President, finally, though this session is not intended for discussions on transport issues, I would like to point out that, insofar as the merger of the two railway corporations is concerned, wage earners after all worry that their "rice bowls" will be broken, which means losing their jobs. Therefore, I would like to stress once again here that the Government and the two railway corporations, in the course of discussing the merger plan, must take into consideration the job security of existing staff, ensuring that they will not fall victims to the merger plan.

Madam President, I so submit.

MR RONNY TONG (in Cantonese): Madam President, the Chief Executive has devoted one whole page in the policy address to expounding his concepts of fair competition policy.

First of all, I would like to say that we must acknowledge this: In comparison with the former Chief Executive, Mr TUNG Chee-hwa, the incumbent Chief Executive Donald TSANG is more pragmatic and open-minded in handling this issue. In particular, he has for the first time pointed out that the enactment of a fair competition law is not intended for intervention in the market; instead, it is an attempt to actively uphold the market order and fair competition. I think this point deserves our affirmation. However, I would also like to share a little story with you. This Monday, I joined other Honourable colleagues in meeting with Mr Eric RIPPER, Deputy Premier of Western Australia, who was paying a visit to the Legislative Council. When we discussed the issue of fair competition legislation in the meeting, he made a remark that made me feel ashamed. After listening to a question raised by me on fair competition legislation, he made the remark in a surprising tone, "Hasn't Hong Kong always been regarded as the freest economy in the world? Why isn't there a fair competition law?" I felt very ashamed, so I explained to him that we had not enacted any fair competition law because our Government said that Hong Kong was the freest economy. This has fully illustrated the absurdity of the SAR Government on this subject, especially in the era of the former Chief Executive, Mr TUNG Chee-hwa.

The fair competition law itself is by no means an intervention of our free economy. On the contrary, it is an important foundation stone for consolidating our free economy. Some 30 years ago, there was a famous anti-trust case in the United States. The judge highlighted the following in the judgement, "The Anti-trust Act is the Magna Carta for free enterprises. It protects our economic freedom and our free enterprise system in the same significant way as the Bill of Rights protects our basic freedom."

With regard to the justifications for enacting a fair competition law, I have mentioned them on many occasions, and I have also compiled all my viewpoints into a report that has already been submitted to the Chief Executive. Therefore, I do not intend to repeat them here. All I want to bring up now is but one point, which is very important. The Chief Executive, Mr Donald TSANG, said that more studies would be conducted. In fact, this is not good enough. We must speed up the process so as to make up for the time lost in the past. This is not the time for discussing whether a fair competition law should be enacted. Taking a retrospective view of past circumstances, we know that the issue was first brought up by the former Governor, Mr Chris PATTEN, in his policy address in 1992. Subsequent to that, we have been discussing the subject for 13 years. And eight long years have silently passed since the Consumer Council released its report on the overall review of the fair competition policy in Hong Kong.

During this period of over a decade, arguments on the pros and cons of enacting a fair competition law have been made over and over again in society. Before we realize it, the competitiveness of the economy of Hong Kong has been overtaken by other markets. In comparison with our neighbouring countries in Asia, or over 80 other countries that have enacted fair competition legislation, we are witnessing the gradual decline of our competitive advantage which has been built up by us painstakingly during the past several decades. Our position on the international competitiveness ranking list has seen a gradual decline.

We have already been treading on the wrong track for 13 years. How much surplus competitive advantage we can still afford to lose to support our endless and repeated discussions and reviews? We should not waste any more time on such deviant tracks. What is right before us is no longer the issue of whether a fair competition law should be enacted. Instead, we should proceed to study how to formulate a fair competition mechanism which is suitable for the small and externally-oriented economic structure of Hong Kong, so as to ensure

that Hong Kong can maintain its competitiveness in future, and to better prepare it for competition with other territories in the world.

As Chief Executive Donald TSANG said in the policy address, over 80 jurisdictions in the world have already formulated comprehensive competition laws. When we formulate such a mechanism, we may take reference from the experience of these countries, so as to avoid making such a law excessively stringent. I hope we can take this opportunity to rectify this problem.

Madam President, I would also like to discuss the problem of low income. In the past, I have repeatedly brought up this issue in the Economic and Employment Council; and in my meeting with the Chief Executive, I have also raised this issue. Today, many Honourable colleagues have mentioned a lot of points on this issue, so I need not repeat them here. All I want to say is that I very much agree with their viewpoints. In Hong Kong, the problem of low income is really a problem, which we cannot simply dismiss as if it is non-existent. If we just act as if this problem does not exist at all, then we are just deceiving ourselves. With 370 000 persons earning less than \$5,000 a month in Hong Kong, this figure represents a substantial increase over the previous year. The number of people in this category seems to be increasing year on year, and this may be one of the reasons accounting for Hong Kong's top position on the wealth gap list of the world.

As far as I understand it, the problem of low income is attributable to two important factors, and the first one is of course low income itself. In this Chamber, most of the Members share a common view on the issue, and I need not repeat the points in support of this argument. Another factor is, many Hong Kong people prefer part-time jobs to full-time jobs because the wages of some full-time jobs are even lower than the Comprehensive Social Security Assistance (CSSA) payment. In my meeting with the Chief Executive, I already made a suggestion to him in this regard, in the hope that he could consider adjusting upward the ceiling of the income waiver for CSSA recipients, so that the grassroots can have the chance to accumulate their savings through doing full-time jobs and may later relinquish their status as CSSA recipients for good. I had put forward a concrete proposal to the Chief Executive, yet much to my regret, evidently he had not accepted my proposal. However, the fact that the Chief Executive has not accepted my proposal is unimportant. I just hope to

take this opportunity to urge everyone to really face up to this problem. Do not regard it as if it is non-existent. Sweeping the problem under the carpet is no way of addressing it. I hope the Government can come up with a more concrete solution to this problem, so as to let us know that Chief Executive Donald TSANG really possesses the abilities to lead us.

Thank you, Madam President.

MR ABRAHAM SHEK: Madam President, economically, the Chief Executive's policy address will not go down in history as a remarkable piece of document of economic visions or directions, but it is being recognized for its pragmatic approach in providing realistic solutions to address economic problems which have been haunting us for the past seven years with little or no relief.

The record-high unemployment rate in the construction industry still lingers in our midst and brings with it economic woes for society, as its 300 000 workers embrace about one seventh of our total population. Apart from the normal \$29 billion annual spending on infrastructural projects, the Chief Executive promised to reactivate a number of smaller projects under the two former Municipal Councils. Also, the introduction of the Tamar project is another step in giving a shot in the arm to the dying construction industry with much needed job opportunities amounting to 7 000 jobs. I am in support of these measures. The construction industry is supportive of the Government's policy and is ready to accept the challenge. Now, it is the Government's part to fulfil its promise.

Madam President, in the absence of the Secretary for Home Affairs, I urge him to take seriously the words of the Chief Executive regarding community projects under his very control. Unfortunately, he has been sitting heavily on these projects for as long as he has been our respected Secretary, whilst our workers have been sitting out in the cold waiting for jobs. Mr Secretary, achieving harmony in society is under your tender care; if there is not enough work for 300 000 workers and 1 million people whom they have to support, we are not going to have harmony in society. The Chief Executive has spoken and it is now for you to deliver. Please go ahead with these community projects.

Madam President, Hong Kong's economic miracle is not built on government initiatives or the imaginative economic vision of the yesteryears under the TUNG era. Rather, it was built on the hard work of our people and that of the visionary business community, their resilience to economic storms, the rule of law, respect for contract, a stable and clean government, and also the Government's policy of active non-intervention under the Financial Secretary's philosophy of "market leads, government facilitates" or "big market, small government".

Our economic resurgence in the last three years has been miraculously achieved and in no small measures, due to the Financial Secretary's efforts and those of his team in the financial and economic sectors in engaging in a well fought-out economic defensive war. Being successful is one thing, but we must not be a victim of our own success. For this, I must caution the Administration that it must not endanger the very foundation on which our success is built — that of market independence and freedom to grow according to its course with the least government interference.

In the Chief Executive's policy address, he touched on two sensitive and important issues which could be interpreted or even perceived as "interfering". My colleagues from the Liberal Party have spoken a lot on this subject already. These issues are minimum pay and competition law. It is without doubt that the business sector is supportive of all forms of competition, and jealously guards the environment of level playing field in business. Equally, all businessmen believe in caring for their employees who are their most valuable assets, and will ensure that they do share their economic benefits. Nevertheless, they are cautious in supporting the need for legislation on minimum pay and a cure-for-all competition law. Whilst appreciating the fact that the Government is facing intense pressure from the labour and the democratic camp for introducing this legislation, I urge the Government to be careful — very careful — in striking a balance between ensuring the preservation of an environment which fosters present and future economic growth and achieving an ideal equalitarian society. Popularism is never a guide to good government, and exploitation of workers is definitely a bad policy for the Government, and also for the businesses. Hong Kong is definitely not in this category.

On another aspect, the Government is to be commended for trying to create an environment which encourages and facilitates economic and business growth by getting rid of unnecessary government bureaucracy and improving

efficiency. It is not going to be an easy task but at least, it is a right direction. The Economic and Employment Council is definitely a step — as I said earlier — in the right direction, but its success is yet to be seen, as its out-of-the-box philosophy has yet to be accepted by many government departments, particularly the Lands Department and the Buildings Department. I shall elaborate on these subjects later in the subsequent sessions.

Our future economic growth must not only rely on the traditional pillars, such as financial services, tourism, tertiary services, and so on. We must look to divest and explore new avenues of opportunities. The "Nine plus Two" is the new economic light at the end of the present economic tunnel. "Nine plus Two" is not a merely political or economic slogan. It is in fact our very survival platform for the next 20 to 50 years. The Pearl River Delta (PRD) Region is the world's factory for producing consumer goods for the developed nations. It will remain in this position until the western nations could find another country which could produce as efficiently and cheaply as the PRD Region, and as docilely in accepting environmental problems as the PRD Region. The answer is very simple: There is none. So, the PRD Region's position and the Pan-PRD Region are here to stay and grow. The scope of development potential is boundless and offers opportunities which we have yet to see.

Hong Kong must not think in terms of the context of Hong Kong; we must think in terms of China's economic context, particularly that of the Pan-PRD Region. We must preserve our leading position as the economic engine of the world and consolidate further growth and leadership for we have the capital resources (we are one of the biggest investors in the PRD Region), the people and talents, our rule of law and a natural harbour. The success of "Nine plus Two" will be a testimony of the success of "one country, two systems". In this context, I urge the Government to establish an economic policy to foster the growth of "Nine plus Two". I have also noticed that the Administration has taken a major step in establishing the Mainland Affairs Liaison Office and the setting up of trade offices in Shanghai and Chengdu. The Administration must be congratulated on this.

Apart from the infrastructural development along the Western Corridor and the New Territories and also the other logistic projects, such as the future mega Hong Kong-Zhuhai-Macao Bridge, we should also try to develop aviation connectivity. In this context, Hong Kong should introduce helicopter service between Hong Kong and the lead centres of the PRD Region. This service will

not only cut down travelling time between Hong Kong and these cities for the overseas buyers, but will also consolidate our position as a centre for headquarters to be established here. Finally, I am surprised to notice the absence in the Chief Executive's policy address of a policy as to what our Government is going to do if avian flu is to be descended onto us. Such a threat — as what we had experienced in the SARS case — is quite imminent. So, I hope the Government could actually tell us if there is an economic policy in place in the likely event of an avian flu.

Finally, Madam President, I am in support of the part on economic policy as contained in the policy address.

MR SIN CHUNG-KAI (in Cantonese): Madam President, the greatest uncertainty for the Hong Kong economy currently is not high oil prices but the outbreak of an avian flu that is transmittable from human to human. The newspapers report today that a major avian flu outbreak has occurred in Anhui and Hunan Provinces. Hong Kong is a transit point for migratory birds in their migration southwards. Each year, tens of thousands of migratory birds from Siberia will stop over in the Mainland, come to Hong Kong and then fly onwards to Australia to pass the winter there. It is highly unlikely that Hong Kong can remain untouched by an outbreak. According to the Government's estimation, if an outbreak capable of human-to-human transmission occurs, 1 million people in Hong Kong may become infected and 500 000 people may die.

The experience in battling SARS tells us that through the use of information technology, the capability of corporations in reacting to contingencies can be enhanced and employees can continue to work at home with the help of the Internet, so that various types of business activities or the basic operation of institutions can be maintained. Therefore, the Government should take precautions and step up the publicity directed at corporations and public organizations, in particular, at various trades or organizations that have a direct bearing on important economic activities or the daily life of the public, for example, finance, banking, public utilities, transportation and government departments, to remind them of preparing contingency measures in advance, for example, by issuing home-office guidelines and checking their information technology (IT) equipment to ensure that the relevant facilities can cope with a possible outbreak in the future.

Madam President, having talked about the challenges that Hong Kong has to face in the short term, I wish to talk about assisting Hong Kong businesses in expanding their market.

The Democratic Party is of the view that since Invest Hong Kong and the Economic and Trade Offices (ETOs) overseas are presently both responsible for attracting foreign investment to Hong Kong, this has led to duplication in the use of resources. The Democratic Party holds that the Government should assign the work of attracting foreign investments to Hong Kong to Invest Hong Kong, whereas the 10 overseas ETOs should devote their efforts to assisting Hong Kong businesses in developing their businesses in overseas markets, for example, to provide business matching services to Hong Kong businesses and help various trades and industries in Hong Kong develop quality brands, so as to enhance their competitiveness in the international market.

The Democratic Party supports setting up two more offices on the Mainland, that is, to set up offices in Shanghai and Chengdu, in addition to those in Beijing and Guangzhou. Apart from engaging in work relating to public relations and publicity, they should also make assisting Hong Kong residents on the Mainland their primary task, including helping Hong Kong residents doing business on the Mainland relay to the mainland authorities instances of a lack of co-ordination in policy enforcement or instances of non-compliance with the law, and to safeguard the lawful interests of Hong Kong businesses.

On the development of the mainland market, I believe that many sectors, for example, the IT sector that I represent, have high hopes on CEPA III. We hope that the work on CEPA, as the Government says, is ongoing and through the further opening up of the trade in goods and services between the two places, more business opportunities can be created for Hong Kong companies and professionals.

Unfortunately, the scope of the liberalization measures set out in CEPA III, which was announced recently by the Government in mid-October, is indeed disappointing when compared to that in CEPA I and CEPA II. Take the IT industry as an example. In April last year, together with eight local associations in the industry, I met Secretary John TSANG, who was responsible for CEPA negotiations with the Mainland, to explain to him the expectations of the industry on CEPA III and make proposals on how to secure more liberalization measures under CEPA for the industry in Hong Kong. We also prepared a detailed

proposal setting out nine recommendations, for example, IT companies in Hong Kong should be entitled to treatment accorded to Chinese nationals, as their mainland counterparts are; Hong Kong companies should be allowed to obtain business licences the scope of business of which is the same as that for mainland IT companies; products made by Hong Kong software companies should be classified as the domestic commodities and services as referred to in the Law of the People's Republic of China on Government Procurement; the procedure for and the time it takes Internet games produced in Hong Kong to be approved should be curtailed; in dealing with the products made by Hong Kong companies, an approval framework the same as that for their mainland counterparts should be adopted, and so on. We hope that when the SAR Government discusses with the Mainland, it can strive for the implementation of the aforesaid proposals on behalf of the industry. Of course, I believe that Secretary John TSANG did seek to put in place these proposals on behalf of the industry after receiving the proposals were submitted to him, however, the fact remains that a lot of these proposals have yet to be put in place. The sector is actually very disappointed with CEPA III.

I understand that in the trade and discussions between the two places, the Mainland may not necessarily be willing to accede to whatever request made by us. However, the point is that even on proposals for which the SAR Government has expressed support, we have not got any response from the Mainland. Where does the problem lie? Is it because officials of the SAR did not relay the views of the industry in Hong Kong to the mainland authorities adequately? Or is this because officials on the Mainland do not have an adequate understanding of or have little confidence in the industry in Hong Kong? No matter what the reason is, the industry will be happy to explain our proposals in detail to the mainland authorities. I still remember that in the first half of this year, Secretary John TSANG undertook to arrange a visit to Beijing for the IT industry, so that the industry can explain directly to the mainland officials in charge of CEPA. Unfortunately, even though CEPA III has been announced, this group visit to Beijing has not yet materialized. However, we still hope that the discussion on CEPA IV can commence. I believe that making arrangements for various industries to visit Beijing for direct explanations to the corresponding mainland departments will make it possible for us to win them over to our position.

Madam President, apart from strengthening economic and trade co-operation between the two places under the framework of CEPA, it is also

desirable for the SAR Government to discuss, on the platform of the Pan-Pearl River Delta Region, for example, on the basis of the "Nine plus Two" arrangement as mentioned by Mr Abraham SHEK, with the nine provinces about the infrastructure developments in Hong Kong and the nine provinces, for example, the planning of container terminals and airports and the development of road and railway networks, so that people and goods on the Mainland can be transported to Hong Kong more efficiently.

More specifically, Hong Kong should improve its connections with the transport network on the Mainland, for example, to implement the co-location of immigration and customs clearance in Lok Ma Chau as soon as possible, to improve the boundary-crossing facilities at Man Kam To and to build the Hong Kong-Zhuhai-Macao bridge as soon as possible, so that goods on the Mainland can be transported to the container terminals in Hong Kong faster and more cheaply, and then exported overseas. Of course, the construction of Container Terminal 10 will make it possible to introduce new terminal operators and hence lower terminal handling charges, thus making it possible for Hong Kong to compete with the Mainland.

On the other hand, the Hong Kong Government should develop its air service rights to overseas destinations and improve Hong Kong's international aviation network. More importantly, it is necessary for Hong Kong to open more air routes to the Mainland, in particular, to central China and increase the number of flights to more destinations on the Mainland, so as to make it more convenient for mainland residents to go to various places in the world via Hong Kong. This will be conducive to making Hong Kong an aviation hub in Asia.

As regards new high value-added industries, education and health care services in Hong Kong still possess an edge over those on the Mainland. Moreover, they will continue to have an edge in the short term. However, since these two industries are still being dominated by the public sector, the Government should adopt some facilitating measures such as allocating funds to universities, building more student hostels and academic buildings, so that tertiary institutions can have adequate facilities to cope with additional intakes. What is more, it should include educational services in the discussion on CEPA and allow tertiary institutions in Hong Kong to operate on the Mainland as sole proprietors, so that tertiary institutions in Hong Kong can be put in a position to develop this high value-added industry.

When it comes to high value-added industries, it is not possible to skip the IT industry. It cannot be denied that IT is one of the important pillars of a knowledge-based economy. Measures to promote the development of the IT industry or policies to promote the more extensive use of IT in society will be favourable to both the IT industry and to the development of the economy as a whole.

Concerning promoting the development of the IT industry, the industry has already proposed a number of times that a lot of business opportunities will become available if Hong Kong and the Mainland can work together to secure outsourcing contracts in IT projects in overseas markets or projects on establishing an electronic government carried out by the mainland authorities. Unfortunately, in the policy address this year, the support measures in this regard are still rather limited.

In promoting the use of IT in other areas in society, I am glad to see that the Government plans to make IT play a greater role in medical services. However, it is not enough to just apply IT to medical services. IT should also be applied to such areas as transportation and housing. Take the serious traffic congestion that occurred in May last year as an example, of the more than 50 improvement measures recommended by the investigation report, over 20 of them are related to the use of IT. In contrast, smart transport systems are being actively developed at other places such as Japan, South Korea, Singapore and even cities on the Mainland. Apart from making improvements to the traffic condition, this will also create new markets and business opportunities.

Insofar as housing is concerned, since there are a lot of public housing managed by the Housing Department, I believe the Government should try to implement a pilot scheme to install wireless networks in some of the public housing estates and try to implement a WiMax City programme, as in some European and American cities and in Taipei, so that residents can access the Internet at any time. While improving the lives of the residents, this can also promote the new-fangled wireless and mobile IT industry and promote economic development.

Madam President, I also wish to spend some time on the telecommunications policy. Earlier on, I received a letter jointly signed by 13 operators of fixed-line and mobile telecommunications services. This morning, I also had a meeting with them. The request of the telecommunications industry

is that the Office of the Telecommunications Authority (OFTA) should review the existing telecommunications policy on fixed-mobile convergence and formulate a blueprint for regulating the local telecommunications market in future. The telecommunications industry has also arranged to meet with the OFTA next Monday. I hope that Secretary John TSANG can find some time to meet them in November to understand what their demands are.

In fact, technological changes have made it necessary to introduce changes to the regulatory method and regime. For some time in the future, the telecommunications industry will have to face many fundamental and important changes in the regulatory regime, including the merger of the OFTA and the Broadcasting Authority, the review of the policy on managing the radio spectrum, the licensing of VOIP services and the regulation and auction of wireless broadband connection services. This series of technological measures or policies are closely related, however, the regulatory authorities have dealt with these issues in a fragmented way. They only consulted the industry for a short period of time in the hope of giving the green light to the implementation of these proposals as soon as possible. However, the more haste, the less speed, so the policies have become inconsistent and the operators in the telecommunications market are feeling all at sea as far as the regulation of the market is concerned.

I appreciate the active steps taken by the regulatory authorities to tie in with technological developments, however, both the industry and I hope that the authorities can formulate a clear blueprint and timetable for rolling out the policies on regulating the local telecommunications market, so that the industry can express their views more effectively and clearly, thereby assisting the authorities in ironing out these interrelated policies on regulating the telecommunications industry.

Madam President, I also wish to comment on the issue of unemployment. I have consulted several economists, and it so happened that they all voiced concerns about the effects of the structural unemployment problem in Hong Kong, in particular, the problem of long-term unemployment among young people, on the Hong Kong economy. Many Honourable colleagues here have also said that between June and August this year, the unemployment rate among youths between 15 and 19 years old was as high as 29.2%. Although the Individual Visit Scheme has created a boom in the tourism and retail industries and contributed towards absorbing low-skilled workers, if young people remain

unemployed for long periods of time and do not pursue any further studies, not only will this lead to a shortage of quality workers in Hong Kong in future, it will also impose a heavy burden on the welfare system in Hong Kong.

I noticed that this issue was not mentioned in the Chief Executive's policy address. Here, I call on the Government to conduct a comprehensive study on the unemployment problem among young people, in particular, it is necessary to conduct an in-depth study on those so-called "hermit youths" who neither work nor pursue further studies but remain idle at home, and seek a solution accordingly.

Next, I wish to switch to financial affairs. The Chief Executive pointed out in the policy address that the Renminbi (RMB) business in Hong Kong would be further expanded, for example, by permitting merchants in Hong Kong to open RMB cash deposits accounts and raising the credit limit of RMB cards. All these measures are conducive to developing the RMB business in Hong Kong. They can certainly help enlarge the scope of business for the local banking and financial sectors, as well as consolidating Hong Kong's position as a financial centre. However, on two important measures, that is, to establish a RMB clearing centre in Hong Kong and to allow qualified domestic institutional investors, that is, QDIIs, to invest in Hong Kong, we have so far only heard noises but not concrete results.

The Democratic Party urges the Government to endeavour to lobby the Central Authorities to allow Hong Kong to establish the first overseas RMB clearing centre. It is a major trend for the Mainland to gradually relax its control. However, since the legal system on the Mainland is still not yet well-developed, to allow the free circulation of RMB in one stroke is not a desirable approach. Therefore, using Hong Kong as a test ground and establishing a RMB clearing centre in here will make it possible to take advantage of the well-developed financial and legal systems in Hong Kong, so that the RMB can circulate freely in a small and controlled market in Hong Kong. This move can assist the mainland authorities in evaluating the risks involved if the RMB is allowed to circulate freely and this will be beneficial to both Hong Kong and the Mainland. As regards QDIIs, allowing mainland investors to invest in Hong Kong will make it possible for mainland capital to be invested in quality assets in Hong Kong, thus increasing the return on mainland capital. Moreover, the pressure on appreciating the RMB can also be eased.

The Democratic Party calls on the Government to continue to lobby the Central Government on the implementation of the two aforementioned measures, to enable the financial market in Hong Kong to develop further.

Madam President, generally speaking, the flow of more mainland capital into Hong Kong has a positive effect on the financial market in Hong Kong. However, I wish to point out that this is not without negative effects. At present, one third of the companies on the Main Board in Hong Kong are companies registered on the Mainland. Most of their business and assets are found on the Mainland but the standards of governance of these mainland companies vary greatly. It so transpired that the director of a listed company was put under house arrest. It was only after a website had broken the news, then newspapers in Hong Kong had cited the news that the listed company issued a formal notice, but investors had been kept in the dark all the while. However, at present, the Stock Exchange of Hong Kong can only wait passively for these companies to take the initiative in information disclosure, such that the interests of investors may be jeopardized. The Democratic Party believes that with more and more mainland companies being listed in Hong Kong, the Government has the responsibility to ensure the quality of governance of companies listed in Hong Kong. The Government should step up its co-operation with the China Securities Regulatory Commission and urge it to become a signatory of the Multilateral Memorandum of Understanding of the International Organization of Securities Commissions, so that on matters of regulation, the regulatory bodies of the stock exchanges in China and Hong Kong can offer mutual assistance in investigation and enforcement. The Securities and Futures Commission (SFC) and the Stock Exchange of Hong Kong should also examine counter-measures to solve the problem of inability to cross the boundary and investigate listed companies whose businesses are mainly located on the Mainland and which are found to have breached regulations, so as to ensure the quality of governance of the companies listed in Hong Kong.

The Democratic Party is also concerned about the so-called "warrant catastrophe" that occurred in August, which Mr CHAN Kam-lam has also mentioned I believe. It has aroused public concern on whether the regime regulating warrants is too lax and offers participants the opportunities to manipulate the market and make profits by exploiting the lack of understanding of the ways that warrants operate among small investors. The Democratic Party hopes that after receiving the report on the study on the warrant market,

the SFC can review the present system, protect the interests of small investors and enhance the understanding of investors in general of the risks that warrants entail.

Moreover, apart from the above two measures, there are other measures that are very important to the development of the financial industry in Hong Kong. In September and October this year, Hong Kong slipped significantly in the three international rankings. In the Growth Competitiveness Index rankings made by the World Economic Forum, Hong Kong's ranking fell from 21st to 28th due to increasing concerns over favoritism by government officials; the report of the World Bank pointed out that the business environment in Hong Kong has deteriorated; the ranking of press freedom in Hong Kong has even slipped from 18th in 2002 to 39th this year in the global ranking announced by the Reporters Without Borders, indicating that press freedom has retrogressed. Although the Government may claim that the information obtained by these organizations is inaccurate, it cannot be denied that these rankings show that the important factors underpinning the success of Hong Kong, such as the rule of law, integrity and the freedom of speech have experienced some decline. I wish to point out that the rule of law and the freedom of speech is closely related to the financial industry in Hong Kong because it is necessary for the industry to obtain complete information so as to enable investors to make decisions. Moreover, it is also necessary to have a well-established legal system to protect the interests of investors. Although the financial industry in Hong Kong still possesses some edges, such as the experience in operating the financial market and the outstanding talents in the industry, the even more important conditions are a well-established legal system, an independent judicial system in Hong Kong, the freedom of speech and free flow of information. In the future, if the financial market in Hong Kong can no longer compare favourably to that in Shanghai, there can be no other reason but the diminution of these factors.

Therefore, apart from urging the Government to lobby the Central Government to allow Hong Kong to become a RMB clearing centre and to liberalize QDIIs, we also call on the Government to make an effort to get the basic factors right by upholding the rule of law and defending the freedom of speech, so as to maintain Hong Kong's international reputation.

With these remarks, I support the motion and all the amendments.

MR CHIM PUI-CHUNG (in Cantonese): Madam President, the policy areas for this session are commerce and industry, economic services, financial affairs, information technology and broadcasting and labour. The Chief Executive's policy address has only skimmed the surface of the issues relating to commerce and industry, economic services and financial affairs and the sectors are rather disappointed by this. The Chief Executive's approach is understandable because he has made it clear that the focus of his work in the future will be on political matters. Therefore, I believe the matters in other areas will be delegated to the two Secretaries of Departments.

Madam President, the 72th paragraph says that Hong Kong owes its past to the financial industry. This time, the Chief Executive pointed out specifically that it is international finance that should take credit for Hong Kong success in the past. Secondly, he mentioned logistics, that is, what we commonly call transportation. The third item is trade and the fourth is tourism. This time, the Chief Executive specifically mentioned Hong Kong as an information hub. I wish to comment on the items one by one, be there four or five of them.

The first is transportation, that is, logistics. This morning, the Member representing this sector already gave a detailed analysis and I do not wish to repeat it. I only wish to remind the Government that we used to hold a leading position in this area and take pride in it. However, we have now fallen to the second place. The freight forwarding industry will face many challenges from many regions and cities because our industry does not operate under a franchise. Therefore, we will certainly face challenges. Our operating costs, including land prices and salaries, are higher than other countries and regions. I hope that the authorities concerned can explore what remedial measures can be taken because there is no way that we can shun these challenges.

The second area is trade. We all know that since the liberation of our country, trade has always been an important aspect of the Hong Kong economy. In the past, Hong Kong's major trading partners were Southeast Asian countries but now our major trading partners are European and American countries. Under these circumstances and since, as I have said, Hong Kong does not operate under franchises, if we want to compete with other regions, so apart from practising a policy of free trade, it is also necessary to pay attention to ways

of reducing the costs borne by the industry, so that Hong Kong can compete with other countries and regions.

The third area has to do with tourism and an information hub. Madam President, we also understand that in the past, it was necessary for the Hong Kong economy to restructure, however, the process of changing from an economy based mainly on manufacturing to one based on services was indeed too rapid. In this process of restructuring, the service industry has become the pillar of the Hong Kong economy. However, the excessively small tax base in Hong Kong will lead to a potentially very serious problem in future. Therefore, it is impractical to rely solely on the service industry to support a city that has no creativity or manufacturing ability. We can see that Switzerland is only a small country in Western Europe but the spending capacity of its nationals is far greater than that of Hong Kong. It has also retained and protected some of its manufacturing industries. It is worthwhile for the SAR Government to emulate the spirit and attitude of the Swiss Government. However, if we want to be successful, it is not enough to simply talk about learning from others, it is also necessary to draw inspiration from the actual situation.

Madam President, the last area that I must talk about is the financial industry. We know that the financial industry involves providing financial services and in the provision of financial services, the banking sector is a very important element. Comparatively speaking, financial services have also become very important. When it comes to financial services, it is impossible not to mention stocks and other related financial matters. The Government has all along given a lot of protection and attached a great deal of importance to the banking sector. In the past, two or three banks met the dire fate of closure and the Government used its funds to rescue them, and even injected capital into the banks concerned, a recent example being an international bank that had to be liquidated.

We know that in the past, the bank that exerted control over the financial industry in Hong Kong was of course HSBC. In the past, HSBC was known as the Hong Kong and Shanghai Banking Corporation, however, HSBC has now become a bank enjoying international status and it is no longer a local bank in Hong Kong, but a local bank enjoying international status. In this regard, the Government should conduct a review. In fact, the Government, including the

Hong Kong Jockey Club, has committed large amounts of money to supporting HSBC. However, the Government should in fact treat other banks developing in Hong Kong more fairly. Two paragraphs in the Chief Executive's policy address specifically mentioned financial services, the first being the 35th paragraph and the other being the 72th paragraph. He has also stressed the need for fair competition in these two paragraphs. The stock market in Hong Kong was launched by the Hong Kong Stock Exchange in about 1800, subsequently, the Far East Exchange came into operation in 1969 and the Chinese Gold and Silver Exchange Society and the Kowloon Stock Exchange were established in 1972 and 1973 respectively, therefore, in that era, there were four stock exchanges. In 1986, these four exchanges were merged into one exchange. For a period of time in the past, people in banking services were not allowed to serve as directors in the exchanges and banks were not allowed to engage in the securities business because, in the final analysis, banking services are a specialized service. However, after the merger, banks became gradually involved in the securities business and have expanded their business. In this regard, our sector supports the fair competition espoused by the Chief Executive. However, the current policy is very unfair to formal stock brokers. Why? It is unfair in that at present, companies in the securities business are subject to the regulation of the Securities and Futures Commission (SFC) but the securities departments of banks are subject to the oversight of the Banking Supervision Division. What is the difference between the two? Perhaps Honourable colleagues or a lot of people do not really know. Today, Mr CHAN Kam-lam of the DAB has expressed a great deal of interest in the affairs of the sector and even Mr SIN Chung-kai has also voiced some views just now. I am very pleased with this, and I believe that this is a good sign because these issues should not solely be my responsibility and investors throughout Hong Kong are also involved. I hope that more Members will care about these issues, just as we care about the proposals on constitutional reform. This is a matter that is just as important.

The difference that I have just talked about lies in the fact that the banks supervised by the Commissioner of Banking all hold huge amounts of money and to the Banking Supervision Division, funds amounting to tens of millions of dollars or a couple of hundred million dollars are only tiny sums of money. However, in regulating stockbrokers, the SFC considers sums amounting to tens of millions of dollars to be huge sums. All along, the SFC cannot put behind it

the incident relating to the C.A. Pacific Securities Limited, which happened over a decade ago. Although that was only an individual incident, it was often cited by the SFC as an excuse. Therefore, I believe that in order to be fair to the sector, it is necessary to subject the entire sector to the oversight of the SFC, instead of subjecting one industry to two supervisory bodies. The Banking Supervision Division has recently started to demand that it be vested the same powers as the SFC is, so as to regulate the securities department of banks, and even the power to mete out punishment. Why does the Secretary not assign this duty to the SFC? Such an arrangement would be more reasonable. Why is it necessary to enact legislation specifically for the Banking Supervision Division?

The second point also has to do with the so-called fair competition. Recently, I found that some advertisements put up by banks in the streets say that if securities transactions are completed on the same day, the commission can be waived. Some people may say that this is precisely what fair competition is about. However, this is not really so because banks do not have to rely on paltry securities charges to maintain their businesses and pay the administrative costs. It can make even greater profits through other channels and reap benefits in the securities business through hedge funds. However, we have to know that formal stockbrokers can only rely on commissions to maintain their livelihood and pay the salaries of their employees and other expenses. Does the Government want this group of people to go on the dole? Of course, maybe Members will say that we do not have to be so pessimistic, however, an accountable Government should prepare for rainy days and take into account the needs of various parties. I am talking about waiving commissions and the subsidies offered by banks as a business practice. However, we must not forget that in this world, apart from fair competition, we also have anti-dumping. Among European and American countries, the United States is the country which is most opposed to acts of dumping carried out by some industries in China because the prices are outrageously low. In view of that, how can waiving commissions be considered a reasonable and proper practice? After being elected the representative of the industry, I have stressed a number of times that it is not my intention to seek confrontation, but I seek dialogue. One year has passed and I believe this message has got through to the relevant departments. Although my opinions may not be absolutely correct, I call on them to at least pay attention to and care about this situation. What is particularly interesting is that the SAR Government often says that the financial industry is very important

and that it is proud of it. However, if the industry is subjected to such indifferent treatment and discrimination, will people still believe in the Government's words?

Madam President, the last problem has to do with a popular topic of late, that is, CEPA. We welcome the listing of more mainland private enterprises and state enterprises in Hong Kong, since it will create more jobs for members of the sector in Hong Kong. However, I have to stress again that this measure is of little help to small-scale Chinese-owned brokerages, since the underwriting and all other businesses have been taken up by global institutions. Therefore, there is little wonder that in this latest policy address, the emphasis is not just simply on finance and the word "international" has been added. That means that we are not talking about the local financial industry. However, I must remind the Government that if any international financial institution wants to expand its business in Hong Kong and boost the industry, it must cater to the needs of local investors in various ways if it is to succeed. If it is simply an international financial institution, why does it have to establish an office in Hong Kong? Therefore, the third point has to do with issues relating to CEPA. Concerning the relevant businesses, apart from exploring the possibility of allowing brokerages and banks from the Mainland to operate in Hong Kong, I also hope that through CEPA, the financial services in Hong Kong, in particular, the services of stock brokerages, can be introduced into the Mainland, because a substantial proportion of the securities businesses in Hong Kong is related to state enterprises and private enterprises. In view of this, if the securities services of Hong Kong can be introduced into the Mainland, people on the Mainland will have the opportunity to buy and sell mainland stocks listed in Hong Kong. This will be beneficial to the three parties. On the one hand, there will be an outlet for the capital, and on the other, stock brokerages will have the opportunity to expand their business and enjoy the benefits offered by CEPA. Furthermore, these brokerages will gain in importance and receive greater attention and exchanges in other business areas can be carried out between Hong Kong and the Mainland. Of course, such exchanges will not be unilateral but bilateral.

Madam President, I have used up all my speaking time.

MR LEUNG KWOK-HUNG (in Cantonese): Madam President, in fact, at roughly this month of last year, that is, at the time when I had only joined the

Legislative Council for a short while, this Council was discussing the subject of minimum wages and maximum working hours. One year has passed, no definitive conclusion has been reached on these subjects. This Government has not paid heed to the requests made by the labour sector.

I would like to advise my friends in the Democratic Party: Discussing maximum working hours alone without tackling the subject of minimum wages at the same time is useless. This is because even in the era of "Uncle TUNG", minimum wages had already been fixed for the Government's outsourced services, but a reduction of four hours of work had led to a reduction of four hours of wages for the workers. So workers have to work longer hours before they can obtain what they used to earn.

Holding negotiations with the Government does not mean that we have to cut up a full concept. Nor should we feel contented with succeeding in making the Government fix the maximum working hours through begging, and then think smugly that the job is done. Minimum wages and maximum working hours are actually two sides of a coin, and you simply cannot abandon either one of them.

Besides, this government owes the over 3 million grass-roots workers something, namely, the right to collective bargaining. Through the repeal of the law, the Government threw our right to collective bargaining into the rubbish bin, and as of today, such right still has not been restored for us. Many Honourable colleagues in this Council said that we do not know where we can find protection for this right. We do enjoy such a right. Article 39 of the Basic Law explicitly stipulates that the provisions of United Nations' International Covenant on Civil and Political Rights should be implemented in Hong Kong.

This Government will not implement protection that has not been instituted. Even for protection that has already been instituted, it will simply dump such protection into the rubbish bin. What kind of government is it? Today, we are holding a discussion here. But after this discussion, the Government will not show any response. After votes are cast, even the majority of votes support the provision of protection, the Government will still not make any reaction. This is where the problem of our political system lies. I know many Members of functional constituencies are doing a good job in fulfilling their duties by voicing fully the demands of their respective sectors. In fact, they should have joined

the Commission on Strategic Development (the Commission). That would be the right place for them to speak up because that is where they can tell the Chief Executive, "Insofar as the interests of my sector are concerned, it should be done in this way."

Yesterday, Dr KWOK Ka-ki asked whether the Commission (策發會) was the "Shoe Shining Club" (擦鞋會). No, the Commission is definitely not the "Shoe Shining Club" because they do not have the same spelling. The Commission should be the "Club for Servile Development" (擦發會), that is, you can have good development if you are servile enough before them.

When Mr TSANG ran for the election, I had sent him a very good gift, which is a shoe shining kit, consisting of a shoeshine brush and a can of shoe polish. It cost me \$40. He really knew what to do afterwards. After getting his own share of the benefits, he was grateful enough to return the favours he owed his supporters. So he has established the Commission to openly convey the message that people supporting him will have very good development.

Doubtless the Commission will take the place of the Legislative Council. It will be an even bigger platform, a ruling platform participated by the elites. Therefore, in this Council, all the issues that are related to people's livelihood will only see discussion but no conclusive decisions. What actually is the Commission? What actually is this Government? I remember that one of the stories I often like to share in this Chamber is *The Merchant of Venice*. The loan shark Shylock had a casket. He would show this casket to whoever loved money and let him see what was inside it. The casket contained a skull and then a scroll was inserted within the skull's empty eye — I wish Mr TSANG and Mr HUI could read the message on the scroll — "All that glitters is not gold". We have come across this proverb many times before. "Many a man his life hath sold /But my outside to behold" — that was gold, which made everyone lose sight of nearly everything.

I do not know what is on the minds of those Members who protect the Government and speak in order to suppress democracy in Hong Kong. Do they still remember this, "You have got power and influence or even are rich, so what?" I just wish to mention one point. The Government has always been boasting of its four pillars, and just now I have been listening to all these very attentively. Ms Miriam LAU has been speaking on ways of developing the logistics industry. However, a national leader had once invested in a certain project in Nansha (or Xisha or Dongsha or Beisha). He was put into a very

difficult situation by a petty local cadre. That petty cadre has even come to Hong Kong to extort special advantages.

In the financial sector, HSBC has been called the bank of Hong Kong. However, none of its headquarters are located in Hong Kong. And the actual domicile of its headquarters is not yet decided, and special advantages are still granted to it. After giving benefits to the Mainland, the Government still has to give benefits to the old sovereign state. What kind of Government is it? After all the benefits have been distributed to all the different parties, only some tiny bits are left for Hong Kong people.

The other day, I met Mr Rafael HUI inside a lift. I told him, "I am holding a bowl, a broken bowl." I told him that many workers were demonstrating with a beggar's bowl, yet the broken bowl can hurt the workers' lips. Mr HUI said, "You may give the bowl to me." I said, "No, you are too fat that you cannot even put on your socks properly. How can a broken bowl contain your pork chop and steak, or even the fat meat from the West Kowloon Cultural District development project." This bowl cannot hold anything, and we need to buy our socks very often because, as Dr Stanley HO said, "Someone has grown fat that he cannot even put on his socks properly."

Honourable colleagues, this is the reality. They want to cut costs, cut wages and they want to cut the salaries of civil servants. There is a newspaper report which says that Hong Kong will make another world record, Mrs FAN — Oh, I should have said Madam President. Madam President, but is it not Mrs FAN equivalent to the President? Hong Kong has made another world record. Even the rents in Paris are not as expensive as ours. I am referring to those shops in Causeway Bay. This is today's headline story. I do not know how Mr TSANG would feel at reading this report.

When we are still struggling for bare survival, others are making a good fortune from their speculative activities. This Government is still talking about privatization. It still intends to optimize the market, privatize the five tunnels and a bridge and push up the property market. And it still claims that there is nothing wrong with high property prices.

The other day, one of the rich Members from the Liberal Party said, "LEUNG Kwok-hung, you are wrong. Expensive shop rent is not a problem. Instead, high salary of staff is the major problem." So I had agreed to have a

personal bet with him to see who was correct. Will merchants of the small and medium enterprises and small and medium capitalists listen up: You are victimized by the Government. As soon as the economy started to recover, the Government immediately withdrew the control on rental increases. What you have earned cannot satisfy the consortia or the businessmen who earn their profits from rental incomes. But you are so obedient. Actually, who have made Hong Kong sink?

All the four major pillars have collapsed, yet no one is coming forward to repair them. Instead, they are having the luxury of talking about the Commission. I just wish to say this, "In this Council, as long as there is no democracy, we shall keep on saying that those who got the votes just because of their money will always suppress those who are poor and have no votes."

Many people say that they will fight for the interests of the middle class. But have they mentioned anything like these? In analysing the nature of the administration of NAPOLEON III, MARX said that the small peasants were like potatoes — they are useless if they were scattered; they must be gathered together inside one single sack before they could be used for attacking others. But in supporting NAPOLEON III, the small peasants had eventually victimized themselves. This was the fact. Today, if the middle class who have just gathered some strength, or those small merchants, continue supporting Donald TSANG, they are bringing destruction upon themselves. Without democracy, they can never elect their own representatives through the ballot box to monitor the Government or even take over the reins of government. In that case, they will meet the same fate as the lower class: they will have no luck, and they will also end up using this broken bowl to beg for elms from others — you should consider yourself lucky if you just end up cutting your own lips, and if you are unlucky, you may cut your own hands like people committing suicide.

Who dares to say that it is better for Hong Kong to have no democracy? Therefore, I shall reserve several minutes for speaking in the following session. Thank you, Madam President.

MR KWONG CHI-KIN (in Cantonese): Madam President, in the first part of this policy address, Mr Donald TSANG says that it is necessary for the Government to strengthen its governance. I think he has put forward some very

good initiatives in this aspect. However, the labour sector is quite disappointed with the aspects of developing the economy and promoting employment in the policy address, and cannot see what kind of macro thinking the Government has in promoting employment in Hong Kong.

The economy of Hong Kong is gradually reviving and improving, yet the unemployment figures still remain at a high level and the rate of decrease is very slow. What kind of methods the Government has in stock for creating more employment opportunities? In this policy address, we fail to see any more macro or strategic thinking. In particular, as the Pearl River Delta Region has been enjoying incessant development, many service industries will gradually be relocated to the Mainland, in addition to the relocation of our factories to the north. In the face of such an economic situation, what kind of solution does the Government have to cope with it?

The policy address has devoted more coverage to the development of the financial industry. We have no objection to that because, after all, the financial industry has always been the most important economic pillar in Hong Kong. However, apart from developing our financial industry, what other initiatives does our Government have? The financial industry cannot absorb people with low educational qualifications, especially the middle-aged people. The financial industry requires talents with a higher level of education, so it cannot absorb the unemployed in general. Prof TSANG Shu-ki, a scholar of the Hong Kong Baptist University, has been advocating a development theory during the past few years. He thinks that Hong Kong should be developed into a dual economy, with one aspect of it developing the high-profit financial industry and high value-added industries, while on the other hand, the Government has to make special efforts to develop another aspect of the economy, that is, to develop some less profitable industries that can absorb the labour force, such as the tourist industry. Before the opening of the Disneyland, the people of Hong Kong had high expectations, hoping that it could stimulate the economy and create more job opportunities. Unfortunately, as reflected in some general commentaries, the Disneyland effect has not been as great as anticipated. As we do not have too many sightseeing attractions, so if we rely solely on the tourist industry to absorb the unemployed, can this industry create so many job opportunities? On this point, the labour sector does have grave worries.

Earlier on, my partner, Miss CHAN Yuen-han, discussed issues relating to the CEPA emotionally. Although CEPA is an expression of love and care

towards Hong Kong by the Central Authorities, it seems we have failed to tap the opportunities fully. Many Honourable Members have also mentioned that for a society completely devoid of manufacturing industries, it would be very difficult for it to solve its employment problem. In fact, the Government has recently done some work. With the support of Secretary Stephen IP, Mr Matthew CHEUNG, the business sector and labour unions, the three sides of employers, employees and the Government have reached a consensus on a proposal for the importation of workers for the garment industry. So it seems possible to relocate some garment factories back to Hong Kong, and it is estimated that several thousands of job opportunities will be created. As a representative of the labour sector, I am very glad to witness the efforts made by the Government. I really appreciate the great efforts made by the Government in this case in overcoming all sorts of difficulties. However, only one such case is insufficient. Can the Government become even more open-minded, so as to identify ways of creating greater room for the manufacturing sector in developing their business in Hong Kong?

In the last debate on the policy address, I raised questions on the procurement agreements of the Government. Several Honourable Members have also mentioned this point earlier on. While the majority of the manufacturing industries have already been relocated out of Hong Kong, a small number of them are left in Hong Kong. They are the printing presses. When the Government invites tenders for the production of government publications, if it can specify that the service of Hong Kong printing presses has to be engaged, we may then be able to retain some printing presses in Hong Kong. In this regard, the Government must strike a balance.

With regard to the procurement agreements of the Government, we have already discussed a lot. As we cannot violate international agreements, we must be more flexible so as to create more room for meeting contingency requirements, and the Government must also adjust its own mentality.

I have learnt of some reactions in the public sector. Some senior government officials said that we had mixed up the issue at stake. They said it was not an issue with procurement agreements of the Government; instead, the problem arose from the procurement policy of the Government. As the Government wants to save public expenditure and be accountable to the people, so it demands low prices for quality goods — therefore, the tenders are usually

awarded to the lowest bids for the provision of goods or services. If this is the procurement mentality of individual departments only, I think this is perfectly normal because it must keep its spending within its own budget. But top government officials should strike a balance to ensure that there is a link among the various policies. Maybe I should request Secretary Stephen IP to convey this opinion strongly to the top echelons of the Government. Although we may save some money if the publications are sent to the Mainland for printing, it would simply strangle the survival of our manufacturing industries and printing presses. On balance, will we lose more than we gain? While we may save some money, we may have lost our printing presses completely, and our printing workers will become unemployed as a result. If the Government wants to keep printing presses alive in Hong Kong, I think it is necessary for it to apply a more drastic tilting in its policies, such as specifying publications to be printed in Hong Kong. I hope in future the Government can do better in policy co-ordination and adopt better policies. In this way, the Government can demonstrate to the labour sector that it has kept making efforts and not let go of any chances for creating job opportunities. At present, we think that the Government has not done enough — the problem faced by the printing industry is a concrete example illustrating this point.

Besides, during the past one year, the Legislative Council has repeatedly discussed the problems faced by the environmental recycling industry. If the Government can develop this industry, it will create a rather substantial number of job opportunities. I have once got in touch with people working in the recycling industry. They said there was generally no problem with the recycling of paper as the recycling channels are rather smooth. Another type of recycling may well be very economically viable, but it may not work if the Government does not proceed to solve the problems involved — it is the recycling of plastic water bottles. The greatest problem with the recycling of plastic water bottles lies in transportation because such bottles take up a lot of space. The storage of these bottles is also a problem. Should the Government not make an extra effort to study the problems and have them tackled one after the other? The Government said that it would set up some high-tech environmental recycling parks, but this may not solve the problem because the proposal does not specifically address the problems faced by the industry, nor is there sufficient room created for small recycling firms or unemployed workers engaged in collecting waste products for recycling purposes.

I hope the Commission on Strategic Development (the Commission), which will soon be set up, will not become a "lip-service-only" commission. The labour sector has high expectations for the Commission, in the hope that the wisdom of the non-government sectors, including those of the business sector and the academics, can be pooled together for jointly prescribing the right medicine for the economic ills of Hong Kong. At present, our economy is showing signs of revival. However, in the long term, as Miss CHAN Yuen-han has said, should the economy of Hong Kong continue to hollow out, then there will not be any prospects for Hong Kong. Even if our economy can become more prosperous with greater improvement to the local circumstances, yet our unemployed population may still maintain at over 200 000, then this is a structural problem after all. Not only should the Government deal with the problem from an economic perspective, it is also a governance issue. Effective governance refers not just to smoother operation of the Government; instead, the Government must really be able to solve the livelihood problems of the people.

With regard to the second subject, I am afraid I cannot avoid mentioning the minimum wage issue. In fact, everyone is fed up with this issue as we have already discussed too much about it. When I first joined the Legislative Council in the beginning of last year, the first motion debate moved by Miss CHAN Yuen-han was on minimum wages and standard working hours. As I had a tacit understanding with Miss CHAN, that is, I should be the last one to speak in the debate, so I had listened to the full debate lasting more than five hours. During these five-odd hours, I thought the viewpoints expressed in the minimum wage debate were very excellent, with arguments both for and against the idea. As for today, what I have heard in the arguments on the minimum wage issue has not exceeded the scope of last year. They are all old ideas. If we just keep on engaging in some general discussions or debates, we can go on doing this for another year or decade. The concept of minimum wage alone is controversial. As a Member from the labour sector, I also agree to this point. Scholars in economics will put forward objection views, and for employers, they may even have greater worries and concerns.

I have participated in many such discussions, including attending some radio talk shows. On the concept alone, I feel it is very difficult for the two sides to have any common views. When we were discussing in this way, I would instead invite everyone to examine the issue from a realistic perspective, which the Government must consider thoroughly. In fact, what has induced us to raise the issue is, if a full-time cleaning worker earns only \$3,000 or so

monthly for working eight to 10 hours daily, can we accept it under the present circumstances? Can this worker feed himself and his family for the whole month by using this amount of \$3,000 or so? If we think that this wage is inadequate for maintaining the livelihood of this worker for the month, then there is something wrong with this system. Of course, we may explain that, there will always be people willing to take up the job no matter how low the wage is. One or two years ago when we were beset by an economic downturn, there were people willing to take up a job even for as low as \$2,000 or so a month.

However, if our Government is a responsible government, then I must ask it a question: If, instead of taking this job, this worker switches to apply for the Comprehensive Social Security Assistance (CSSA), and he can lead an even better life than accepting that job, why does he not opt for the CSSA? Why should he still take that job? It is simply because Hong Kong people possess the traditional virtues of the Chinese people, and for that reason, they are unwilling to apply for CSSA and prefer to earn their own living instead of relying on the Government. That explains why they would accept the jobs with wages that are inadequate for them to survive and feed themselves. People with basic knowledge of economics will know that the market is determined by supply and demand. As there is an abundant supply of low-skilled workers with low qualifications — over a million of them, and among them, over 200 000 are unemployed — so no matter how low the wages are, there are always people willing to accept such jobs.

Should we leave everything to the market? Should everything be decided by supply and demand? Even if we brush aside the theories for the time being, will the Government consider it acceptable for a person to work full-time for \$3,000 or so a month? If the Government thinks that it is acceptable, then I will not go on saying anything more. If the Government also considers this unacceptable, then should we not do something about it? Let us use this as a starting point. Do all of us agree that an earning of \$3,000 or so a month in Hong Kong is too low a wage, such that a person would not be able to support his daily living expenses, and such a wage is even lower than CSSA? If so, we shall be driving these people to start applying for CSSA, thereby making the Government's financial burden much heavier and consequently everyone will have to pay more tax.

Nowadays, everyone talks about the "user pays" principle, why do we not make customers of restaurants pay more for the tea and dim-sum they enjoy, so

as to pay for the wages of the cleaning workers? Why should we make use of public funds to feed these unemployed workers? Let us forget all the theoretical issues for the moment. How many workers in Hong Kong are actually receiving such low wages? How should we help them? If we can take this as a starting point to consider how to tackle the problem, I would find it easier to proceed with our discussion.

In fact, there are divergent views within the labour sector. However, in order to achieve the best result in this issue, we put forward a transitional proposal last year. First of all, we put aside all the arguments. We proceeded to identify two professions that are fetching the lowest wages, and the commonly agreed ones were the cleaning and the security jobs. The Government should take the first move with its outsourced services, specifying that contractors of cleaning and security services must pay its employees a wage equivalent to 50% of the median monthly wage — I do not want to claim that I know everything — that is, about \$5,000. We shall take this as the standard. For a person working for eight hours a day, he should earn about \$5,000. If the Government can extend this proposal to other trades — actually the Government also agrees with us in this regard, it has just acted a bit slowly — then it should implement this first by requiring contractors of the Government's outsourced services to comply with this, and then this should be extended to all government departments. Next we may call on the business sector to follow our example.

If the business sector is willing to do this, we would not have to fight for this worthy cause with such great difficulties. For various reasons or due to their own understanding of the problem, some people in the business sector even think that this is not their responsibility and say that they have already paid the money. We have met with some friends from the chambers of commerce. They said the wage they paid was not just \$3,000 or so, really not as low as that. It was because part of the wages of the workers was deducted by the contractors. Even for people in the business sector, they also find the final monthly wage of workers unacceptable, if it is only \$3,000 or so. These friends from the business sector also agree to go back and check with their own organizations to see how much money do workers of their outsourced services actually earn? This is a good starting point.

I feel that the Government should not back off. Proceeding with the enactment of legislation on minimum wages is the responsibility of the Government. The discussions taking place in society now naturally have not

shown any major progress when compared with the situation of one year ago. Everybody is still talking about such abstract and empty notions as the worry of the possibility of inflating the wages or the minimum wage will become the maximum wage, and so on, and I really do not know what kinds of problems they are.

If the Government really intends to conduct some studies or to encourage the public to discuss the issue, I will not voice any objection. However, the Government now said that it would leave the issue to the Labour Advisory Board (LAB) for further discussions. Miss CHAN Yuen-han and several Members from the labour sector have already said that, the discussion at the LAB would never bring about any result. The LAB consists of six members from the labour sector and six members from the business sector, so it is always a case of six votes versus six votes. Next, both sides will talk about some grand principles and positions and after that, the job is done.

Actually with regard to the worries mentioned by the business sector, that is, specifying the minimum wage may affect the competitiveness of Hong Kong, will such a situation really happen? If the implementation of the minimum wage system is just limited to the two trades of cleaning and security services, will it completely undermine the competitiveness of Hong Kong? Will Hong Kong lose its job opportunities or will the unemployment rate rise as a result? Will such negative impact really emerge? In fact, the Government does have the responsibility to conduct studies in this regard, and present a report to the people or put forward a more proper consultative document for discussion by the people.

The Government said that the LAB would conduct a consultation over the Internet. However, the labour sector unanimously thinks that this is just a delaying tactic of the Government. Secretary Stephen IP may feel aggrieved upon hearing this. However, the labour sector does think that the Government is really adopting a delaying tactic. What on earth is consultation over the Internet? We really have no idea. The quality of this consultation is very low, such that the people cannot have a better understanding of it. If the Government really intends to conduct a serious consultation on this, the Commission, which will soon be established, is actually a very good platform. I do not intend to let the Government adopt the delaying tactics, but as the present discussion on the issue of minimum wages in society is also a kind of expression of political stances, the Government may conduct some concrete studies through the

platform of the Commission, on such issues as how many people in Hong Kong are actually earning \$3,000 or so a month, as we have said, such that they cannot lead a decent living by relying solely on their own wages. Can we help these people through enactment of legislation? According to the proposal presented by us, the plan should first be implemented in the two trades of cleaning and security services by specifying the minimum wage at about \$5,000, and then let us see what negative impact will be brought to the economy of Hong Kong?

The Government may conduct some serious studies and then bring up the subject for public discussion in society. If, after going through extensive discussion in society, the people still do not accept that minimum wages should be specified, then the labour sector may have to resign to it. If after extensive discussion in society, the people still prefer to see the workers unemployed and apply for CSSA; or the people still prefer to pay more tax, instead of allowing workers to have a reasonable wage level, then there is nothing we can say, if this is the choice of the people after a discussion has been held in society.

However, this is not the case now. The debates we have had in the Legislative Council have never come to any conclusion. Soon Miss CHAN Yuen-han will move a motion debate. I believe everyone can take out their speeches delivered last year and read them out once again. As your speeches of last year were so well written, have them faithfully read out once more, and then we can save five hours. If this is so, if everyone still deliver his speech in this way and everyone is still acting like that, we will never make any progress.

I hope the Government can seriously consider this problem. The Government should not say that the business sector must have a consensus. This is the responsibility of the Government. Does the Government prefer to make CSSA payment to the workers? Or should it enact legislation to enable the workers to earn a basic livelihood for themselves? Can the Government give me an answer to this question? If the Government says that it prefers to solve the problem by way of CSSA, then we can stop making a fuss about this and next time when we come across the cases of low-wage workers, we can tell them how to apply for CSSA right away and advise them not to take up employment anymore because the Government prefers to feed them. Do we want society to run in this direction? I think the Government has an unshirkable

responsibility in this regard. A responsible Government must consider the way forward when it is facing an ever escalating CSSA expenditure.

I would also like to speak briefly on the issue of standard working hours. Earlier on, Mr LAU Chin-shek advocated the proposal of a five-day work week. The FTU strongly supports this proposal. Mr WONG Kwok-hing has also raised this proposal previously. He asked a question on this issue in a Chief Executive's Question and Answer Session last year. In fact, the Mainland has already implemented the five-day week and achieved some excellent results. To the employees, the five-day week has brought about great improvement to their quality of life as they can have more time for resting and pursuing further studies. No matter how busy they are during the weekdays, at least they can have Saturdays and Sundays to keep their families and children company and enjoy some family life.

Nowadays, in Hong Kong, apart from grass-roots workers, many middle executives in different trades and professions also have to work very long hours. This is in fact very unreasonable. Before we enact legislation to stipulate the standard working hours, we should first implement the five-day week. By doing so, at least we may ensure that workers can have the minimum resting time and the time for pursuing further studies. So, we strongly support the proposal of a five-day week.

I would also like to respond to Mr CHIM Pui-chung on the issue of "subjecting one industry to two supervisory bodies". We have a Securities and Futures Employees Federation under the FTU. I have also met with Secretary Frederick MA together with representatives of this labour union to express the strong dissatisfaction of front-line workers and brokers towards the Government's present regulatory regime. The present situation is practically unfair. The banks possess very strong financial resources, so they can acquire securities firms. Of course, the Government does have the responsibility to protect the interests of small investors. Should any securities firms close down, small investors will suffer losses. This is something the Government does not wish to see happen. In fact, at present, we have a very good mechanism, namely the central clearing accounts. However, many of my friends who are securities brokers have criticized the Government for not taking the initiative to promote the central clearing accounts. Such a system requires investors to buy shares through securities firms, and such shares are very safe. Nowadays,

many small investors buy and sell shares through banks because they fear that securities firms may not be reliable. The banks enjoy an overwhelming edge in great financial strength. The Government's legislation has made the situation even more unfair — Mr CHIM Pui-chung has discussed this subject earlier on, so I am not going to repeat it here — when compared with the supervision of securities firms by the Securities and Futures Commission, the banks enjoy a great advantage as they are subject to the supervision of the Banking Supervision Division.

The Government has been accused of being unfair by the industry. Hong Kong is such a civilized society. The Government should not accept such an accusation. Instead, it should accept the opinions of the industry. The Government should use the same yardstick and it should adopt the same standardized criteria. It should refrain from applying double standards and being more lenient to banks in their share dealings, which is unfair. The Government is also duty-bound to consider how to provide room for the survival of small securities firms. As Mr CHIM Pui-chung has said, if securities firms do not have any room for survival, then it will only make more people become unemployed.

This morning, Mr CHAN Kam-lam mentioned the issue of warrants. Our labour union would also like to express our strong concern about it. In fact, the warrant market in Hong Kong has virtually become a casino. Its becoming a casino has nothing to do with the Government, and the volume of issue of warrants is also not subject to any regulation. What actually is the Government doing? The Chinese people already has a strong gambling inclination, and now the Government is even relaxing the control over such activities. Mr CHAN Kam-lam has put it quite rightly, and our labour union has also told me the same, that it is absolutely not an investment activity, but gambling; and the market makers can manipulate the rise and fall of the prices of warrants. Where else can we find such a casino in the world? I would like to advise Hong Kong people: If you want to play a gambling game, you had better go to Macao. Warrant trading is completely unfair because the market makers can decide the volume of issue and the market makers can decide and influence the rise and fall of their prices. How on earth can this happen? However, the Government is doing nothing to regulate the situation. Although we say that we are a free place, we cannot tolerate this, right? This is actually excessive tolerance.

Thank you, Madam President.

MR JASPER TSANG (in Cantonese): Madam President, as Mr KWONG Chi-kin has said just now, the position of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) on the issues of minimum wages and standard working hours was clearly declared in a lengthy debate held in the last Session. Subsequent to that debate, the DAB conducted some further studies and put forward some more innovative or more in-depth viewpoints. But I am not going to talk about these viewpoints today, because I shall elaborate them later in greater details when I speak on the motion debate to be moved by Miss CHAN Yuen-han. I can assure Mr KWONG Chi-kin that we will not simply read out the speeches we delivered last year, even if we could still find those scripts.

Madam President, with regard to the topic of this session, my colleagues have already presented all the main points for the DAB. At the risk of being irrelevant, I would like to make some supplementary remarks on two issues.

The first issue is "warrants", which Mr CHAN Kam-lam and Mr KWONG Chi-kin have discussed too. Mr KWONG Chi-kin mentioned that, under the FTU, there was a trade union called the Hong Kong Securities and Futures Industry Staff Union. Earlier on, that is, in the beginning of this month, this union conducted a questionnaire survey targeted at members of the industry on issues relating to the trading of warrants. I made an undertaking to them that I would present their findings in this Council, so as to bring the issue to the attention of the Government. So I would like to take this opportunity to discuss this issue.

The survey was conducted on 7 October with the purpose of collecting industry views on the trading of warrants. 80% of the respondents indicated that they or their clients had participated in speculation of warrants. 82% of the respondents were of the opinion that warrants advertisements in the media were excessive and would have adverse effects. 83.7% of the respondents said that all of their clients had registered losses. Over 90% of the respondents opined that the current system regulating the issue of warrants was inadequate. And over 90% of the respondents believed that the current trading system of warrants was defective. Furthermore, over 90% of the respondents thought that the securities industry should be subject to a comprehensive review and that the provisions governing the current warrant system should be tightened.

Madam President, I am aware that the Secretary for Financial Services and the Treasury, Mr Frederick MA, is very concerned about issues relating to the trading of warrants. I also know that the regulatory body is conducting an in-depth study, the result of which will be published soon. However, I think the Government also has a role to play in this specific issue. Earlier on, a senior officer of the regulatory body made a remark to the effect of warning members of the securities trade that they would be looking for troubles for themselves if they made negative comments about warrants. Members of the trade are warned that, since the trading volume generated by warrant transactions represented 20% of the daily total trading volume, and as underlying stocks are involved as well, which further aggravated the impact, they would be making themselves suffer if they messed up the warrant market.

Madam President, this is precisely where the problem lies. Practitioners of the securities trade know that voluminous transactions are beneficial to them, but why would they still have such great reservations and why would they make this suggestion? More importantly, why did I say that the Government had a role to play in this? While both the stock exchange and the Securities and Futures Commission benefit from the voluminous transactions generated by warrant transactions, the Government does not receive any revenue in levy. However, when a large volume of warrant transactions is involved, there is a conflict of interests for these two regulatory bodies. People will naturally ask: Do they deliberately relax the regulations, or have they been encouraging such trading activities? Just now Mr KWONG Chi-kin says that this is apparently a gambling game, but why is it still encouraged? Why it is still strongly promoted? Since doubts do exist about the impartiality of the organizations concerned, we think the Government should be duly concerned about this matter.

The second issue is about the film industry. The Chief Executive has specifically highlighted the film industry in the policy address. He described the film industry as a flagship of our creative industries and announced the formation of a film development board. According to the policy address, the board will take stock of the present state, opportunities and challenges of the local film industry before charting a development course and drawing up a clear action plan. Madam President, on behalf of the DAB, I would like to make a number of suggestions on the development of the film industry.

First, we believe nurturing talents is of paramount importance. We know that we do have a Hong Kong Academy for Performing Arts, which offers some

film-related courses. Some local universities such as the City University of Hong Kong and the Hong Kong Baptist University also offer some courses on film production. However, there is still a long way to go in terms of professionalism and the scale of these initiatives when compared with specialized film academies of other countries. I have heard that the film academy of Australia is giving a big boost to the development of the Australian film industry. The film industry of South Korea has been developing very rapidly recently, and this has something to do with the fact that many South Korean film-makers with overseas professional training have returned to their own country to develop their film careers.

Nowadays, we often talk about knowledge-based economy. The film industry is precisely one that is knowledge-based. At a time when there is intense competition internationally, it is essential to have high-calibre film practitioners. Surely we do have many excellent film practitioners in Hong Kong, including actors and directors, and so on. However, the majority of film practitioners of the current generation have made their way through experience accumulation. They have learnt their way from film production studios. These people are very experienced indeed, but if they aspire to elevating competitiveness, they have to work on the theoretical aspect and expand their horizons. We believe professional training is very important. It is impossible for us to rely on private endeavours in setting up a professional film academy. We hope the Government can adopt a proactive attitude in this regard.

Second, there is the issue of production costs. Given the intense competition faced by the local film industry, particularly the competition from pay television, coupled with the competition from all kinds of low-cost productions, if our films continue to adopt the low-cost production model, it would be very hard for them to excel and succeed. Currently we have a film development fund in place, but it does not help solving the financing problem for film production projects. In overseas countries, like those mega film productions from Hollywood, they have a very professional way of financing. Madam President, Hong Kong is an international financial centre. We always say that enterprises can raise capital and make financing arrangements in the market of Hong Kong. However, while the film industry is a flagship of our creative industries, why the Government does not pull these two flagships together? If we join the forces of our professional finance industry and our professional film industry, we could build up a platform for them to work out some solutions. Through our preliminary contacts, it appears that the two

industries do not know each other very well. Banks in general are unwilling to extend loans to finance film productions. If the Government can provide a platform of co-operation for the two industries, together with financing opportunities, they would be able to make large-budget film productions, thereby enhancing our competitiveness.

Third, it is about the future development course as mentioned in the policy address. Right now we see that films, television, the Internet and mobile phones have actually become integrated. Given the latest development, what shall the film industry do to adapt to the circumstances and to complete its transformation? In this respect, we believe the Government should take the lead in helping the film industry to, as suggested in the policy address, face the challenges and seize the opportunities, thus identifying a future development direction.

Madam President, in the briefing session, we discussed the issue of whether the replacement of the film advisory board (chaired by the Secretary) by a film development board (chaired by a non-official) could really solve the problems of the industry. Of course, we do have high expectations and would like to wish them all the best, and in all sincerity, we hope that the board can bring new opportunities for the film industry. Thank you, Madam President.

MR ALBERT CHAN (in Cantonese): Madam President, recently, many people, including our senior officials, have been creating good news and good circumstances of Hong Kong. I am not sure if I can accuse them of creating false phenomena, that is, releasing false information to the effect of claiming that the economy of Hong Kong has recovered.

Perhaps a lot of data are suggesting that many retail industries have become more vigorous than before. In particular, prices of luxury flats in Hong Kong have risen substantially; public auctions of land continue to bring in billions of dollars, or even tens of billion dollars, in revenue for the Government. As such, the Government is satisfied with the situation. However, we can see that the unemployment situation in various districts is still very poor, especially for the middle-aged people. For the low-income group, particularly those engaged in the cleaning trade or labour sector, their wages are rather stagnant. Although the tycoons or major property developers have reaped huge profits, many people, particularly the CSSA recipients or semi-unemployed, are still

living in extreme difficulties. No improvement, no matter how small, has ever been made to the situation. So, we earnestly hope that, while feeling smug, the Government can appreciate the hardships encountered by people of the lower classes.

I have been bringing up this subject in this Chamber on numerous occasions for many years. If the Government really wants to see the recovery of the economy, and if the Government really intends to improve the standard of living of the people, it cannot just rely on the property sector, or the tourist industry. Recently, many people think that, with the opening of the Disneyland, the number of tourists would increase substantially. However, I have been talking to people engaged in the goldsmith business, and learnt that a very strange phenomenon has occurred, that is, subsequent to the opening of the Disneyland, despite the increase in the number of visitors, the business of these shops has declined. This is because there has been a change in the profile of visitors. In the past, people who can secure the relevant permits to visit Hong Kong would only buy golden ornaments, cameras and cosmetic products. But now, the visiting tourists would spend 90% of their time on visiting the Disneyland, so the time left for shopping has reduced. Therefore, with the change in the sources of tourists or the purposes of their visits, their spending pattern will change as well. The Government should not feel contented so easily just at seeing the increase in the number of inbound visitors.

I have mentioned on numerous occasions that, for the economy of Hong Kong to revive, thereby enabling Hong Kong people to benefit from economic development, it is necessary to revitalize the industrial sector in Hong Kong again. Of course, we can no longer engage in those industries such as the manufacturing of plastic flowers, wigs or low-price garments. Hong Kong will have to move towards high value-added or creative industries, thereby making Hong Kong stand out in the world by establishing its own brand names and building up its own reputation.

Earlier on, I had paid a visit to some extravagant shopping arcades in Beijing. I could see that many products of international brand names were on display. Among these, I could see a Shanghai brand name of suits and trendy clothings, but I could not see any Hong Kong brand names. In the arcade, most of the products belong to Italian or French brand names, with only one from Shanghai. To us, this is really a major failure. Why can Hong Kong not

produce its own brand names, be famous all over the world with production plants situated in Hong Kong and create employment opportunities here? Maybe cheaper wages in the Mainland have lured investors and manufacturers to set up factories in the Mainland, thus sacrificing the job opportunities of Hong Kong workers. But in the long run, if we want to create wealth and job opportunities for the economy of Hong Kong, the Government does have an unshirkable responsibility. It should not let the economy be driven by the market simply on the pretext of "big market, small government". It is the responsibility of the Government to create brand names and to create the market and room for high value-added industries. It is the unshirkable responsibility of the Government.

This afternoon, I have met with a gentleman. He made the appointment with me specifically because I had mentioned that we should revitalize the industries in Hong Kong again after my earlier visit to Guangzhou. He said he was excited at hearing what I had said because this had been his dream for many years. He had personally designed many valuable products. However, he dares not proceed with the production of his own products. One of the major problems is related to the intellectual property legislation and the relevant administrative procedures. He pointed out that it is both very costly and highly complicated to register the copyrights of products. He said, in the Mainland, if a person had designed a brand name and if he wanted to register its copyrights, then all he had to do was to pay RMB 150 yuan to register the brand name in Guangzhou. If someone copies his brand name, then he may lodge a complaint, then the organization responsible for copyrights registration will close down the production plants concerned and arrest the copyright offenders.

However, if we want to register a design — I am not sure if the following is correct and I hope the Secretary can conduct some studies on it — the gentleman said that the authorities concerned in the Hong Kong Government would ask him to go to either Britain or Beijing to register his design first, so as to confirm that his design could obtain the approval documents. His design can be registered in Hong Kong only after all these are done. So the process will entail the spending of really a lot of money. In the course of processing the registration of his design, if he is not familiar with the procedures, he may have to enlist the assistance of a lawyer whose fees will be calculated in US dollars. For example, a certain amount of money in US dollars will be charged per page

of document required, and then a fee will be charged every time some information is submitted for registration. However, if this happens in the Mainland, any mainlander can register his design with the payment of only RMB 150 yuan. This gentleman said that, his friend had advised him to register his design in the Mainland in the name of a mainlander, and then he could sign an agreement with this mainlander to the effect of authorizing himself to promote the brand name.

This gentleman was saddened by this. He said that two generations of his family had been engaged in the industries. He, together with many of his friends, schoolmates and alumni, would like to design products in Hong Kong and promote the development of local industries. But the Hong Kong Government provides no assistance to them in this regard. With regard to such an attitude of the Hong Kong Government and the emergence of such situations, he said he felt very ashamed, particularly when he compared it with the situation in the Mainland. He cited an example, the "shaking motion torchlight". He told me that the "shaking motion torchlight" was designed by a Hong Kong citizen — of course they are still manufactured in Hong Kong, but it seems that they are mostly sold in the United States. However, the copycat trend has become extremely prevalent in the Mainland. Although it was his own design, it had already been copied by others, and such products could be bought at all sorts of places. Although his intellectual property right has been infringed, our Government has not been able to offer him any assistance.

Therefore, as all the requests made by the Hong Kong Government are accepted by the Beijing Government, he proposes that when Hong Kong people submit their designs for registration in the Mainland, they can enjoy the same treatment as the mainlanders, that is, Hong Kong people may also make copyright registration in the Mainland at a cost of only RMB 150 yuan. As the present registration system is completely processed on the basis of the identity of residents, Hong Kong people cannot make this type of registration in the Mainland. I hope, apart from frequently saying that the economy of Hong Kong has already recovered, the Government can create some better external conditions for Hong Kong industries, so as to enable those who are still interested in designing new industrial products in Hong Kong to carry on with their business.

Before leaving, this gentleman said miserably that Hong Kong Government would only facilitate the large consortia and large corporations,

whereas it simply ignored the small and medium enterprises (SMEs), especially the SMEs in the industrial sector. He cited an example, that is, there was this organization named The Inventors Association. However, the Government has never offered any assistance or support to this Association. In some other places, the governments would take the initiative of holding many competitions in order to promote creative industries or encourage the people to engage in creative pursuits. Over the television or in news reports, we have also seen that activities such as robots competitions are held in Japan each year. However, the Hong Kong Government is only interested in helping the consortia in selling luxury properties, right? To our SMEs, the attitude of the Government is extremely apathetic or indifferent.

In fact, most of what I have just said is only a reflection of viewpoints of the SMEs or those people who have the sincerity to set up new businesses in Hong Kong. I hope, besides promoting Hong Kong in the United States, our Secretaries of Departments, Directors of Bureaux and the Chief Executive can do something for those interested in setting up their own businesses in Hong Kong, thereby bringing a ray of hope to Hong Kong in reviving and promoting the industries. Thank you, Madam President.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): If not, Council will now be suspended for 10 minutes. Public officers will speak when Council resumes.

3.51 pm

Meeting suspended.

4.01 pm

Council then resumed.

PRESIDENT (in Cantonese): Will the Clerk please ring the bell to summon Members back to the Chamber.

(After the summoning bell had been rung, a number of Members returned to the Chamber)

PRESIDENT (in Cantonese): A quorum is now present. The meeting now resumes to continue the second debate session, in which five public officers will speak. On the basis of 15 minutes' speaking time for each officer, they will have a maximum speaking time of 75 minutes.

FINANCIAL SECRETARY (in Cantonese): On 12 October, Madam President, the Chief Executive delivered his first policy address since taking office. Captioned "Strong Governance for the People", the policy address sets out work priorities for this year and the years to come, and affirms the direction of our economic development of "leveraging the Mainland and engaging ourselves globally". While I am grateful to a number of Members who expressed a lot of valuable opinions earlier, I would also like to take this opportunity to brief Members on the Government's macro-economic vision and policy objective. Policy Secretaries will respond further regarding their respective programme areas later in the debate.

This year, Hong Kong economy maintains the momentum of robust growth. Despite the many uncertainties surrounding the external economy, such as the macro-adjustment in the Mainland, sharp rises in international oil prices, revival of protectionism, rising interest rates, price adjustments in American assets, and so on, and the threats thus imposed on economic development, Hong Kong still recorded an economic growth rate of 6.5% in the first half of this year. The momentum of economic recovery has not only continued, but consolidated further as well.

Hong Kong is a pluralistic society; it is thus natural for a great diversity of views to exist in it. Some people opine that Hong Kong is faced with a number of structural problems, such as diminishing competitiveness because of high costs, a lack of clear industrial policies or new growth areas in our economy, and so on. Just now, Miss CHAN Yuen-han spoke at length of the lack of new growth areas in our economy, and the difficulty in improving the phenomenon of

labour mismatch. A number of Members from the labour sector have also expressed a lot of opinions concerning this. Today, last year, some even predicted that the unemployment rate in Hong Kong would rise again. The actual situation today is, however, better than anticipated. The unemployment rate has fallen to 5.5% in the third quarter, lower than the 6.6% in end-2004 and the 8.6% in mid-2003. Moreover, the phenomenon of "switching jobs" has become increasingly prevalent. I notice that Mr Vincent FANG talked about it earlier. As an employer, he must have had personal experience of this.

While we must not feel complacent because of the improvement in our unemployment situation, such developments, however, do demonstrate that the flexibility of our economy and labour market and our extraordinary adaptability are way beyond what many people have imagined and anticipated. Actually, while the number of employed people has reached a new peak of 3.39 million, our economy has also created 200 000 new jobs in the past two years, benefiting almost all industries, ranks and strata. 20 000 is no small figure. Although the unemployment rate has yet to go down to the level prior to the reunification, the creation of 200 000 job opportunities literally means that 200 000 people have secured a job. Despite the earlier remark of Mr KWONG Chi-kin that not too many new job opportunities have been created, I believe 200 000 is by no means a small figure. The fact that the number of long-term unemployed persons has also dropped from the peak of 93 000 to 60 000 in recent months shows that many people experiencing difficulty in finding jobs previously have managed to find a new job successively. Apart from this, the quality of our labour force has continued to rise. Over the past decade, the number of highly skilled workers, professionals or people of the management level has been increasing at an average rate of 4.5% annually. One third of our total workforce today belongs to these categories. The substantial investment made over the years in education and manpower has laid a relatively stable foundation for our development of knowledge-based economy.

Hong Kong is a free, liberal city economy. We have long known how to take the right course flexibly, and make adjustments in tandem with market changes, thereby enhancing our competitive edge. The territory has undergone enormous changes — from an entrepot during the period between the '40s and the '50s to a production and export base for the light industry, and then from a financial and trade centre to a diversified market economy with the financial, logistics, professional services and tourism sectors as its backbone in the light of

the present need for globalization and the reform and liberalization of the Mainland. The ability of Hong Kong in undergoing constant transformation successfully is key to our long-term competitiveness.

Even faced with unpredictable, acute situations such as the Asian financial turmoil in 1997, the global burst of the dot-com bubble, the September 11 incident in the United States, the outbreak of SARS, and so on, our financial and banking systems remain healthy. Moreover, private enterprises have not seen a massive tide of bankruptcy; and the export of goods and services still recorded remarkable growth during the most difficult period from 1998 to 2003. We should indeed take pride in the flexibility, resilience and remarkably strong competitiveness of Hong Kong economy and our labour market.

Despite the constant fall in the unemployment rate, the current unemployment rate of 5.5% is still on the high side. For this reason, the Government will continue with its effort in, apart from striving to improve the investment environment and promote economic growth, enhancing its work in such areas as education, labour training, job matching, and so on, with a view to upgrading the employability of the local workforce.

We have all along attached great importance to creating and maintaining a business-friendly environment in Hong Kong. This point has been repeatedly raised by Ms Emily LAU too. I would also like to point out that, since 1996, we have completed more than 120 studies on helping business, and implemented some 470 initiatives for helping business. In 2004, we even set up the Economic and Employment Council and, under it, a Subgroup on Business Facilitation, as well as various task forces, and enhanced our vigour in breaking down barriers and streamlining procedures for different trades and industries. Endorsed improvement initiatives are now being put into active implementation by relevant Policy Bureaux and departments. They include: the streamlining or elimination of cumbersome or unnecessary special conditions of grant; the introduction of a composite licence for food retail; the speeding up of the vetting and approval process for the operation of retail businesses in public housing estates; and the introduction of temporary licences for theatres.

The experience of a large number of advanced countries has shown that the most long-lasting policy for maintaining economic vitality and reducing unemployment is one that can provide a business-friendly environment, enhance the flexibility of the labour market, and enable enterprises and the general public

to give play to their creativity. Under the principle of "big market, small government", we will continue to encourage entrepreneurship and fair competition, and consolidate Hong Kong's status as Asia's World City and a major international financial, trade, transport and communications hub for the country.

The signing of the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) serves as the best embodiment of the "market leads, government facilitates" principle. It is also the best example showing how the strength of "one country, two systems" is put into full play. At the fifth high-level meeting of the Joint Steering Committee on 18 October, an agreement was reached between Chinese Vice-Minister of Commerce, Mr LIAO Xiaoqi, and I on the further liberalization measures under CEPA III.

On trade in goods, the Mainland has agreed to give all products of Hong Kong origin tariff-free treatment starting from 1 January next year, upon application by local manufacturers and upon the CEPA rules of origin (ROOs) being agreed and met. This means that free trade has been fully achieved in principle. As a result of the relaxation of the ROOs on watches, the 30% value adding requirement for watches of Hong Kong brand names will be waived. The waiver, the result of efforts made by the timepiece industry for years, will have a significant impact on the industry in business development.

As for Hong Kong products on which discussion has not yet completed, enterprises may, starting from next year, submit them according to the principle of market economy for two rounds of negotiations annually and publication of new ROOs for enhanced flexibility. On trade in services, starting from 1 January 2006, on the existing basis, 23 liberalization measures covering 10 areas will be introduced for further liberalization of conditions of market access.

Both CEPA I and CEPA II have contributed enormously to Hong Kong economy. This is why I am very pleased to be able to reach an agreement on the liberalization measures under CEPA III. CEPA has always been an open agreement. We will continue to perfect and enrich its content.

However, our work priorities will be focused on the implementation of CEPA to enable it to give full play to its effect. Since its implementation, Hong Kong enterprises have seized enormous development opportunities in the

Mainland. However, we will still hear, from time to time, the complaints of the industries of the difficulties and obstacles encountered by them in developing business in the Mainland. The SAR Government will continue to work closely with the various mainland departments to ensure that the relevant agreements can be implemented in a more effective and concrete manner.

The positive response to the Renminbi (RMB) business, launched in the territory last year, plays a significant role in sustaining Hong Kong's economic recovery and gives impetus to economic integration between Hong Kong and the Mainland. Up to end September 2005, RMB business, including deposit-taking, currency exchange and remittances, was offered by 38 Hong Kong banks. While the deposit size of RMB in Hong Kong has exceeded RMB 22 billion yuan, the cumulative value of transactions using RMB debit and credit cards to spend and make cash withdrawals in Hong Kong has also reached RMB 7.1 billion yuan, and the trend is even rising steadily.

There has been a rapid growth in the demand for RMB business in the Hong Kong market. I am very pleased to learn that the Central People's Government have given in-principle approval to the proposal of the SAR Government of extending the scope of RMB business in Hong Kong. This includes raising the exchange limit between RMB and Hong Kong Dollar per person per transaction; lifting the credit limit of RMB cards issued by banks in Hong Kong; relaxing the RMB remittance limit imposed on Hong Kong residents; extending RMB settlement to designated merchants in more sectors; and permitting designated merchants in Hong Kong to open RMB cash deposits accounts and exchange the RMB deposits one-way into Hong Kong Dollar. The Hong Kong Monetary Authority and the People's Bank of China have begun active discussions on the technical details of the relevant arrangements. An announcement on the details is expected to be made shortly.

These measures, aimed at furthering RMB business in Hong Kong, will further facilitate exchanges between mainland and Hong Kong residents and promote economic integration between the two places. They will even help perfect the flow of RMB capital between the Mainland and Hong Kong to prepare banks in Hong Kong to effectively diversify their RMB business. As a step towards the three strategic directions proposed in the Budget last year, designated merchants are now allowed to open RMB deposits accounts. As the next step, the SAR Government and the relevant mainland departments will continue to actively examine the feasibility of conducting trade between the two

places with RMB payment, the issuance of RMB bonds, and so on, to ensure compatibility between the development of RMB business in Hong Kong and the liberalization of capital accounts and the reform on free exchange of RMB in the Mainland.

Representing nearly 13% of our entire economy, the financial services sector is an important pillar of Hong Kong economy. In terms of market value, our stock market is the second largest in the whole Asia. As large mainland enterprises will continue to seek listings in Hong Kong to raise funds, coupled with Hong Kong's gradual economic transformation, the role of our quality and effective financial services sector will become even more important.

To make effective use of the strength of our financial services sector in "leveraging the Mainland and engaging ourselves globally", we will maintain close co-operation with the Securities and Futures Commission and the Hong Kong Exchanges and Clearing Limited for continued upgrading of the standard of our financial markets and corporate management with a view to creating a quality brand name effect for Hong Kong's financial markets, attracting more mainland enterprises to "go global" with the assistance of Hong Kong, expanding the width and depth of Hong Kong's financial services market, and further consolidating Hong Kong's status as an international financial hub.

At present, there are more than 300 listed mainland enterprises in Hong Kong, and the total amount of funds raised by them reaches HK\$1,000 billion. We will continue to step up our pace of co-operation with the Mainland's economic reform so that the Mainland can use our comprehensive financial system as a platform to continue its financial services reform and to converge with the world. In doing so, not only can we ensure that our quality and effective financial services make valid contribution to the Mainland's financial reform, new opportunities will be created for the long-term development of our financial services sector as well.

Apart from adhering to the principle of fair competition, the SAR Government also strives to enhance the transparency of our regulatory system to ensure that enterprises of different scales can operate fairly and reasonably. The competition policy, having been used for years to formulate measures according to the needs of individual sectors, is an active impetus to certain sectors, such as liberalizing the telecommunications market, and the result is evident to all. However, in view of the fact that Hong Kong has become a

relatively advanced and mature economy, a Competition Policy Review Committee, an independent organ led by non-official members, was set up months ago to review the existing competition policy and its effectiveness to make sure that the policy keeps pace with the times and is compatible with our socio-economic interest and development in the long run.

We are open-minded towards the outcome of the review, and further consideration will be given after the submission of the working report by the Review Committee. In this connection, we have to reiterate that we have no intention to interfere with the market. Instead, we are determined to uphold the order of the market and fair competition to ensure that multinational conglomerates, small and medium enterprises, and even individual business starters can all compete in a level playing field and give full play to their entrepreneurship.

Since its robust rebound last year, Hong Kong economy has been growing satisfactorily this year. The growth in external trade and internal demands shows that Hong Kong economy is back in good shape. Economic integration between Hong Kong and the Mainland will also be enhanced as a result of the furthering of CEPA and expansion of RMB business. Our liberal and flexible market system will lead Hong Kong to further economic development and enable the territory to grasp the unprecedented opportunities brought about the quantum progress of the country. Despite the remarkable improvement in our economic conditions, we must not take the hardships before us lightly. At this time when opportunities and challenges co-exist, we must better equip ourselves and work even harder to build for Hong Kong a better tomorrow.

I so submit. Thank you, Madam President.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, the financial services sector has seen encouraging development on various fronts in the past 10 months. As for the securities industry, the updated total market capitalization of the Hong Kong stock market has reached over \$7,500 billion, which is much higher than that at the end of 2004 (\$6,695.9 billion) and represents more than five times of our Gross Domestic Product. During the first three quarters of this year, the daily volume of transaction reached as much as \$18.2 billion. As for the banking sector, in

the first three quarters of 2005, the total amount of loans reached \$2,269 billion or a 9% increase over the same period last year. The total gross insurance premium collected in 2004 was \$121.9 billion, representing a marked increase of 19.5% compared with that of last year.

We should understand that in order to further consolidate Hong Kong's position as an international financial centre, we must keep perfecting our regulatory regime and promoting our market development with all efforts. This is our policy direction and strategy.

On the area of perfecting our regulatory regime, I can briefly tell Members that the following measures will be adopted.

- (i) In the banking sector, we are planning to implement the New Basel Capital Accord II. With the passage of the Banking (Amendment) Bill 2005, we are actively drafting the capital rules and disclosure rules, hoping that they can be tabled to the Legislative Council for scrutiny in mid-2006.
- (ii) As for the important listing rules, in order to give these listing rules a statutory status, we have planned to introduce the Securities and Futures (Amendment) Bill within this legislative year so as to tighten the regulation of listed companies and boost local and overseas investors' confidence in our securities market.
- (iii) In order to strengthen the regulation of auditors of listed companies and improve the quality of financial reporting by enterprises, we will complete the related work as soon as possible so that we can set up the Financial Reporting Council as soon as possible.
- (iv) We will also continue to work with regulators and professional bodies so as to promote good corporate governance and to enhance the quality of our financial markets.

On the promotion of market development, we will, in the coming year, focus on two areas, including Hong Kong's asset management business and the Pan-Pearl River Delta (PRD) Region co-operation in financial services.

- (i) We will spare no effort in promoting Hong Kong's asset management business so as to strengthen our position as a world-class asset management centre. In fact, Hong Kong is a premium asset management centre in Asia. According to a survey conducted by the Securities and Futures Commission (SFC) in 2004 on fund management activities, Hong Kong was managing \$3,600 billion of assets, representing an increase of 23% compared with 2003, of which 63% came from overseas investors. This shows that Hong Kong is a very attractive market to overseas capital. Our stock market has also been made very active due to the cycle effect.

Our financial markets are mature and well-developed. With an enormous pool of international experts, we can be an excellent platform for international investment for the mainland financial services industry. In fact, the Mainland has taken a lot of measures so that mainland capital from insurance companies and social security funds can gradually be invested outside the Mainland. In the long run, Hong Kong is well-positioned to become a preferred asset management centre for mainland funds.

In order to further strengthen Hong Kong's position as Asia's major asset management centre, we introduced a bill to abolish estate duty to the Legislative Council in May so as to encourage investors to hold assets in Hong Kong. The Second Reading of the bill will be resumed on 2 November. I hope Members will support it then.

Besides, in order to attract new offshore funds invested to Hong Kong and to encourage the continued presence of existing ones, the Government, after having consulted the industry, has decided to present a bill on exempting offshore funds from profits tax to the Legislative Council. Subject to endorsement by the Legislative Council, our taxation arrangement for offshore funds will be on a par with other international financial centres like the United States, the United Kingdom and Singapore. We may even surpass them in some areas.

- (ii) We will continue to promote Pan-PRD Region co-operation in financial services. The Pan-PRD Region is one of the mainland regions which enjoy the highest economic growth. The Pan-PRD

Region economic co-operation was launched last year and Hong Kong should give full play to our advantages as an international financial centre provide to Pan-PRD enterprises fund-raising and investment activities.

I have just visited Fujian Province with a delegation from the financial sector. We will hold a forum on "Pan-PRD Co-operation in Financial Services Development" in March next year. The forum can provide an opportunity of exchange to representatives from enterprises in the Pan-PRD Region, Hong Kong and international financial institutions. It will also enhance the understanding of enterprises in the Pan-PRD Region of our fund-raising and investment services, thus opening up more business opportunities for our financial sector and consolidating Hong Kong's position as an international financial centre.

In addition to the two important areas mentioned above, we will continue to promote the development of the bond market. The SFC is now conducting a consultation exercise on the reform of our existing public offering regime, in the hope of introducing a regulatory framework that is efficient, competitive and provides a level playing field for issuers and investors. In doing so, we hope our existing public offering regime can be further improved.

With the joint efforts of the Government, the regulators and the industry, I am sure that we can further consolidate the good foundation of our financial system, grasp the opportunities provided by the rapid economic growth in the Mainland and scale new heights in our financial services.

Having listened to Members' valuable views for several hours, I would like to spend a few minutes responding to some of their points.

Mr CHAN Kam-lam, Mr Jasper TSANG and a number of Members mentioned their concerns for the warrant market. In fact, the Government is just as concerned about the development of the warrant market as you are. In July this year, we requested the regulators including the SFC and the Stock Exchange to pay attention to this active warrant market.

Our concerns can be summarized into three points. First, we are concerned about investor education in this aspect. As Mr CHAN Kam-lam and

Mr Jasper TSANG have said, do the investors know what they are buying? Perhaps they do not know what they are buying nor the risks involved despite a substantial financial loss. This is our first concern.

Our second concern is whether there are malpractices in the market because such malpractices will undermine investor confidence in the market if they do exist. That is something that no financial system would like to see.

Our third concern is the impact of such an active warrant market on our systematic risk and whether it will pose any impact on the healthy development of our financial markets. So, we have invited the regulators to study these three aspects and submit a report to the Government. The regulators have promised that a report will be completed by the end of November. I am sure Members' concerns will be heard. I hope that when the report is submitted by the end of November, the findings of the report can be disclosed to the public and their views can be sought. But I can assure Members that the Government is very concerned about this issue.

The second point I would like to respond to is the question related to the industry and its regulation. Mr CHIM Pui-chung has raised some very valid points here and I would like to give an explanation. First, as I said earlier, our market has been very active this year and the daily turnover is \$18.2 billion. This may not seem to be a very high volume but the current growth rate is really substantial compared with three years ago when our daily turnover was only \$4 billion. In 2004, our market was already very active. The figure just quoted represents a 20% increase. But compared with that of 2003 and 2002, the increase this year is substantial. The merit of a substantial growth is that all participants in the securities industry can get a share. In other words, we hope all brokers, big or small, international or local, can benefit from such an active market. The market share of Group C brokers is dropping by about 13%, but as the pie has grown much larger, we hope that small and medium size brokers can strive to enlarge their market shares.

Just now Mr CHIM mentioned the issue of having two regulators for the same industry, I would like to say that the SFC and Hong Kong Monetary Authority (HKMA) have signed a memorandum to ensure that the same standards are applied in regulating the securities industry. Owing to various reasons, the HKMA is responsible for supervising banks and the SFC is responsible for supervising the brokers. But they have adopted the same

standards. With frequent communication with Mr CHIM, I am sure there will not be any problem. If there is, it can be sorted out through discussion.

I would also like to discuss the issue of outsourcing which has been mentioned by a number of Members. In fact, the Government is very concerned about the rights of workers employed by service contractors. We absolutely do not tolerate workers being exploited by contractors because of outsourcing. In the past few years, the Government has introduced a number of measures to safeguard the rights of workers employed by contractors. Some of these measures are well-known, including the mandatory requirements for assessing tenders and evaluation of wage offers, and the mandatory requirements for employment contracts. All procuring departments have set up a complaint hotline to ensure contractors' compliance with our contracts. The Labour Department will continue to step up its law-enforcement efforts and conduct investigations on receipt of complaints in order to protect the workers' legitimate rights. It will certainly initiate prosecution against non-compliant employers when there is sufficient evidence.

A number of Members mentioned the impact of the World Trade Organization Agreement on Government Procurement on the Government's procurement policy and the employment situation in Hong Kong. I must stress that the Government's procurement policy always adheres to the principle of maintaining open and fair competition, transparent procedures, accountability to the public and cost-effectiveness. We will put the interests of our overall economy and taxpayers in top priority. We are of the view that our procurement policy has not changed after accession to the agreement in 1997. Even so, after listening to Members' views today, I will seriously discuss these points with my colleagues in other Policy Bureaux.

Thank you, Madam President.

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, first of all, I am very grateful to all the Members who have put forward a lot of valuable comments on commercial, industrial and technological matters in the Motion of Thanks debate session on economic development.

As the Chief Executive pointed out in the policy address, we have a steadfast commitment to promoting economic development. Our strategy is to "leverage the Mainland and engage ourselves globally" and to strengthen our advantages. Now I am going to explain the Government's viewpoints on three major issues mentioned by Members.

Quite a number of Members mentioned the plight of the film industry. In fact, the Government has been looking at the problem squarely and implementing a lot of measures to support the industry in the past five years or so. These include the setting up of the Film Development Fund, providing subsidies for manpower training programmes and setting up the Film Guarantee Fund for encouraging the participation of banks and lending institutions in film financing. Furthermore, the Chief Executive announced in the policy address that a film development board would be set up as a further step, the purpose of which is to enable the industry to take the lead in giving inputs to the Government on the direction of development of the industry. The prime task of the board is to take stock of the present state, opportunities and challenges of the local film industry before charting a development course and drawing up a clear action plan. After the board has drawn up a plan on how to support and develop the film industry, the Government will actively consider implementing necessary measures in a gradual and orderly manner to revive the local film industry.

Some Members mentioned the Sixth Ministerial Conference of the World Trade Organization (WTO). The Conference will help give impetus to the Doha round of multilateral trade negotiations. If this round of negotiations can be concluded successfully, it would help remove various trade barriers and have far-reaching impact on the long-term economic development of Hong Kong.

Besides, Members expressed concerns about Hong Kong's participation in the WTO negotiations on the service industries. If the markets of the service industries of our major trade partners can be further liberalized and expanded through this round of WTO negotiations, it will bring about much more business opportunities for the service sector in Hong Kong. This is also one of the reasons for our active participation in the WTO negotiations.

The Government will also make the most of the Sixth Ministerial Conference of the WTO to enhance Hong Kong's international image and project Hong Kong as Asia's World City. The Government is determined to do its best

to ensure the successful hosting and smooth conduct of the Conference. The Commerce, Industry and Technology Bureau is now working closely in different areas with the WTO Secretariat and relevant bureaux and departments of the SAR Government to ensure that the arrangements for the Conference can function smoothly. We have also regularly reported the preparation progress of the Conference to the Commerce and Industry Panel of the Legislative Council, in addition to maintaining close ties with the District Councils, business sector and non-governmental organizations (NGOs). We appreciate the NGOs' concerns about the subject matters of the negotiations and attach importance to our dialogues with them. It is hoped that the negotiations and arrangements of the Conference can be conducted in a spirit of mutual understanding and mutual accommodation.

Besides, some Members also suggested that the Government should formulate a blueprint and timetable for the regulation of telecommunications. In fact, as telecommunication is advancing so rapidly and the market is so volatile, we can foresee the total convergence of fixed and mobile services in the near future. Moreover, it is necessary for us to launch a transparent and market-oriented policy on radio spectrum, which is a limited and valuable public resource. From now on until these two developments have taken place, the regulator needs to conduct a review of a series of matters and consult the industry and the public. One of these matters is to work out the details of the unified carrier licences applicable to both fixed and mobile services. Some members of the industry consider that the new licences should be introduced only when all or most of the relevant regulatory matters have been reviewed and finalized. But in our opinion, since the new type of licences will promote the fixed-mobile convergence in a direct manner, its belated implementation will stifle the introduction of new technologies like BWA. As regards other related regulatory matters such as interconnection charging arrangement between fixed and mobile services or fixed-mobile number portability, an overall assessment on cost-effectiveness is necessary before initiating any changes. The regulator has set out a list of items to be reviewed for the industry's reference. We will also communicate with the industry on the spectrum policy review in due course.

Madam President, in order to fully implement the policies and measures for economic development, we need the concerted efforts of the Government, enterprises, professionals and members of the public so as to grasp fully the opportunities before us. I look forward to greater achievements in economic

development in close co-operation with Legislative Council Members. Thank you, Madam President.

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, the Chief Executive announced in the policy address that a Mainland Affairs Liaison Office (MALO) would be established within the Constitutional Affairs Bureau and the existing Hong Kong Guangdong Co-operation Co-ordination Unit be merged with the Bureau. This means that all our offices in the Mainland will, from now on, be put under the management of the MALO. Furthermore, in addition to the Office of the Government of the HKSAR in Beijing and the Hong Kong Economic and Trade Office in Guangdong, we have decided to set up two additional offices separately in Shanghai and Chengdu.

During today's debate, several Members, including Mr Abraham SHEK, Mr WONG Ting-kwong and Dr Philip WONG, mentioned our work in this area. They all expressed support for the establishment of the MALO and the creation of two additional offices separately in Shanghai and Chengdu. Mr Patrick LAU particularly reminded us that the new offices, as well as the old ones, should pay special attention to assisting different trades and industries, particularly the professional sector, in exploring new business opportunities. Mr Howard YOUNG also reminded us to consider, within the scope of Guangdong-Hong Kong co-operation, the possibility of offering more convenience to overseas tourists travelling between Hong Kong and Guangdong. Miss TAM Heung-man also reminded us that our mainland offices should provide concrete assistance to Hong Kong residents travelling to the Mainland for business, sightseeing or other matters. I would like to thank Members for their views. My colleagues and I will surely give careful consideration to them.

Madam President, I would like to mention in particular our thinking behind the establishment of the MALO. Since the reunification, the Constitutional Affairs Bureau has been responsible for liaison between the SAR Government and the relevant departments of the Central Authorities, particularly the Hong Kong and Macao Affairs Office (HKMAO) and the Ministry of Foreign Affairs. It is also responsible for co-ordinating and handling key matters in connection with the relationship between the Central Authorities and the SAR, as well as the external affairs of the Hong Kong SAR. For these reasons, we have decided to merge the existing unit set up under the Constitutional Affairs Bureau for handling mainland affairs with the Guangdong

Co-operation Co-ordination Unit to become the MALO as a centralized organ to take charge of the management of all mainland offices. This proposal raised by us is based on the following two considerations.

First, since the reunification, different regional co-operation mechanisms have been set up in Hong Kong and the Mainland. One of the mechanisms with a comparatively long history is the Hong Kong/Guangdong Co-operation Joint Conference, established in 1998. In 2003 and 2004, economic and trade co-operation mechanisms were put in place in Shanghai and Beijing. Pan-Pearl River Delta Regional Co-operation, still at its infancy stage, commenced in mid-2004. After years of exchange, the mechanisms of co-operation between Hong Kong and Guangdong Province are becoming increasingly mature. However, the mechanisms of co-operation between Hong Kong and other places in the Mainland basically remain at their preliminary stage, with some of them having just taken their first step. Some of these issues, such as how Hong Kong can capitalize on the opportunities arising from co-operation under "Nine plus Two" to expand its future development in the economic and other aspects, have to be explored further. Various Policy Bureaux will continue with their efforts in this respect.

According to Mr Abraham SHEK, the Pearl River Delta (PRD) and the Pan-Pearl River Delta (Pan-PRD) are keys to Hong Kong's economic prospects in the next 15 to 20 years. The SAR Government agrees that co-operation under "Nine plus Two" can bring a lot of new opportunities. We will continue with our efforts in developing co-operation between Guangdong and Hong Kong and our ties with the other eight provinces and cities, as well as the Macao SAR. The MALO will formulate overall strategies and directions regarding co-operation between the SAR and the Mainland, and prioritize different co-operation initiatives.

Madam President, our second line of thinking is actually associated with the key initiatives formulated by the Central Government in several areas in recent years, including CEPA, the Individual Visit Scheme, and so on. For the purpose of implementing these policies, we have to continue maintaining close ties with the Central Government as well as making joint efforts with other provinces, regions, and municipalities directly under the Central Government. Furthermore, the SAR Government actively encourages the enterprises of various provinces and municipalities to develop business in Hong Kong. In this, there will actually be an additional level of co-operation between the

Mainland and Hong Kong. If we are to develop more development opportunities for Hong Kong and encourage more mainland enterprises to come to Hong Kong for development, we will have to continue with our efforts in maintaining close ties with the Mainland at the central level, such as the HKMAO and the National Development and Reform Commission, as well as strengthening regional co-operation and the communication and ties with the governments of provinces and municipalities. The MALO will be responsible for the co-ordination of overall liaison between our mainland offices and the relevant mainland authorities and the formulation of work plans for our mainland offices with a view to strengthening our ties with the Central Authorities and various provinces and municipalities in all aspects.

Madam President, regarding the utilization of resources, we will make every possible effort to ensure that the establishment of the MALO will not involve too many extra resources. On the meeting to be held by the Panel on Constitutional Affairs in November, we will give Members an account of the situation.

Next, I would like to say a few words on the offices to be set up in Shanghai and Chengdu. At present, the SAR Government has offices in Beijing and Guangzhou. If the Mainland is vaguely divided into four parts geographically, the Office of the Government of the HKSAR in Beijing and the Hong Kong Economic and Trade Office in Guangdong cover all the areas in the north and south respectively. To enable Hong Kong to have a more comprehensive representative network in the Mainland, we hope to set up additional offices in Shanghai and Chengdu to take charge of collaboration between Hong Kong, East China and the southwest part of China.

As Members are aware, Shanghai, with its enormous economic potentials, is the dragonhead of the Yangtze River Delta (YRD) Region. In 2003, the Gross National Product (GNP) of the YRD Region, with a population of 140 million, or some 11% of the national population, reached US\$340 billion, or 21% of the nation's GDP. The YRD Region and the PRD Region are now considered two major driving forces of the mainland economy. Not only can the YRD Region provide Hong Kong's professional and services sectors with infinite business opportunities, we are also targeting our efforts at soliciting large mainland enterprises based in this Region to seek listing and set up offices in Hong Kong in the hope that they can go global through investing here or using the territory as a platform.

We hope Hong Kong, being the top financial hub of the Asian region, can become the financial services provider of the PRD Region. As a result of the implementation of "Nine plus Two", the coverage of services provided by Hong Kong will expand by more than five times. In 2004, the GNP of the Pan-PRD Region, with a population of 463 million, or 35% of the national population, stood at some US\$734 billion, or 40% of the nation's GDP. The economy of this Region must be supported by strong financial infrastructure, such as global banks, international standards, corporate governance rules and regulations, safety measures, liquid capital, convertible currencies, and so on. Hong Kong is fully capable of providing all this. This is also what mainland cities have yet been able to achieve. Through the establishment of the new office in Chengdu, Hong Kong will be able to provide four provinces covered by "Nine plus Two" with promotional service — our office in Guangdong will cover five provinces, while the one in Chengdu covers four — with a view to attracting mainland investments to Hong Kong. Just now, Secretary Frederick MA mentioned his trip with the financial sector to Fujian in September for investment promotion and relevant activities. I am also aware of the plan of the Financial Services and the Treasury Bureau to convene a seminar in March next year on financial services for the nine provinces and the Macao SAR. Government officials and enterprises of the nine provinces will be invited to the seminar for more exchanges.

In addition to the economic activities mentioned by me earlier, we will, in the light of the requests made by Members and the community, examine the feasibility of enhancing the functions of the Hong Kong Economic and Trade Office in Guangdong in providing assistance to Hong Kong residents in distress in the relevant provinces and regions. Consideration will also be given to the possibility of deploying a small team of immigration staff to station at the Hong Kong Economic and Trade Office in Guangdong. The Commerce, Industry and Technology Bureau and the Security Bureau will continue to be responsible for co-ordinating policies in respect of the economic and trade ties and investment promotion of individual mainland offices and the provision of assistance to Hong Kong people in distress respectively.

Preparatory work is underway for the setting up of offices in Shanghai and Chengdu. We will give an account to the Panel on Commerce and Industry when more specific proposals are available.

Madam President, it is the hope of the Government to, through the setting up of the MALO and strengthening of our representative network in the Mainland, be better able to promote ties between Hong Kong and the Mainland, and co-ordinate exchanges and co-operation between Hong Kong and Guangdong, the Pan-PRD, and even the vast areas in the Mainland to better complement the SAR's economic development strategy of "leveraging the Mainland and engaging ourselves globally". I sincerely hope that these proposals can be supported by Honourable Members.

Madam President, I so submit.

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): To start with, Madam President, I would like to thank Members for expressing a lot of valuable opinions on economic development and labour matters earlier in the debate. There is a close relationship between economic development and employment. We will continue with our efforts in promoting economic development and improving employment.

On tourism, tourist arrivals, reaching 218 million, scaled a new height last year. This year, tourist arrivals have continued to rise steadily. Furthermore, tourist arrivals from our major long-haul markets, such as Europe, the United States, Australia and New Zealand, have continued to rise.

Last year, 56% of the combined tourist arrivals came from the Mainland, with one third of them being individual travellers. Last week, the Chief Executive announced that the Individual Visit Scheme would cover four more cities, including Chengdu, Dalian, Shenyang and Jinan, thereby increasing the number of cities covered by the Scheme to 38. At the same time, the number of mainland residents allowed to travel freely to Hong Kong under the Scheme has also been increased to nearly 200 million.

In order to attract more travellers, the Government has spared no efforts in building new tourism facilities and improving existing ones. Over the past couple of years, we have made substantial investment in developing new tourism projects. With the successive completion of these projects in the coming months, Hong Kong will further consolidate its status as Asia's most popular tourist destination.

In addition to the commissioning of the Hong Kong Disneyland last month, a number of tourism projects will also be completed for commissioning one after another. For instance, phase two of "A Symphony of Lights" is due for completion by the end of this year. The Hong Kong Wetland Park and Ngong Ping 360 are also expected to be commissioned next year. All these attractions are suitable for every family member.

We have also completed the assessment of the redevelopment plans submitted by the Ocean Park, which has been endorsed by the Executive Council too. The redevelopment cost is estimated to be \$5.55 billion. The Government has proposed to provide support for half of the funding in the form of government guarantee and a subordinated loan. In other words, 25% of the redevelopment cost will be provided in the form of government guarantee for the Ocean Park to secure commercial loans, and the remaining 25% will be provided as a subordinated loan. The Ocean Park, upon redevelopment, is expected to become the top ocean theme park in the world and, together with the Hong Kong Disneyland playing a mutually complementary role, makes Hong Kong the prime tourist destination for families in the Region and help develop Aberdeen into a key tourist spot. I hope Members can support the redevelopment plans.

Regarding the cruise terminal mentioned by a Member, a new cruise terminal must be constructed expeditiously. In our opinion, the runway of the former Kai Tak Airport at South East Kowloon is the best location for the construction of new cruise terminal facilities. We will speed up the review of Kai Tak planning to ensure the completion of the cruise terminal in 2011. Interested parties will be invited next week to submit Expressions of Interest before the end of this year to ascertain whether there are feasible locations other than Kai Tak for development of the new cruise terminal. The proposals have to fulfil the requirements set by the Government. For instance, the proposed location must be within the Victoria Harbour; it has a faster timetable for developing cruise terminal facilities than Kai Tak; it is technically feasible; capable of accommodating mega cruise ships; and the site has to be put to open tender. If we do not receive any proposal that can meet all our requirements, the Government will have no alternative but to focus on developing a new cruise terminal at Kai Tak. If indeed there are such proposals, the Government will follow the established planning procedures to ascertain the suitability of the proposed locations for development of a new cruise terminal, and put the site to open tender, I repeat, open tender, after public consultation.

We surely agree with the view expressed by Members that we must enhance our competitive edge in such areas as ports, terminals and logistics development. With respect to our port development strategies, we will carefully consider the views expressed by various sectors on the Study on Hong Kong Port — Master Plan 2020. Moreover, we will work closely with the relevant sectors in striving to lower land transport cost, strengthen transport links with the cargo hinterland, and upgrade the handling capacity of existing port facilities. Specifically, good progress has been achieved in our discussion with the Guangdong authorities on the lowering of cross-boundary land transport cost. Furthermore, the "four-up-four-down" and "one-truck-one-driver" rules imposed on cross-boundary lorries have been relaxed one after another. Both parties will maintain communication to explore how cross-boundary cargo transport can be improved further. In order to attract more vessels to use our ports, we will also launch a series of initiatives, such as streamlining the entry procedures for vessels, and lowering port fees and providing more anchorages in order to raise the cargo handling capacity of mid-stream operation. The relevant initiatives are expected to be implemented early next year upon the completion of the legislative procedures. Furthermore, we will continue with our efforts in facilitating discussion between relevant bodies and trade associations on terminal handling charges in order to raise their transparency.

For the purpose of promoting information interchange of the supply chain and helping the logistics sector add value and lower cost, we fully subscribe to the suggestions of the Hong Kong Logistics Development Council and the opinions of the sector. We must implement the Digital Trade and Transportation Network (DTTN) System expeditiously to provide a convenient, open and neutral electronic platform to promote the integration of logistics services between Hong Kong and the region, and even other parts of the world, to ultimately achieve the purpose of enhancing the competitive edge of our ports and logistics sector. Here I have to thank Ms Miriam LAU for the support she expressed earlier for the DTTN System, her clear echo of the voices of the sector, and her explanation on the reasons for government participation in this System.

The Scheme of Control Agreement, signed between the Government and the two power suppliers, is due to expire in 2008. Phase one public consultation on the development of the future power market was completed in April this year. With reference to the views collected, we are drafting the post-2008 development plan for the market. Phase two public consultation on

the development plan will be carried out at the end of this year. I hope Members will express more opinions then.

Diverse views have been expressed by Members on our competition policy. To ensure that our competition policy is in the best public interest and is able to provide a business-friendly environment, a Competition Policy Review Committee, chaired by a non-official person and comprising members from various sectors of society, was appointed in the middle of this year to review the effectiveness of the Government's competition policy.

The Review Committee has commenced its review of the composition, functions, and *modus operandi* of the Competition Policy Advisory Group (COMPAG), including its operation mechanism, procedures and investigation power in handling complaints against violations of the competition policy. Furthermore, the Review Committee will actively consider the necessity of enacting cross-sector fair competition legislation in Hong Kong, the scope and applicability of the relevant legislation, and so on. The relevant review is expected to complete in mid-2006. Upon the completion of the review, the Government will report to the Legislative Council and the public the outcome of the review.

As for employment, Madam President, I am not going to repeat for the Financial Secretary already said earlier that employment had gradually improved in recent years. What I am going to say is the employment services provided by the Government. As well as providing job-seekers with comprehensive employment services, the Labour Department (LD) has organized a total of 50 job fairs of various scales this year, in order to respond to the needs of job-seekers living in remote areas in a more flexible and speedy manner.

During the first nine months of this year, the LD successfully assisted more than 82 000 people in taking up employment. The number of successful cases in September alone even reached a new high figure of 11 200. In September, an average of some 1 900 job vacancies, 19% higher than the second quarter of this year, in the private sector were received each working day. All these data illustrate that the sentiment of the labour market has continued to improve. The unemployment rate in the construction industry, though still at a high level, has fallen from its peak of 20% in 2003 to 11% at present, with the number of unemployed workers standing at approximately 33 000.

The Chief Executive indicated in the policy address that a number of government projects will be launched to create more than 6 300 jobs for the construction industry. If the relocation plan of the Government headquarters and the Legislative Council can be implemented in 2007, an additional 2 700 jobs will be created.

Furthermore, a number of infrastructural projects, such as the second air terminal building and the Asiaworld-Expo venue, will bring more job opportunities upon completion.

In addition to the abovementioned projects, the Government will also promote employment through tourism projects. With the successive completion of more than 30 hotels in the next two years, some 8 000 new posts will be created.

To enhance employment services provided in remote areas, particularly the Northwest New Territories where unemployment rates are particularly high, the LD will set up an employment centre separately in Yuen Long and North District. The number of employment centres territory-wide will then increase from 10 to 12. I hope the new employment centres can open for service in mid-2006 to provide residents in the districts with such support services as job referral, job matching, employment seminars, and so on. Furthermore, the rules of the Local Domestic Helpers Incentive Allowance Scheme will be relaxed to further promote the development of the local domestic helpers market. Meanwhile, the LD will continue to implement the Re-employment Training Programme for the Middle-aged, the Work Trial Scheme and the Work Orientation and Placement Scheme for the purpose of giving all-directional assistance to the middle-aged, people with difficulty in seeking employment and people with disabilities to enter the labour market.

On youth employment, we will continue to implement in full vigour the Youth Pre-employment Training Programme (YPTP) and the Youth Work Experience and Training Scheme. These two Schemes, having been integrated, are now providing one-stop services to young people aged between 15 and 24. Meanwhile, arrangements under the YPTP will be improved by relaxing the current restriction of allowing each trainee to select only one course from each of the four modules. Instead, trainees will be allowed to select a maximum of five courses from different modules. To encourage more trainees to participate in workplace attachment training, the amount of allowance payable will also be

increased from \$1,000 to \$2,000. I hope Members will agree that all these initiatives are evident of the Government's all-directional efforts in striving to resolve the employment problem.

The fact that a number of Members mentioned the issues of minimum wages and standard working hours in the debate earlier clearly reflects the diversity of views held by Members on these issues. The Labour Advisory Board is now studying this important subject. I will respond in detail in the debate to be conducted on this subject by the Legislative Council next month. However, Members can rest assured that I will not repeat the speech delivered last year.

Today, I only wish to reiterate that the Government has taken an important step in wage protection. A mandatory requirement was enforced in May last year, requiring contractors of outsourced government services to, with reference to the Census and Statistics Department's Quarterly Report of Wages and Payroll Statistics, offer to non-skilled workers wages not lower than the average wages of similar trades and work types in the market. This arrangement has already been extended to the public sector as well. Furthermore, we have written to subvented organizations and aided schools to encourage them to follow the government practice. The Chief Executive has in the policy address also appealed to the business community to follow the level of market wages in paying their non-skilled workers. I hope Members will agree that we are moving forward with respect to this issue.

In addition to taking employment promotion measures, we will continue to strive for protection of employees' interests. We will step up targeted actions to strictly combat crimes related to default payment of wages. We will conduct inspections and visits, and caution the management that they must assume the responsibilities set out in the Employment Ordinance and of the grave consequences of non-compliance. I believe these measures will help deter employers from defaulting on payment of wages.

In order to increase deterrence and step up our crack-down on wage offences, we propose to raise the maximum penalty for wage offences under the Employment Ordinance from a fine of \$200,000 and one year of imprisonment to a fine of \$350,000 and three years of imprisonment. This proposal will be submitted to the Panel on Manpower next month for consultation.

In order to protect the employment opportunities of local workers, law enforcement will continue to be stepped up to vigorously combat illegal labour. We will strengthen intelligence exchange with the Mainland, and enhance collaboration among the Government's internal law-enforcement departments and publicity, with a view to combating illegal employment at a number of levels.

Madam President, various initiatives will be continued for the sustainable development of Hong Kong economy. Meanwhile, we will strive to protect labour interests, promote labour relations, and foster social harmony. Thank you, Madam President.

PRESIDENT (in Cantonese): The second debate session ends here. We now proceed to the third debate session. The policy areas for this session are "education, home affairs and manpower planning".

MR LAU WONG-FAT (in Cantonese): Madam President, the Chief Executive, Mr Donald TSANG, has proposed in this policy address to enhance work in districts, expand the role of District Councils (DCs), cherish the functions of the Heung Yee Kuk and forge a stronger partnership with it. As the representative of the DC constituency in the Legislative Council as well as the Chairman of the Heung Yee Kuk, I am most encouraged by this pragmatic and people-based approach of governance of the Government.

I still recall that in the debate on the last policy address conducted in the beginning of the year, I reminded the Government that, if it was intent on maximizing the effectiveness of district administration, it must expeditiously expand the role of the DCs and provide them with abundant resources, thereby enabling these grass-roots representative bodies to help the Government in keeping a closer tab on public opinions and upgrading the level of administration. Since the Government has implemented departmentalization, individual departments enjoy autonomy and do not have any hierarchical relationship with each other. Without any effective co-ordination, confusions arise in the implementation of policies at the district level and a decline in administrative efficiency is resulted. This has not only seriously affected the work of improving people's livelihood in the districts, but also made it difficult for the

Government to keep a closer tab on the opinions and aspirations of the people at the district level.

In this policy address, the Chief Executive mentions the expansion of the functions of DCs and strengthening the role of District Officers, thus giving further play to the co-ordination role of the District Management Committee and requiring all departments to better complement the work of District Officers. These measures are appropriate solutions to the specific problems. They will not only help enhance the operational efficiency of the various government departments, but also enable members of DCs to exercise their function of monitoring the implementation of government policies, thereby manifesting the spirit of accountability of the officials concerned.

Of course, the arrangement of allowing DCs to assume responsibility for the management of only some district facilities was not entirely satisfactory. However, it does illustrate the courage of the Government in facing changes and introducing reforms, and such an attitude does merit our commendation. Personally, I think this is a good starting point, and I hope the Government can take greater strides in future in expanding the role of DCs as well as providing them with more resources.

The Heung Yee Kuk is a statutory advisory body as well as a traditional organization serving social functions. During the past few decades, it has made significant accomplishment and contribution in all kinds of affairs, ranging from national affairs to Hong Kong and New Territories affairs. The Heung Yee Kuk and its 27 Rural Committees have adequately proved the value of their roles and functions in the development process of new towns in the New Territories. The cohesiveness in Rural Communities and village communities is a stabilizing force in the harmonious development of society.

As land resources in the urban areas of Hong Kong and Kowloon are limited, the major future development trend must be focused on the various districts of the New Territories. According to our experience, large-scale planning and land resumption exercises will not only change the status quo, but also bring about substantial impact on the way of life of the residents in these districts. And there will be more and more conflicts between the people and the Government. The Rural Committees under the leadership of the Heung Yee

Kuk absolutely have the capability of playing the role of a bridge between the people and the Government, so as to continue playing their conciliation role.

Madam President, it is stipulated in Article 40 of the Basic Law, "The lawful traditional rights and interests (including small houses and government rent, and so on) of the indigenous inhabitants of the 'New Territories' shall be protected by the Hong Kong Special Administrative Region." It has been eight years since the reunification. Much to our regret, the above specific provision has not been fully implemented. Therefore, in my opinion, it is a priority task for both the Government and the Heung Yee Kuk to identify ways of fully implementing the specific details contained in Article 40 of the Basic Law. Chief Executive Donald TSANG had once been in charge of New Territories affairs for many years, so he is well-versed in the history as well as the sentiments of the people of the New Territories. As such, he is fully aware of the significance of the cohesiveness of the communities of the New Territories. Therefore, in his first policy address, he has already proclaimed that the Government cherishes the valuable functions and contribution of the Heung Yee Kuk and will vigorously forge a stronger partnership with it. As the Chairman of the Heung Yee Kuk, I cordially welcome the suggestion of the Chief Executive, and I hope that the Government can enhance the authority of the Heung Yee Kuk, in addition to strengthening and expanding its role and functions.

Ever since the development of new towns in the New Territories, the differences in infrastructure facilities in different districts have become increasingly significant. Before the reunification, the Government had formulated some rural planning and improvement strategies, and it had also allocated funds to improve the infrastructure facilities in rural areas of the New Territories, with some degree of success having been achieved. However, as the resources are too limited to benefit all the districts, many remoter rural districts have yet to benefit from this. I hope the Government can reconsider this good policy, thereby enabling residents living in remoter rural districts to share the fruit of the prosperous development of society. Besides, the Chief Executive has decided to open up certain parts of the frontier closed area. This is very good news to people living in the closed area. I think the Government should make use of the opportunity to conduct a fresh review of the comprehensive planning of the rural areas in the New Territories, so as to facilitate the optimum utilization of land resources as well as to provide effective protection for the interests of landowners.

Madam President, as Mencius said, "For one who enjoys the people's enjoyment, the people will also enjoy his enjoyment. For one who worries about the people's worries, the people will also worry about his worries." This is the words of Mencius, which happen to coincide with the Chief Executive's concepts of governance as expressed in the propositions of "people-based government" and "governance for the people". I hope the Chief Executive can really "build a better tomorrow for Hong Kong and to perform new miracles for this blessed land."

Madam President, I so submit.

MR CHEUNG MAN-KWONG (in Cantonese): Madam President, a theme in the first policy address delivered by Chief Executive Donald TSANG is fostering harmony in the community. It is of vital importance that there should be a harmonious environment in education and also a stable foundation for it. These will ensure teachers will feel that they are respected and that importance is attached to the education profession. It is only in this way that there can be improvements and room for development in the schools and teachers, hence quality in education is enhanced and teaching becomes effective. The policy address mentions a tradition in Chinese culture of respect for teachers. It would of course be a good idea to set up the Chief Executive's Award for Teaching Excellence and Teachers' Day as these are all positive acts in recognition of teachers. However, these moves do not really address the most pressing concerns of the teachers. Donald TSANG talks about identifying and prioritizing various social aspirations in terms of their urgency, for teachers, their most pressing concern is easing the pressure they face.

Teachers are human beings and there is certainly a limit to pressure which flesh and blood can stand. Exhausted and burned out teachers will mean their teaching and professional development are hampered and even mental and physical health hazards for them. Teachers are crushed by the tremendous workload caused by education reforms, curriculum reforms, school assessments, professional development and various non-teaching duties. Teachers who want to do well will find it hard to achieve their goal even if they toil for 12 hours a day and seven days a week. When they are physically and mentally exhausted, it is understandable that very little time can be spared to care for their students. Teaching therefore becomes dry and unrewarding, hence accounting for the sag in teacher morale. Teachers find it hard to cope with long-standing pressure in

work and the lid on the pressure cooker of their existence will burst at any time. There are, of course, some other factors that add fuel to fire and these include cutting the number of classes and closing down schools. Teachers lead an insecure life and they are at the end of their tethers. For school principals, they have to rack their brains to carve out a breathing space for their schools fighting to survive in this killing field of education when schools have to meet targets for enrolment. At this time when the ecology of education is battered by cuts in classes and school closures, schools are placed under yet greater pressure. So the source of pressure faced by the schools stems not from the school principals alone but also from the myriad changes brought about by and associated with education reforms. I hope that the Government can undertake a full-scale review of the pace of education and curriculum reforms and take steps gradually to loose up the fetters imposed on the teachers. More support should be provided to them so that they can have supply teachers relieving their duties when they are on study leave. Non-core duties should be reduced so that their pressure at work will be relieved. We wish to emphasize that reducing class size and implement small-class teaching is a very important means to enhance quality in teaching and absorb the shock caused by class reduction and school closures. This is because by so doing teachers, schools, school heads and education itself can all play their part and contribute to the steady progress in education reforms.

Madam President, at the end of August next year, the deadline will come for teachers of English and Putonghua to meet their language proficiency requirements and if they fail to do so, they will not be permitted to teach Chinese Language or English Language anymore. The education sector is very worried that there will be another benchmark shock by that time. I therefore sincerely hope that there can be a soft landing for the benchmark issue and there can be a peaceful solution to it. In a bid to avert the resurgence of the benchmark conflict which broke out five years ago, I have discussed the problem with Prof Arthur LI, Secretary for Education and Manpower. He said to me that before next year's deadline for the benchmark requirement, all the schools in Hong Kong would have enough teachers who have met the language proficiency requirement. In other words, when the number of language teachers is sufficient, there will be no need for schools to dismiss language teachers who do not meet the language proficiency requirement and schools should not do so either. This is because schools would have enough staff for deployment. I would also hope that schools will try their best to make arrangements for teachers who do not meet the proficiency requirement to teach other subjects or

encourage them to take a proactive approach to resolving the problem such as by pursuing further studies. This being said, the pressure exerted on teachers as they have to cope with their work and studies should not be overlooked, so I ask that if language teachers are still pursuing a course of study in a university by August next year with a view to meeting the benchmark requirement, permission should be given to schools to have the flexibility to permit these teachers to continue teaching language subjects for the time being when there is a genuine need for it. This will enable them to study and teach at the same time. Hence, there will be another avenue to solve the benchmark problem and harmony is thereby fostered.

On the issue of job security for teachers, I would like to talk about teachers in government schools. The new terms of employment which came into force since June 2000 provide that civil servants should undergo a probation period of three years, to be followed by another three years on contract terms, that is, the so-called 3+ 3 mode, before they are employed on permanent terms. All along I have been of the view that it is really too long a period of time for the Government to use six years to determine whether or not someone is suitable for employment on the permanent establishment. It is totally unreasonable as well. Not only will it not be able to attract and retain persons of high calibre but that the stability of the Civil Service is also undermined. Some months ago, the Government offered a two-year contract to those teachers in government schools who have gone through the 3+ 3 mode of employment and whose contract tenure will expire by 2006. This violates the pledge made to these teachers that they will be employed on permanent terms. Madam President, I think this is a violation of the civil service policy in general. The civil service policy states clearly that there should be reasonable expectations for transfer to the permanent establishment. The Government is of the view that six years' of continual good performance at work is a condition to get a long-term career which may stretch over 30 years. And the length of time involved is considered not out of proportion. The Chief Executive in the policy address just delivered also emphasizes pursuing excellence in governance, upholding social justice and fostering harmony in the community. Recently, Joseph WONG, Secretary for the Civil Service, announced that the number of civil servants had dropped to 157 800 and the number was even below the target 160 000 previously set by the Government. Therefore, the Government may start recruiting civil servants again. Joseph WONG also said yesterday that more civil servants might be recruited as when necessary. I hope the Government can honour its pledge and make good use of these 2 200 vacancies presently available. It must not

procrastinate as this will undermine civil service morale. It is more so my hope that people who have entered Civil Service under the 3+3 mode should gradually be employed on permanent terms. This will make these people think that the Government will honour its words.

Among those in the teaching profession, the most vulnerable are kindergarten teachers. Their pay has long been on the low side. Given the drop in birth rate, many qualified kindergarten teachers are forced to take a part-time salary for full-time work done. They may not even afford the course fees if they want to further their studies. Moreover, they have to face the threats of becoming unemployed once they have graduated from their teacher training courses. This is because kindergartens are struggling hard to survive in the face of adverse operations. Kindergarten teachers are the first teachers of the children and they have a very important task to accomplish. They hold the best justifications to ask that government subsidies be provided to them so that they can upgrade their qualifications. It is outrageous to note that not long ago the Government intended to abolish the fully-subsidized places in the in-service diploma programme for kindergarten teachers. It caused uproar in the kindergarten education sector. In the end, the number of full-remission places was slashed by almost half and more teachers are finding the costs of further studies unaffordable. Sometime ago this Council passed unanimously a motion on enhancing the quality of kindergarten education. The motion calls for increasing the subsidies for the training of kindergarten teachers so that they can become certificated teachers. It is also suggested that when kindergartens have employed a certain proportion of certificated and even graduate teachers, these institutions will be given some incentive subsidies. Such assistance will prove helpful to kindergartens in their attempt to upgrade teacher qualifications without having to resort to raising school fees continually.

Likewise, university teachers are not having a good time as they too face job insecurity. Sometime ago, the Government slashed funding for the universities, chopped the funding to the Institute of Education and forced through a delinking of the salary structure of the teachers. This spate of initiatives has sent off disturbing waves of shock in the universities. I hope as the Government's financial position gets better, it will stop slashing a further 5% of the funding for the universities as planned. If this is possible, the universities can make steady growth and harmony can be fostered on campus.

Madam President, the Government has achieved ahead of schedule and gone beyond the target set by TUNG Chee-hwa that 60% of the senior secondary school leavers can attain post-secondary education. It is unfortunate to find that behind this façade of a boom in tertiary education, there are many students of sub-degree programmes who face all sorts of discrimination and they are placed in a blind alley that leads to nowhere. Some associate degree students in self-financing programmes will not only have to pay their fees at full cost but also the expenses of the campus construction programmes of their universities. They are forced to bear the burden of education development. They too are the children of Hong Kong citizens and they too may come from poor families and they too may have passed the household income means test like other students. But these students in self-financing associate degree programmes are subject to discrimination. They are denied subsidies in living expenses and tuition fees like those enrolled in subsidized programmes. Even if they are given financial assistance, the amount will not cover their tuition fees. They are thus forced to apply for non-means tested loans at high interest rates and hence they will be put under a difficult financial position of having to pay off their debts after graduation. Such is a problem that must be addressed by the authorities.

When running for the Chief Executive election, Donald TSANG stressed that all educational institutions would be given equal opportunities. But for those students enrolled in associate degree programmes, they face definitely unequal opportunities when it comes to borrowing loans. There is no equality in the types of loans made out as well. For them, the policy is outright unjust. It is a policy which is self-contradictory and where appearance and reality hopelessly fail to match. I hope the Government can do something to change this state of affairs. Of course, I understand perfectly that there is no turning back and there should not be any turning back for this policy of making 60% of the senior secondary school leavers enrolled in tertiary institutions. It is because this policy embodies the dream of many young people for further studies as well as the needs of the community in development. My hope is that a full-scale review should be conducted of the quality of the associate degree programmes as well as addressing the financial pressure which these students face in terms of the tuition fees payable. Some kind of reasonable subsidies should be offered to these young people so as to minimize the inadequacies and injustice brought about by the system. This will enable associate degree programmes to become quality programmes, which can bring good prospects to

the young people. Hence the young people will find them attractive and they will love to enrol in these programmes when they want to further their studies.

Donald TSANG has said that the Government places special emphasis on education and the Government will not cut back on total spending on education. But no assurance is given at the same time that all education funding will be used effectively. Over the past couple of years, the Government has returned a total of some \$7 billion unspent education funds to the Treasury. I understand that there are limitations as to the uses of these educational resources, but if the Education and Manpower Bureau and the Government can seize the opportunity and make good use of these resources, the schools can be assisted in using this unspent funding in enhancing education quality. As these funds come from one and the same envelope, so to speak, and they belong to one-off funding, I ask that subject to approval of this Council, the Education and Manpower Bureau should be allowed to deploy the funds for other uses in education. Hence what is taken from education can really be used in education and the unspent amount will not have to be returned to the Treasury. Consequently, it will do a good service to education.

Donald TSANG has also said that more efforts will be made to care for the disadvantaged groups. But there is no full-scale consideration of the basic needs of people with various disabilities. If these disabled persons are to be assisted in returning to the community and if they are really to be helped in integrating into it, things should first start from education. The Government must conduct a full review of its policy on special education. Various kinds of special education curricula should be designed and planned. A reasonable size of teaching staff and support should be provided to suit different curricula and needs. These will help the disabled students acquire basic life skills and hence embark on a meaningful adult life. On the other hand, to meet the needs of students with disabilities to pursue further studies, the Government should provide all kinds of continuing education courses which focus on further studies, vocational and life skills training to them, so that they can be given equal rights and opportunities in learning. I would like to point out in particular that with respect to social welfare, the Social Welfare Department has a great commitment and obligation to the disabled pupils. Such an obligation does not come from the Education and Manpower Bureau alone but also from the Social Welfare Department as well. It follows that the Government should enhance its existing matching facilities such as improving the bridging arrangements of the sheltered workshops, day activity centres and various residential institutions. This will

help capable disabled persons join the labour market or obtain lifelong care and attention from society. At the same time, I hope that the Education and Manpower Bureau can review the integration education at the same time, in order that school children with learning problems can be identified early and that the inadequacies in policies and resources can be readily rectified.

Madam President, what I have said just now are all burning issues in the education sector. I expect the Chief Executive to listen with an open mind so that the mission of strong governance for the people as spelled out in the policy address can be achieved. Thank you.

MRS SELENA CHOW (in Cantonese): Madam President, the Chief Executive proposes in this policy address to foster harmony in the community and great lengths are devoted to discussing how best to develop welfare services, help the needy, assist disadvantaged families and facilitate young people and women in integrating into the community. We agree to all of these. But for the middle class which is one of the most important pillars of Hong Kong society, no reference is made to them when the Chief Executive outlines his vision of fostering harmony in the community. That is most baffling. I think that the Government has never gauged accurately the aspirations of the middle class.

The middle class people would not just settle for two meals a day and freedom from hunger, what they pursue is a quality life. However, they do not need to be given such a life by the Government. What the latter should do is to provide a fine social milieu and sufficient information on modern living and to uphold the rules of the game according to law. Then they will gladly bear the responsibility of working hard to better their own lot.

An example lies in the management of residential buildings. Many middle-class people hope to improve their living conditions by upgrading the management quality of the buildings in which they live. While the task of managing and maintaining public housing estates lies with the Housing Department, owners of private residential buildings will have to take care of the buildings by themselves. On the part of the Government, the least it can do is to provide enough information and professional assistance, but these are regrettably wanting.

Recently, a group of owners of a private residential building sought help from me, saying that the building they lived in was aged and they were worried

that the fire service installations would not comply with the requirements in the existing Fire Services Ordinance. They hoped to obtain more information on this subject but they did not know what to do. They had made enquiries with many government departments but of no avail. After talking with them in great detail, I found out a lot of problems and so I approached many departments for help on their behalf. I think that residents of private buildings are plagued by such problems from every day.

These owners complained to me that the authorities had done very little to provide support on enforcement actions. One example is that the owners' corporation wanted to demolish the illegal structures in the common areas of the building but a reply from the Buildings Department said that as these illegal structures did not pose any immediate danger to life, so the complaint was not entertained. Now these owners want to do something to improve the management of their building, but while they want to take up this responsibility, they are met with nonchalance on the part of the Buildings Department which is reluctant to enforce the law. Then what can these owners do?

Another thing is that many places near private residences do not come under the jurisdiction of the Housing Department or the Leisure and Cultural Services Department, hence there is often a problem of insufficient provision of leisure facilities. One example is the Five Beaches in Tuen Mun. The Five Beaches refer to Castle Peak, Kadoorie, Cafeteria Old, Cafeteria New and Golden Beach. The Five Beaches is in fact a lovely place. In the Mid-Autumn Festival this year, the Five Beaches drew a lot of people there, including some visitors to Hong Kong. This shows that it is a scenic attraction. Unfortunately, despite the glamour of the place, the Government has refused to put in more resources to make it an even better place. On the contrary, the Government is spending money like water on building some parks or children's playgrounds which unfortunately do not attract many patrons. Should resources not be allocated on an equal basis to take account of the needs of the residents of private buildings when planning is undertaken on these facilities?

Madam President, an owners' corporation is not only an organization tasked with the management of a building, it is actually a most basic unit in the democratic structure of the community at large. This is because committee members of an owners' corporation are elected from among all the owners of a

building. These committee members are authorized by the owners to manage the building. The relationship existing between them is precisely a microcosm of the democratic system. When an owners' corporation is run smoothly, all the residents are like having a hands-on experience in the fundamentals of democracy. I therefore urge the Government to provide a full range of support services to the owners' corporations for the simple reason that I am convinced that fostering the spirit of democracy and heightened accountability should start from the community level.

Apart from the living environment, the middle-class people also have some aspirations in relation to their mental life. They long to have access to quality cultural activities and the provision of these by the Government. One of the key issues involved in this is how existing cultural facilities can be put into good use. As far as I know, however, there are still a lot to be desired in policy matters in this regard.

A friend of mine from the cultural circles has told me that there are presently 20 professional grade performance venues in Hong Kong and the number of such venues is only second to Tokyo in the whole of Asia. However, when managing these venues, the Government is being so callously bureaucratic and there is absolutely no connection between the quality of a cultural event proposed and the allocation of a venue for it. The result is that arts groups have to compete with groups like kai fong associations, community groups, schools and even kindergartens in applications for hire of venues. This policy of leasing performance venues based on quantity rather than quality factors is a waste of precious public resources and this will do no good to enhancing the standards of professional troupes in Hong Kong. This mindset of the officials must be changed expeditiously.

Like the case of performance venues, the Government is also obsessively bureaucratic in the management of the exhibition venues. An acumen for art is wanting in the officials. A recent case I heard was about a group of painters in Hong Kong who had wanted to stage a joint exhibition but ended in vain after a lot of work. The rental for the exhibition venue was very expensive and so in the end they had to move over to Macao. They told me with much regret that organizing an exhibition in Macao would incur just one fifth of the cost in Hong Kong and the Macao officials were poles apart from the condescending attitude displayed by the mandarins in Hong Kong. The Macao officials treated them as workers of art. If the managers of our venues do not change this attitude and if

they still fail to realize that they should serve the artists in order that support can be given to the development of the arts as a whole, this would really be doing the public a great disservice.

The Chief Executive says in the policy address that the public is convinced that the West Kowloon Cultural District (WKCD) project should commence and be completed expeditiously. The authorities have in this connection undertaken that the project will be launched as soon as possible. However, great care must be taken to avoid the building of these hardware facilities from degenerating into the above undesirable situation. Hence the authorities must adopt an accountability system in art in order to ensure that quality cultural events are held in the WKCD in future.

The concept was first espoused by an art worker when I attended a public hearing held by the Subcommittee on the WKCD Development. The idea is that the use and allocation of resources for art must be linked with artistic attainment of the applicant in question and this should be made a criterion when it comes to fostering the development of professional troupes in Hong Kong.

I would also like to talk about the issue of corporatization of cultural activities. Despite the fact that cultural and artistic endeavours would in most cases not bring large amounts of profits, the amount of funding required would often be very large. This applies to a project of such an immense scale like the WKCD where the funding involved would be in terms of billions of dollars. As to how the money can be well spent and how these cultural and artistic events can attract an audience, careful organization and planning should be made. Thus there should be corporate management practices and marketing expertise. I must stress that corporatization is not the same as commercialization. What should be corporatized are not artistic creations but the methods to promote and manage these creations and in the absence of these methods, there can be no effective utilization of resources by these cultural projects. When there is no link forged between the artists and the audience, the creations will only be futile. I hope the management authority of the WKCD to be set up later will have corporate talents and the efficiency to maximize the value of cultural and artistic endeavours pursued in the WKCD.

Madam President, I so submit.

MISS TAM HEUNG-MAN (in Cantonese): Madam President, during the previous two debate sessions, we have debated a lot about Hong Kong's political and economic development. I believe government officials already have some pretty clear ideas, and are figuring ways to answer the aspirations of Members and the people and implement the policy directions outlined in the policy address. Behind our political system, governance and economy, a more comprehensive supportive policy must be formulated to ensure that Hong Kong has a stable political environment and a solid economic foundation. In this debate session, I will express my views on the Hong Kong Special Administrative Region's policy on statutory and advisory bodies and manpower training.

To start with, the policy address proposes to appoint more people from different fields in the community to various statutory and advisory bodies. It also proposes to bring in new members when current members' terms expire. Both policies seek to give more people more opportunities to assume public office, and enable the Administration to identify more political talents from these people to assist in the administration of the Government. Furthermore, the admission of more talents to these organs can at least help collect more views from the elites in society to bring about improvements to our governance and enhance the efficiency of administration. The proposals made by the Administration, apparently flawless, can be treated as a tonic for promoting and strengthening social harmony.

Yet, an effective agent must be added to enhance the efficacy of the tonic. To get this ingredient, the Government must seriously consider the views of members of the governing committees of various advisory and statutory bodies for inclusion in its specific policies. Hundreds of advisory organs have, in the past, been accused of functioning like political vases. The so-called consultation was merely a political play written, directed and acted by the Government itself. It has simply been impossible for these advisory bodies to influence government policies. It will of course be fine if the policies implemented over the years have all been flawless. However, policy blunders have continued to be made year after year. Is the standard of the members of these advisory frameworks too poor? I believe this is not the case. But then, is it because the Government has simply not listened to the views of the advisory bodies? In expanding the participation of these organs, the Government should show true respect to the advisory system. The practice of "what I say counts" can only achieve superficial harmony, but not long-term stability.

As regards statutory bodies, I am disappointed that the policy address has failed to mention improvements to the management of statutory bodies. Overlooking the management of statutory bodies financed by the public coffers will lead to two consequences. First, the efficiency of governance will be affected. Second, if the management of these statutory bodies, also responsible for overseeing certain acts of the Government and the public sector, is problematic, the organs might be unable to achieve the best result and contribute to maintaining social justice and harmony, regardless of the diversity and representativeness of the members of their governing committees. I therefore strongly urge the Administration to expeditiously review the management of various statutory bodies and adopt improvement measures so as to enhance the efficiency of governance and heighten justice and harmony in society.

After statutory bodies, let me say a few words on our most vital resource — manpower. Both academics and people in the trades and industries concur that Hong Kong is experiencing a serious talents shortage problem. This problem is also directly affecting Hong Kong's competitiveness in business operation in the long run. I believe the Chief Executive, previously responsible for formulating Hong Kong's population policy, is well aware of the gravity of this problem. However, apart from amending the immigration policy, importing more overseas assistance, and alleviating the talents shortage problem with short-term and immediate policies, the policy address has fallen short of formulating long-term population policies and setting a direction for talents training and planning. I hope the Chief Executive can clearly show us the way forward for our future manpower policy.

It is impossible to talk about manpower training without mentioning education. Hong Kong's education policy has always been known for its unpredictable and frequent changes, which is getting us nowhere. The introduction of a wide array of proposals, such as the proposed getting on board/getting off policy for the medium of instruction for junior secondary education, the "3-3-4" system, and the inclusion of the Liberal Studies subject, have kept teachers, students and parents quite busy. Actually, the most serious problem with Hong Kong students is their generally narrow vision and the fall in their Chinese and English standards. Although the policy address has stated clearly that training and assessment of language teachers will continue, it has failed to fully improve the policy direction of our education environment. Manpower resources are an important investment. Even though our existing resources might still be inadequate, the Government should come up with a more

comprehensive education policy as public finances improve. It must stop adopting stopgap measures, for they will only create an "all-lose" situation in which the Government, teachers, students, parents and employers alike will ultimately be victimized.

Madam President, only through creating social harmony, enhancing the efficiency of administration and training more talents can we ensure that our socio-political environment continues to develop in the right direction. I so submit. Thank you, Madam President.

MISS CHOY SO-YUK (in Cantonese): Madam President, I would like to present the position of the DAB on policies regarding the expansion of the role of the District Councils (DCs), building management, the employment situation of married women and sports development.

First of all, I will talk about expanding the role of the DCs. This is an issue of great concern to many Honourable colleagues. As a DC member myself, I share the feeling of many other DC members, that when the Government only talks about responsibilities and never mentions money and powers, this is like forcing DC members to take the blame for something not of their own doing.

Actually, I share the view put forward in the policy address, that the role of the DCs will be expanded so that public policies are effectively implemented at the district level and the demands of the people can be better responded. As for the suggestion to allow DCs to assume responsibility for the management of some district facilities, such as libraries, community halls, leisure grounds, sports venues and swimming pools, I do not have any strong opinion on it, except that a prerequisite must be met and, that is, about money and powers — the absence of either is totally unacceptable.

With respect to this query of mine, the Secretary only gave a curt reply in a meeting of the Panel on Home Affairs and, that is, powers must be accompanied by responsibilities. This is a simple truth which is known to everyone and no one can object to such a reply. But the question is, as the Secretary may well be aware of it, what powers DC members hold. Apart from funding for some minor works projects in the district concerned, motions passed

by DCs are not binding on the departments and they are not required to enforce them. Does this mean DCs have powers?

I recall the situation before 2000 when the two municipal services departments were under the two respective Municipal Councils and government rates were allocated to the two Municipal Councils, it was really a situation when the councils had both manpower and money power. Hence they had the ability and responsibility to keep the city clean and manage cultural, leisure and sports venues.

On the other hand, the Food and Environmental Hygiene Department (FEHD) and the Leisure and Cultural Services Department (LCSD) now entirely act on their own and they are not obliged to take orders from the DCs. It follows that there are no staff for the DCs to command and they have no independent and adequate source of revenue. To top it all, DC members get only a very small amount of allowance each month and this is why they are unable to monitor how policies are implemented on a full-time basis. If the Government remains blind to these inborn inadequacies and forces it way to make DCs manage the cultural and leisure facilities, then when worms are found in the swimming pools, a lot of books missing in the libraries or littering found everywhere in the parks, the public who may be unaware of the real situation may put all the blame on the DCs. The DC members will then be accused of dereliction of their supervisory duties and wasting public money. What would that be if it is not a shirking of responsibilities, may I ask the Government?

Madam President, I fully understand that a comprehensive review of the DC framework and its functions would belong to the scope of the Sixth Report of the Constitutional Development Task Force to be released at the beginning of next year. But I would just want to make a comment and, that is, at this time when no explanation is given by the Government on how DCs will be given the necessary resources and powers, any suggestion to expand the role of DCs would only serve to do injustice to the DC members.

Madam President, another issue which is not mentioned in the policy address but is nevertheless closely related to the daily life of all the 7 million people of Hong Kong must be addressed at the soonest — I am referring to the introduction of a licensing regime for property management companies.

What is incomprehensible to many people is while a caretaker in a building has to get a licence, those property management companies which charge millions of dollars each month are not regulated by any licensing terms and conditions. All they need is a registration under the Companies Ordinance just like any other companies. The Government is therefore trying to exert its control on the individuals but not the big companies. It may be self-regulation that the Government wants to see in the sector, but does it really work?

In August 2003, a petition for liquidation of the Housing Management Agency Limited was filed by its creditors. It suddenly dawned on the people that the property management company was in default payment of the management fees for 150 blocks of buildings rated at \$16 million. This case shows that the Government cannot afford to sit back and do nothing, and actions must be taken to introduce a licensing regime. This will hopefully prevent small owners of premises from being adversely affected as well as pre-empting a handful of unscrupulous companies in the sector from doing anything to tarnish its reputation.

Unfortunately, the Government has been employing a delaying tactic in this. As early as in end 2003, when consultation was undertaken by the Government on building management and maintenance, there was strong demand from the public calling for rigorous monitoring of the operation of property management companies. Close to 90% of the interviewees supported the introduction of a licensing regime to regulate the performance of property management companies. The sector itself also showed great support for the suggestion, saying that though there were provisions in law to monitor the property management companies, there was nothing which specified any department to undertake enforcement action or monitoring, as well as imposing the relevant penalties. If a licensing mechanism is introduced, the property management companies may be monitored more easily, hence protection for the rights of owners.

Despite clear voices from the public and the sector during the consultation exercise, what the Government has espoused in the proposals made at the beginning of this year, included the Building Management (Amendment) Bill 2005 currently being deliberated by this Council and the amendments expected to be put forward to the Buildings Ordinance later, are all piecemeal and patchwork proposals. Nothing is done to touch on other methods which are fundamental, thorough and can effect a complete overhaul of the system.

As late as the meeting of the Panel on Home Affairs held last week, when I pursued the question of introducing a licensing regime for property management companies, the reply given by the Secretary was the same as before: the matter was being studied and no conclusion had been reached for the time being. Nothing was said about any timetable or roadmap — a term which has gained immense popularity these days.

Madam President, time and tide wait for no man. As competition in the property management sector in Hong Kong becomes white-hot, companies are fighting hard to win property management contracts at unreasonable low prices. The sector has been pushed to the wall where no profits can be expected and if the Government fails to seize the opportunity and launch a sound licensing regime in time to reinforce its regulation of the sector, the public will never stop worrying that other property management companies will follow suit and close down.

Madam President, the Chief Executive in his policy address also talks about encouraging women's participation in public affairs and pursuit of personal development. My concern is however, not about women's participation in public affairs but the employment of women from grass-roots families. The problem has been a focus of concern for a long time, but no action has been taken by the Government to date to provide matching measures to facilitate the re-entry of this group into the labour market. The Government has even failed to see the crux of the matter. As seen in the policy address this year, what is said on the employment of women is only a repetition of the three-year Capacity Building Mileage Programme launched by the Women's Commission in the past. Nothing more than a casual account of the progress is made. It is silent on a more profound issue of the employment of married women, not to say any specific measures to address the problem.

The issue is actually closely related to all of us. The DAB Women's Affairs Committee conducted a survey last month to learn about the intention to take up employment among married women and the difficulties they faced. The result is that more than 70% of the interviewees would want to work very much, but only 30% of them had ever tried to look for a job last year. This shows that the remaining 70% of those married women who want a job are not able to get a suitable one or they are prevented from doing so owing to the lack of support or assistance.

The greatest constraint for these women is that while they want to work, they cannot leave their children unattended. To meet this need, there are in fact a lot of things which the Government can do and must do, and the easiest and most direct of which is to provide part-time jobs for married women. This can be done in the form of, for example, dividing up a job into morning and afternoon sessions to enable the women to take care of their families in addition to engaging in work. The business sector and private enterprises should be encouraged to hire more housewives. This will help them increase their family income. Moreover, to ease the pressure felt by working mothers, the Government should lend its support to the district groups and offer after-school care service. This will dispel the worries of the working women. With the advances in information technology, the Government should explore and open up more work types that would allow people to work at home. This will give greater flexibility to women who want to work as it will enable women who are forced to stay at home to care of their children not to stop working. Hence, the untapped labour force in society can be utilized.

Lastly, Madam President, I would like to talk about sports development in Hong Kong. One of the new initiatives mentioned in the policy agenda is about the preparations for the 2008 Olympic Equestrian Events in Hong Kong. Now there are some two years before the Olympic Games, Hong Kong should not only do its best to make the equestrian events a success but also enhance the training and support for the elite sports in Hong Kong. This will enable athletes to win greater glory for Hong Kong in the upcoming Olympic Games hosted by the Motherland.

On this question of making preparations for the Olympic Games and foster community participation, the DAB held a press conference last Saturday and announced a series of proposals on the common dream we share with Beijing to make the Olympic Games a success. A package of proposals was presented but I would not repeat all of them here. A goal we should aim at in the long run is strengthening the training of elite athletes. At present, there are three major problems related to the training of elite athletes, they are: resources, venues and career prospects.

Each year the LCSD spends more than \$2 billion on leisure and sports activities. The amount takes up 90% of all the resources on leisure and sports development. However, most of the money is spent on staff salaries and most

of them are engaged in the management of sports venues. In other words, the amount of money that is actually trickled to the athletes is tiny.

Madam President, as I already pointed out in 2002, the LCSD has the authority to manage an overwhelming majority of the sports venues in Hong Kong and each year a vast sum of money is spent to this end. But the result is far from satisfactory. The main reasons are the bloated bureaucratic structure and the rigid booking system of venues which fail to meet the training needs of athletes and the system itself is never user-friendly. The result is that there are people not able to use the venues while some venues are left unused. This not only wastes public money but also hampers the development of the athletes.

It cannot be more evident that the training of elite athletes for a certain sport should have a training ground of its own. It follows naturally that the LCSD should devolve the authority to manage the venues to the respective national sports associations (NSAs). These NSAs will be given the priority to use these venues while they are required to pay the rentals of these venues. Efforts should be made to ensure that the arrangement will not affect adversely the right of the public to book these venues. A thorough approach is to contract out all the sports venues to the NSAs who then will run these venues on a self-financing basis.

If the Government wants to boost the development of sports in Hong Kong and raise the standards of elite athletes, it must recognize the leadership of the respective NSAs in such work. The Government must be willing to devolve resources, as well as powers and responsibilities in this respect.

In addition, the DAB holds that the input of resources currently is not sufficient and there is little money devoted to supporting retired athletes. It will be hard to attract local young people to become full-time elite athletes when prospects are uncertain for them. This is also a factor accounting for the present situation where many of the elite athletes in Hong Kong came from the Mainland.

Madam President, sports talents in Hong Kong are a source of our pride. But if the Government refuses to commit itself to offering suitable matching support and adequate training grounds to our athletes, then five years or even

10 years from now, we will still sigh that the sports scene in Hong Kong is swamped by imported talents.

Madam President, I so submit.

MR TOMMY CHEUNG (in Cantonese): During this session, Madam President, I will speak mainly on the proposal raised in the policy address concerning enhancing work in districts, particularly expanding the function of District Councils (DCs). To start with, I have to declare my interest. I am an appointed member of the Eastern DC.

The Chief Executive points out in the policy address that he will issue internal guidelines requiring all government departments to better complement the work of District Officers (DOs) with a view to raising the capacity of problem solving at the district level. In the future, DOs will thus have direct access to the top echelons of the Government. They can directly reflect their views to accountable Directors of Bureaux, and even the Chief Executive. The Liberal Party supports this proposal in principle.

It is because DOs originally assumed a very important role. Not only were they required to conduct visits to their districts and co-ordinate district programmes, they were also required to maintain close liaison with people in the community for the purpose of reflecting their views to the Government. At the same time, they acted as a bridge between DCs and government departments. However, since the reunification, the powers in connection with district administration have time and again been weakened. The roles of both DOs and DCs have been, intentionally or unintentionally, dwarfed, thus giving outsiders an impression that DOs are idling, and they can no longer convey public sentiments to the top. Some people even joke that nearly half of the existing 18 DOs are close to 50 years old, that is, of my age. It appears that the posts of DOs are specially designed for the retirees-to-be.

At the DC level, the role of DOs is very often restricted to offering administrative support, not to mention taking the initiative to perform their bridging role between DCs and the Government. This explains why the Government of the Hong Kong Special Administrative Region (SAR) has very often launched new policies hastily without fully grasping public sentiments, thereby inducing repercussions in public opinion. Therefore, we approve of the

Chief Executive's idea of conferring an imperial sword on DOs to deal with district affairs. However, it is more important for DOs to be capable of complementing the initiatives and development of various DCs before district administration can be improved in concrete terms to enable smooth administration by the SAR Government.

I have some very profound feelings as a DC member because sometimes when district problems involving Policy Bureaux or government departments were discussed in DCs, only lower or middle rank officials were sent by the Government to attend the meetings. Some of them were even found to have no clear idea of the content of the relevant policies and they simply responded evasively, hence slowing down the work of DCs as well. Over time, DCs have found it difficult to perform their function of giving advice and overseeing district work.

When the Government initially decided to scrap the two Municipal Councils, it already agreed that the role of DC members be enhanced. I therefore very much hope that the SAR Government can really delegate its power to DC members at the district level to enable them to assume responsibilities to properly deal with the management of affairs in their districts.

Madam President, I so submit.

DR YEUNG SUM (in Cantonese): Madam President, with respect to the topic of education, actually the Chief Executive has not discussed it at great lengths in the policy address. Most of the contents found are related to a reiteration that the existing policy objectives remain unchanged, such as giving an assurance that the Government will not cut back on total spending on education, it plans to introduce the "3-3-4" academic structure in September 2009, and so on. All these are by no means novelties.

Issues of the greatest concern to the education sector such as the introduction of small-class teaching in primary and secondary schools, the quality of associate degree programmes and their articulation, and so on, are only casually touched in the policy address and there is no detailed discussion on these topics. On the issue of small-class teaching which is the greatest concern to the education sector, what the Government is doing in the policy address is to play the same old tune once again, saying that a pilot study on small-class teaching has commenced and it will provide useful reference for the Government

in deciding on the territory-wide implementation of small-class teaching. In our opinion, this shows that there is not enough commitment on the part of the Government to this area. Shanghai has been practising small-class teaching for nine years and its experience has proven that it is very effective and beneficial to both students and teachers. However, the Government still refuses to set a definite timetable for the implementation of small-class teaching. We hope Secretary Prof Arthur LI can work harder on this.

Madam President, in recent years there are more and more self-financing associate degree programmes offered. Students in these programmes are plagued by problems like the quality of these programmes, indebtedness caused by the loans they are taken out and the grim prospects of further studies, and so on. When students complete an associate degree programme, they will have to pay huge amounts of money if they want to go onto a degree programme. This is because the degree programmes are self-financing as well. All these will impose a tremendous financial burden on the students. There are recent reports that after a student has completed a self-financing associate degree programme and a bridging degree programme, the debts carried by him will be as high as \$400,000. This shows how acute the problem of student indebtedness is, but nothing is mentioned in the policy address. We hope the Government will realize that "optimizing human resources" should never be regarded as a mere slogan as the essential point about it is that enough resources and matching policies must be put in to this end. Now that the Government has accomplished the quantity target and even surpassed it when 60% of the school leavers can indeed receive tertiary education, it is time that the issue of quality should come under review. At this time when there is a tremendous inflation in the places for tertiary education, there is public expectation that there can be quality assurance in these tertiary programmes so that human resources will be trained up to meet the needs of a knowledge-based society in Hong Kong.

Quite a period of time has lapsed since the introduction of mother tongue teaching in Hong Kong and it has received mixed reactions from the public. Public opinion in general is concerned about the standard of English of the students. I urge the Secretary to set aside more resources to schools using Chinese as the medium of instruction, with the aim of upgrading the standard of English of the students there. As for the Native English Teachers Scheme or the NET Scheme as it is called, there is a very high wastage rate among NET teachers. This is not acceptable. Now that the Education and Manpower Bureau has held discussions with the NET teachers and it is decided that their

housing allowance and continuation of service allowance will be increased. However, we are still worried that these improvement measures will not bring the wastage rate down for the reason that the most pressing problem of satisfaction in teaching is not effectively dealt with. We hope that the Bureau will look closer into this problem and propose some improvement measures to the NET Scheme.

The policy address suggests that we should be more proactive in attracting talents from the Mainland and overseas to come here for studies. The Democratic Party thinks that it is a good idea. However, for exportation of educational services to become a success, there must be enough matching services, otherwise the idea will only become empty talks. Currently facilities in our universities such as libraries, classrooms and dormitories are not sufficient. In the long run, there are further demands on facilities imposed by the adoption of the "3-3-4" academic structure in addition to the provision of additional facilities to the mainland and overseas students. All these would require universities to devise long-term plans and factors like land, financial arrangements and government measures must all work together. It is therefore right to expect suitable complementary actions from the Government even when sound policies are in place.

The Government hopes to attract talents from the Mainland and overseas to come and settle here, but how can our matching measures in education, health care, and so on, be made attractive enough for these people? In education, for example, there is already a shortage in the supply of places in our international schools. Will this put the talents off when they find out that their children may not enrol in an international school? This is something the Government has to think about.

In recent years, the Education and Manpower Bureau has maintained a huge amount of surplus in the region of some \$1 billion in each financial year. I hope the Bureau will consider reallocating this surplus before the end of each financial year to other items in education. In this way, it will show that the Government is committed to education while carrying no financial implications to the Government. On the other hand, the quality of education can be enhanced as a result.

Madam President, lastly, I would like to point out that education is an important investment in human resources. In the development of whole-person

education and promoting social mobility, Secretary Prof Arthur LI is indeed duty-bound to accomplish these goals. It is my hope that he will listen to public opinion and do his best to enhance both the quality and opportunities in education.

Thank you, Madam President.

MR DANIEL LAM (in Cantonese): Madam President, in this session of the debate, I wish to talk about work concerning home affairs.

In the course of development in Hong Kong, the Government would frequently incur contradictions and conflicts with the New Territories inhabitants when handling issues like land use, public infrastructure and compensation for relocation and demolition. The Heung Yee Kuk very often would reflect the inhabitants' views through the Home Affairs Bureau which is its corresponding department in the Government. Unfortunately, as affairs in the New Territories involve many policy departments, the Home Affairs Bureau does not approach problems raised by the Heung Yee Kuk in the same way as the past District Offices did. Thus, I believe that to cope with the situation and to solve problems in an easier way, the role of the District Officers should be enhanced and the work of their subordinates, including Liaison Officers and Executive Officers, should be stepped up at the same time.

Madam President, take environmental conservation as an example, the Heung Yee Kuk and New Territories inhabitants always support this policy. However, since the British Hong Kong Government introduced the Town Planning Ordinance in 1990, Hong Kong landowners' land has been frozen and their interest undermined because the Government has not truly injected resources into the rehabilitation of these conservation areas which as a result became derelict land. The Heung Yee Kuk has time and again reflected the situation, but the problem remains unsolved. The Environment, Transport and Works Bureau drew up a new nature conservation policy a year ago. However, it had not consulted the opinions of the landowners concerned before it chose the 12 priority sites for enhanced conservation. This has caused much resentment among the landowners. If this problem were to happen at the time of the past District Offices, it would have been solved much more efficiently under the District Offices' active co-ordination.

Madam President, back in the '90s, in response to the request of the Heung Yee Kuk to improve the livelihood of the New Territories inhabitants, the British Hong Kong Government made a funding provision for the rehabilitation of 700 villages, including flood protection works. In the past, it was a matter of course to compensate New Territories inhabitants if they had to give way to developments in the area. The abovementioned development projects were highly commended by the inhabitants. Unfortunately, the funding was exhausted in 2000 and the Government did not make any more provision due to the fiscal deficit, thereby forcing such favourable policy to an end. As the economy of Hong Kong is recovering, the Heung Yee Kuk considers it appropriate to resume these planning projects, which would, as they did in the past, benefit New Territories inhabitants and help create job opportunities. This would be a win-win policy.

As regards the present problem in the New Territories, I believe it can be attributed mainly to the lack of a deep understanding among some government officials of the people's sentiments and the unique historical background of the New Territories. Nor do they have a clear understanding of the meaning behind the formulation of Article 40 of the Basic Law, in which it stipulates that the lawful traditional rights and interests of the indigenous inhabitants of the New Territories shall be protected.

Madam President, I commissioned a consultancy to conduct a telephone poll last month, from which it is found that more than 58% of the non-indigenous New Territories inhabitants interviewed think that the Administration should enact local legislation for Article 40 of the Basic Law as expeditiously as possible; and that nearly 70% of the indigenous New Territories inhabitants interviewed think likewise, so as to stabilize the indigenous New Territories inhabitants' livelihood.

Finally, to truly solve the problems in the New Territories, the existing working groups formed between the Heung Yee Kuk and various government departments should be maintained for solving some short-term problems. More importantly, senior government officials should form a special task force on the New Territories to work as far as possible with the Heung Yee Kuk on a policy and implementation level and find a solution to the problem of the lawful traditional rights and interests of the indigenous New Territories inhabitants. Thank you, Madam President.

MR RONNY TONG (in Cantonese): Madam President, Mr TSANG said in his election campaign for the Chief Executive office that he would safeguard human rights in Hong Kong. In his 48-page-long policy agenda, only two lines were devoted to human rights, in which he said he would "continue (their) work on the promotion of human rights, including (among others) children's right, racial harmony, and the rights of the sexual minorities" and "introduce legislation to extend the prohibition of racial discrimination to the private sector". These are only ongoing legislative initiatives of the SAR Government to prevent discrimination. Mr TSANG did not make any personal commitment or express opinions of his own on safeguarding human rights.

In fact, as far as discrimination is concerned, under the International Covenant on Civil and Political Rights (the Covenant), we know that any act of discrimination incited by environment or social background is in violation of the Covenant, and in other words in violation of the Basic Law. There are quite a few discrimination problems existing in Hong Kong, including discrimination against new immigrants, to the poor and on age. As long as these forms of discrimination exist, our community would remain divided. We hope the Government would make a more positive step in addressing problems in this respect and introduce legislation as early as possible, as it did with sex discrimination and racial discrimination, so as to protect the disadvantaged.

Today, I wish to speak on another human rights problem, which is freedom of the press and of speech. Madam President, I recently noted the result of two opinion polls, one of which claims that freedom of the press scores the lowest mark among other forms of human rights, meaning that the public regards our freedom of the press not as high as that of other forms of human rights. In the other opinion poll, it shows that the public considers Radio Television Hong Kong (RTHK) should assume the responsibility of monitoring the work of the Government, instead of being a mouthpiece of the Government. Yet, in the same opinion poll, it finds that the majority of the people of Hong Kong do not think RTHK can independently monitor the Government.

With regards to the utilization of radio channels, we have debated on this issue for a long time. The people of Hong Kong always want an independent radio station to let people voice their different opinions on social issues of common concern, or even to have programmes catering for the minorities. In the recent Legislative Council meeting, we learned that Hong Kong still maintains two AM channels, and that many RTHK programmes are broadcast

through overlapped channels, meaning that the same programme may be broadcast in different channels. It thus shows that there is room in the radio channels, in particular the AM channel, to set up a radio station truly for the people of Hong Kong or more popularly termed a "people's radio station". In this respect, some community organizations have recently made applications for setting up such a radio station. However, the Government has not stated so far under what circumstances and conditions would it consider stepping up freedom of speech and of the press by allowing the people of Hong Kong to set up a radio station of their own. In this respect, we should continue lobbying for this.

I hope the Government would soon realize the freedom of the press and of speech which are protected under the Basic Law. Thank you, Madam President.

DR JOSEPH LEE (in Cantonese): Madam President, I speak to express my concern for the education policy. The Chief Executive stated in the policy address that the Government of the Hong Kong Special Administrative Region (SAR) places great emphasis on education. Despite resources allocated for education already accounted for more than one fifth of the annual government expenditure and that the SAR Government has undertaken not to cut education resources, which is a welcoming move, not cutting total expenditure on education alone is not enough. The Government should evenly distribute resources on education instead of slanting towards a certain area of education.

(THE PRESIDENT'S DEPUTY, MS MIRIAM LAU, took the Chair)

Recently, we saw the supply of associate degree programmes in some institutions exceeding their demand, but on the other hand, from now to the year 2007-08, the funding appropriated for The Hong Kong Institute of Education will be cut at the rate of 33%, forcing 60 teachers out of their jobs. The Government is obviously being inconsistent here and we cannot help but worry that the internal deployment of education resources will lost its balance. The Government should have an all-round, long-term and comprehensive consideration on its retrenchment and distribution of resources.

It was also mentioned in the policy address that students' biliterate and trilingual proficiency needs to be upgraded and resources will be provided to reinforce language education. A Professional Development Incentive Grant Scheme for Language Teachers has been launched to encourage and assist serving teachers to acquire higher professional qualifications in language teaching. While we welcome this initiative, we suspect the effectiveness of these language courses for serving teachers, because many of them are varying in standard, with some even having more than 200 students in one class. Despite the Government is implementing the standards-referenced examinations for the Chinese Language and English Language subjects in the Hong Kong Certificate of Education Examination and has established a standards-referenced assessment on Putonghua listening and oral skills suitable for Secondary Three students and above, obviously only an extreme minority of students can excel in biliterate and trilingual proficiency. Instead of asking students to devote all their energy to the arduous task of pursuing biliterate and trilingual proficiency, which would ultimately leave them between stools, for they cannot fully grasp the English language and their Chinese would be mingled with vernacular Chinese with many characters wrongly written, we should make students concentrate on learning one language (Chinese or English). By so doing, students can make use of the rest of the time to learn academic subjects that they are interested in and capable of during their senior secondary years, so as to better prepare themselves for the actual content of tertiary education or their working life. Moreover, the Government should not only promote the standard of English or Chinese language, but also the development of other concrete academic subjects, especially subjects like Music, Physical Education and Liberal Studies, which are often being scoffed as "casual subjects", thus overlooking the importance of all-round education.

Madam Deputy, like last year, this year's policy address has also overlooked the physical and psychological health of teachers and students, to which I have to express my disappointment.

Reports by therapy centres, Hong Kong Professional Teachers' Union and Hong Kong Federation of Education Workers unanimously show that about 50% of primary and secondary school teachers feel that they have lost control of their work and that they are subjected to too much stress. They generally suffer from symptoms like insomnia, losing their temper easily and experiencing muscle aches all over their body; about 60% of primary school teachers experience moderate to severe discomfort of their eyes, neck, shoulder and back. The magnitude of their body discomfort is on average 42.64% higher than their

counterparts in Macao, which is beyond the acceptable level. The Whole Person Education Foundation interviewed some 4 500 senior primary and early secondary school students on their psychological quality in March and September this year and found that 76% of the students have a varying degree of psychological quality problem, including melancholy, low self-esteem and lacking a correct attitude towards life. All of these would directly affect their learning attitude, living habits and inter-personal relationship. If these conditions are to persist, the physical and psychological problems of teachers and students could very likely stifle the development of education in Hong Kong in the long run. Therefore, I hope that while implementing its various education policies, the Government would not neglect the physical and psychological health of teachers and students.

Thank you, Madam Deputy.

MR LEUNG YIU-CHUNG (in Cantonese): In the last session, I said that setting minimum wages may not necessarily be able to lift people out of poverty and solve the problem of inter-generational poverty, but it can respond to one very basic aspiration, which is to ensure that every citizen can enjoy a certain standard of living.

Similarly, when we talk about education problems today, the most important issue is implementing small-class teaching. Likewise, we are of the view that small-class teaching may not necessarily be able to enhance education quality, in particular performance results. I agree with this view. However, small-class teaching does have several advantages. When the number of students in a class is reduced, front-line teachers can have more opportunities to get in touch with students, thereby improving communication and students' conduct and behaviour. Sometime ago, I had an opportunity to discuss with the Secretary for Education and Manpower on the problem of campus violence. I hope that after the implementation of small-class education, the problem can be solved.

Therefore, the implementation of small-class teaching will not only improve students' performance results, which is something we all hope for, but also, I believe, it will be beneficial to students' moral character and behaviour. I thus hope that the Secretary will no longer waver in the implementation of small-class teaching. In fact, the Government gave us a research paper in June

this year, stating that small-class education implemented in Britain and the United States have both received good response without any adverse effect.

Therefore, I hold that we should implement small-class teaching now without delay. The Government might say that our intention of implementing small-class teaching is to evade the problem of schools being forced to close down as a result of insufficient student intake. I hope the Government will not look at front-line teachers or those who care about the education profession this way. Whether schools would be forced to close down is one issue, while small-class teaching is another. I hope we can place more emphasis on our education quality and teacher-student relationship, instead of thinking that we advocate small-class teaching for the reasons that we do not want the Government to close down schools, and that we want to safeguard our interest and profession. I hope the Secretary will not look at us from such a perspective.

Other than small-class teaching, some Members just now also talked about the problem of ethnic minorities, while some talked about human rights. We do value human rights, but when we discuss enacting legislation against racial discrimination today, I found that government departments have failed to do some preparation on this subject beforehand. For example, in the previous Question and Answer Session, I asked the Chief Executive why the Employees Retraining Board had not provided any special vocational training for the ethnic minorities in order to increase their skills and help them find a job, thereby helping them integrate into the community.

As a matter of fact, we know that the unemployment problem among the ethnic minorities is very serious. If we do not address this problem positively, there is no way that this problem can be solved.

Madam Deputy, I so submit.

MS AUDREY EU (in Cantonese): Madam Deputy, one would find the policy address disappointing when it comes to the part on education, because when people who care about education try to read the policy address, they may actually miss the part on education. Why? Because under the section on "Optimizing Human Resources", it starts with "To help the economy power ahead, we must

upgrade the quality of the local workforce to effectively cope with competition brought by globalization. A quality workforce is more than a deciding factor in economic development. It also helps create social harmony. We place special emphasis on education.....". What follow are a few more paragraphs on education and then it is stated that ".....we are considering introducing a new admission scheme in 2006. Under this scheme, a certain number of talented people from the Mainland and overseas who meet specific eligibility criteria will be allowed to stay in Hong Kong for a certain period of time, without the requirement of securing an offer of local employment beforehand." In other words, the Chief Executive is looking at education from an economic perspective and that is why he needs to nurture a quality workforce. As the Government regards education as a lucrative tool to fulfil Hong Kong's economic needs, we could well imagine that education has become something that pursues cost-effectiveness rather than nurturing of talents.

Let us take a look at what would happen if education becomes a lucrative tool. With regard to the allocation of resources for secondary and primary schools, the Education and Manpower Bureau allocates resources on the basis of the number of classes in schools. The amount of resources being allocated to a school is directly proportional to its student intake, so the higher the student intake, the more the resources, while the lower the intake, the resources would naturally be less. To ensure that resources are used cost-effectively, the Education and Manpower Bureau requires a minimum student intake for each class. Take primary school as an example, the minimum intake for each class is 23 students, recruiting less than that number would not be cost-effective, meaning that the school will become a worthy kill. However, as a matter of fact, education does not work like running a business, nor does it work like a production line in a factory which would produce the largest number of products at the lowest cost. To the students, the most important thing is to acquire knowledge and adopt correct values, and we should not let the economy dominate everything. Students are growing up against different backgrounds, with different family situations and of different aptitudes, they thus have different needs in education. Some students can adapt to a class of as many as 40 students. This could be because they have private tutors, or their parents are providing sufficient support to them, so that they do not encounter any problem. However, many students need their teachers' special care indeed. Now, perhaps because of the inclusive education policy, or parents' working hours are too long, students very often really need special care. Mainstream schools are

thus subjected to immense pressure. In fact, we really need to have small classes for the underprivileged students and more small classes should be set up, so that appropriate care can be rendered to our students.

However, our education policy often brings immense pressure to teachers for the sake of cost-effectiveness. They not only have to continuously enhance themselves, but also have to take up a lot of teaching and administrative duties. Also, they have to face the risk that classes might be reduced and that the school might be forced to close down. Teachers very often have to act as salesmen and go to kindergartens to recruit Primary One students, while secondary school teachers have to go to primary schools to promote their secondary school and some even have to go to shopping malls to distribute leaflets. Whenever we mention problems like these, the Secretary or the Permanent Secretary for Education and Manpower would say that this is the principals' fault, for they should not require teachers to do such work. However, if we come back to the reality, we would find that the student intake of some once outstanding Band One schools has been dropping as a result of not being able to build a new school building or convert into full-day school, thereby forcing principals and teachers to resort to such unwise moves. Many teachers now are not only complaining about their heavy workload, but also complaining that they very often are asked to do duties unrelated to teaching, such as duties concerning the education reform, school administration and enhancing student recruitment, instead of spending time on their students. These duties have utterly exhausted the teachers' energy. Many surveys show that the pressure borne by teachers has reached the highest level. However, if we turn to the policy address, it only said a few words on our tradition of respect for teachers, the recognition of having fine teachers; and that we will set up a Teachers' Day and implement specialized teaching. I am not saying that these are not good measures, but that they are not solutions to the present problems.

Moreover, I want to talk about English language standard. During a Panel on Education meeting held a few days ago, it was mentioned that the wastage rate of expatriate English language teachers in both secondary and primary schools had been very high, at over 50%. Despite the Government proposing to increase their rent allowance, I believe this is not the solution to the problem in the long run. I do not oppose employing expatriate English language teachers. They have been playing a vital role. I agree that the standard of English language teachers in Hong Kong needs to be raised. Yet, I am of the view that we need to provide in the first place an English speaking

environment for students. I think many Hong Kong people can speak English competently. They can give guidance to students and arouse their interest in learning English. These people with a standard of English can converse with students in English on different topics during their after-school hours. This would be a truly feasible way to raise students' English language standard. I very much hope the Education and Manpower Bureau can assume a co-ordinating role in attracting more such people with a high English standard to participate in this work. In fact, there are many such people in Hong Kong, and I also know many of them, but they need an organization for co-ordination. I believe the Government can recruit them or some retirees as volunteers. Moreover, the spouses of the expatriates who came working in Hong Kong will also be willing to help local students to speak more English.

Finally, Madam Deputy, I wish to briefly talk about the expenses for overseas visits by many statutory bodies. The issue has attracted great media coverage recently. Some suggested that their overseas visits and expenses should be subjected to the Government's approval. Madam Deputy, I have reservations about this suggestion because the independence and autonomy of these statutory bodies are very important. They very often have to monitor the Government. In response to what the Government has said, they have to provide another view from another perspective by conducting overseas visits. Therefore, if the overseas visits of these independent statutory bodies have to be approved by the Government, this would lead to a lot of embarrassment and conflicts. I hope ultimately these statutory bodies can be monitored by the public, so that the Government needs not effect unnecessary interference.

Thank you, Madam Deputy.

MR ABRAHAM SHEK: Madam Deputy, pluralism and inclusiveness are solid foundations for creating a community of harmony and unity. To foster a society without discrimination or hatred as advocated by our Chief Executive in his maiden policy address, Hong Kong must embrace a culture of tolerance and respect towards people from different racial origins and accept cultural diversity.

To enhance social cohesion, it is absolutely crucial to make sure that people from all backgrounds, regardless of their origin, religion or race, can integrate into our wider community while retaining their unique cultural

identities. Presently, Hong Kong offers nine years of basic and universal education to eligible local children, including those from the ethnic minorities. The Chief Executive said in his policy address that the Government has provided suitably designated language courses for children from the ethnic minorities in schools and is offering specialist vocational training, so that school-leavers can overcome their education and employment problems. Still, children from the ethnic minorities generally encounter greater difficulties adapting to life in our mainstream education system due to language and financial barriers and cultural differences. These children generally struggle from the teaching methods and school-life in mainstream Chinese-instruction schools.

Under the Government's present inclusive education policy, kids from different ethnic-minorities — and we are referring mainly to those of South-Asian and Nepalese origins — are entitled to access the mainstream education system under the existing primary and secondary school places allocation systems. But, without a culturally inclusive environment in these mainstream schools, these students have been forced to learn in a language which they are unfamiliar with. Without the Government giving adequate support to schools, teachers — who are already overburdened with classes and school administrative work — often lack the sensitivity to cater to the unique learning and adaptation needs of these children. The result is that South-Asian kids fail to get their footing in these schools and become failures from day one. Also, the special placings in our mainstream education system have made little difference to many of them. The fact is that most South-Asian youth are from low-income families. They are not affluent enough to afford enrolling in the English-instruction international schools or the English Schools Foundation (ESF) schools. Therefore, their option is usually and solely confined to mainstream Chinese-instruction schools.

In a just and caring society, a government should be able to make sure that children from different ethnic cultures can attain a proper education too. It is imperative that those kids can stand on equal terms with their local peers and be entitled to the full range of quality education opportunities. In a community which is truly unified and racially harmonious, no child shall be deprived of the right to enjoy a quality universal education which is supported publicly. If any group of children are neglected or ignored simply because they are of a different race or culture, that would just be a recipe for festering racial tension in the future and destroying whatever harmony society has nurtured.

It is encouraging somehow to see that the Government embraces ideas for promoting inclusive learning in our education system. However, even though the Administration has introduced numerous initiatives, like the provision of mother-tongue language programmes and free after-school support to help these kids adapt to our mainstream education system, these efforts are inherently flawed. That is because most local schools are still not encouraged to enrol non-Chinese students since principals and teachers still have not received additional government support, aside from initial block grants allocated to them to hire additional teachers and interpreters.

Madam Deputy, the Government must establish a special committee to map out more comprehensive and concrete policies to facilitate students in small ethnic-minority groups, to ensure that our mainstream education system can cater to their unique learning and adaptation needs, and to support their personal development. To advocate such a school-wide approach to diversity, the committee should work on cultivating more culturally inclusive school environments so that teachers and students have a better appreciation of people from different backgrounds. More broadly, we should review whether our existing social and welfare services can be better utilized to better care for the minorities, and by extension, to enhance the harmony and unity of our community at large.

Above all, racial harmony is an important factor to sustainable social and economic development. In multicultural nations like Britain, awareness of the importance of cultural diversity only really arose after racial problems started to prevail and become common place. Even now, minorities in many countries still experience discrimination and various day-to-day problems, especially when it comes to finding a job. As Asia's world-class city with a multicultural population, Hong Kong should embrace the idea of attracting people from all corners of the globe to work and settle here. Under no circumstances should we allow any unnecessary social conflict or problems incited by racial ignorance to hamper our social harmony and unity, which in turn will negatively affect our social and economic developments.

As the Chief Executive related in his policy address, Hong Kong has traditionally been active in promoting cultural diversity. Active interaction and interest in different cultures can enrich our own culture, giving us a unique flavour. We must strive hard to maintain a social environment where the ethnic minorities and the local majority can live in harmony and mutual respect. We

must keep our minds open to embrace cultural diversity so that, ultimately, the culture we attained at the end is one of mutual tolerance and respect which enriches us one and all.

Thank you.

MR ANDREW LEUNG (in Cantonese): Madam President, the Chief Executive emphasizes in the policy address the need to upgrade our biliterate and trilingual proficiency, regularly review the basic competence in Chinese and English of students from Primary One to Secondary Five, and target resources at reinforcing language education. The Liberal Party greatly approves of this course of action. Hong Kong is an international city, as well as the meeting point where China converges with the rest of the world. English and Putonghua learning is therefore very important. Recently, the business sector has often criticized Hong Kong students for their falling English standard. To achieve effective language learning among students, a good education environment is essential. Just now, Ms Audrey EU mentioned an earlier meeting held by the Panel on Education in which issues concerning expatriate English teachers and expatriate Putonghua teachers to be employed in future were raised. Nevertheless, a school must have a sufficient number of and quality language teachers and be able to provide an excellent learning environment before effective language learning can be achieved, as language cannot be learned solely from books.

In the opinion of the Liberal Party, we must strive to upgrade our competitive edge while Hong Kong is developing into a knowledge-based economy. Apart from giving emphasis to traditional disciplines, the Government must take training in technical subjects seriously too. The Vocational Training Council (VTC) has been vigorously engaged in the training of human resources required by commerce and industries. As a member of the VTC, I see it necessary for co-operation with the commercial and business sectors to be enhanced to enable the VTC to further strengthen its role in the training of technical personnel. Despite the year-on-year reduction in government funding for the institution, the graduates of the VTC, under the leadership of its Chairman, Mr YEUNG Kai-yin, have proved to be exceptionally enterprising. It is our hope to co-operate with the Government and the business sector to enable more students who are unable to receive traditional education or consider traditional education too boring to acquire skills from the VTC or other institutions. The offer of excellent prospects by our

creative industries and design profession to the young people in Hong Kong is an excellent example.

Another important point is that, as society becomes increasingly affluent, many recent young recruits do not work as seriously as the older generation. We therefore maintain that school education must enhance the nurturing of work ethics to make the young people realize the importance of a serious working attitude and deter them from harbouring the mentality of treating all things indecorously. Otherwise, not only will they be unable to acquire a skill, they will even find it difficult to make a living in the future, not to mention contributing to society.

Today, Madam Deputy, in the 21st century, society is experiencing rapid development. A person without knowledge will be unable to make a living. As such, we greatly support the SAR Government in investing in education and upgrading the competitive edge of our human resources so that we can rise up to even more challengers that are laid on the table before us.

Thank you, Madam Deputy.

MR JAMES TO (in Cantonese): Madam Deputy, I shall briefly talk about the Refugee Convention (the Convention).

Since a long time ago, our country has become a State Party to the Convention. As far as I understand it, at the time before the reunification, Britain did not extend the Convention to Hong Kong because of the instability in the Mainland for fear that it would lead to a grave outcome. However, the situation now is different. In the several hearings of the United Nations Commission on Human Rights recently, many law experts strongly requested for an extension of the Convention. I remember in the most recent hearing, they sternly questioned — not only our officials — who could decide on the application of the Convention to Hong Kong.

Of course, the Central Government delegation pointed out that under the provision of the Basic Law, the application of the Convention is decided by the Central Government in consultation with the SAR Government. The law experts however strongly requested the Central Government delegation to allow Hong Kong join the Convention.

Among the reasons stated by the Government for not joining the Convention, one is that Hong Kong is too small. Nevertheless, among the countries or regions in the world which have joined the Convention, some of them are as small as Hong Kong, while some even have a smaller population than that of Hong Kong. Should a refugee exodus appear in our neighbouring regions or country (meaning the Mainland), the matter would be brought to the international level. At such times, due to Hong Kong is not a signatory to the Convention, we can only resolve the matter according to our current practice, which is to handle the genuine refugees through the United Nations High Commissioner for Refugees in an embarrassing, ambiguous and peculiar manner. This is indeed far from satisfactory.

I believe it is high time for Hong Kong to join the Convention. I hope the Government will consider it.

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

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): If no, the meeting will now be suspended for 10 minutes. Public officers will speak when Council resumes.

6.59 pm

Meeting suspended.

7.09 pm

Council then resumed.

(THE PRESIDENT resumed the Chair)

PRESIDENT (in Cantonese): Will the Clerk please ring the bell again to summon Members back to the Chamber?

(After the summoning bell had been rung, a number of Members returned to the Chamber)

PRESIDENT (in Cantonese): A quorum is present now. Council now resumes to continue with the third debate session. Two public officers will speak in this session. They have up to 45 minutes in total for their speeches, but the first officer to speak may not speak for more than 30 minutes.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, after the publication of the latest policy address and the policy agenda, some friends of mine from the education sector said that there was little mention of education in the policy address, the same comment as Dr YEUNG Sum has earlier made. I think this actually reflects that the education reform measures implemented in the past few years have got onto the right track and the way forward for education has taken root in the current foundation.

The Chief Executive reiterated in the policy address that the Special Administrative Region (SAR) Government would not cut back on the total spending on education. The pledge is undoubtedly a boost to the confidence of the education sector. As an official responsible for education policy, my challenge ahead is to make sure that the resource which accounts for over 20% of the government expenditure is put to the optimal use.

First of all, I would like to solicit Members' support in injecting funds into the Language Fund later in the year in order to upgrade the biliterate and trilingual competence of students.

The Standing Committee on Language Education and Research (SCOLAR) completed a review of language education in Hong Kong in 2003. Since then, the Education and Manpower Bureau has launched a number of initiatives to upgrade the levels of biliteracy and trilingualism of students and the community as a whole. These initiatives include the introduction of basic competence assessments in Chinese and English for students at different key stages, development of standards-referenced examinations for the Chinese Language and

English Language subjects in the Hong Kong Certificate of Education Examination, the specification of expected English competence for university graduates and entry-level professionals, and the development of a standards-referenced assessment of Putonghua proficiency for students of Secondary Three or above. We have also provided subsidy for language teachers to improve their qualifications in the subject knowledge and pedagogy, apart from setting up the Language Teaching Support Unit to provide professional support to language teachers. Many of these initiatives are financed by the Language Fund.

Meanwhile, we have seen the rapid social and economic restructuring of Hong Kong and the growing global ties over the past decade. At the same time, our language environment has become more diverse than that of the last century. There is therefore a need to make more investment in maintaining the necessary language environment and strengthen our language education. This is also the common wish of the education sector and the community as a whole. During the public consultation by the Education Commission (EC) on the review of medium of instruction policy for secondary schools, many urged the Government to ensure that students who are learning their non-language subjects in the Chinese medium could become proficient in English at the same time through improvement in the effectiveness of teaching and learning in English and the enhancement in the students' exposure to English outside the classroom.

On the other hand, the Curriculum Development Council (CDC) recommended the use of Putonghua to teach Chinese Language as early as 2000. Such a long-term objective of the CDC was also recognized by the SCOLAR in 2003. A survey conducted by the CDC earlier reveals that many schools have encountered a lot of difficulties in implementing this objective, including the matching of the curriculum and the teaching material, the lack of a suitable language environment, the students' ability to cope and the preparedness of schools and teachers. These findings show that it is necessary to consider how to provide various forms of support to schools intent on using Putonghua to teach Chinese Language.

Since the existing provision for the Language Fund is pretty much committed or earmarked for ongoing initiatives, a further injection would be necessary for the planning and implementation of additional measures. We are fully aware that any further investment into language education must be premised on adding value to the current raft of support measures and ensuring the most

effective delivery of language education support to schools. We would like to map out initiatives having regard to the EC's recommendations on the medium of instruction policy and the input of the SCOLAR. We will consult the Education Panel on any such new initiatives at a later stage and seek the Finance Committee's endorsement of an injection into the Language Fund.

Another important issue for the years to come is to make full preparations together with the education sector for the launch of the "3+ 3+ 4" new academic structure in 2009-10 school year. The task, which is now at full steam, includes the draft Curriculum and Assessment Guide of each New Senior Secondary (NSS) subject. With a public consultation on the guide ongoing, we are doing our utmost to have it finalized in mid-2006 and then distribute it to secondary schools by the end of 2006. Besides, the Education and Manpower Bureau will also conduct a consultation on the NSS curriculum of special education and the implementation details of career-oriented studies by the end of 2006 or early 2007. We have also arranged to launch a pilot scheme of the career-oriented curriculum in 2005-07 school years. Experience gained will be used as reference for making the long-term funding arrangements for career-oriented studies when the NSS is implemented in 2009-10 school year.

As for training, we have started to provide training on formulating strategic action plan and human resources planning for 100-odd school leaders. This is an important task because under the NSS structure, each and every school needs to review the current class structure, choices of curricula for students and deployment of teachers.

As for teachers' professional development programmes, in the 2005-06 school year alone, we have organized 90 NSS professional development programmes for teachers, with a total of about 400 items, providing 36 000 places for teachers to improve their professional competence. Starting from the 2005-06 school year, all secondary schools will be given the Teacher Professional Preparation Grant for a period of four years for the purpose of hiring supply teachers or procuring professional service in order to create space for teachers to participate in professional development programmes.

Besides, starting from 2006-07, the Education and Manpower Bureau will provide NSS Curriculum Migration Grant to all secondary schools in three years so that they can procure necessary learning and teaching materials and equipment for the development of NSS curricula.

Undoubtedly, Hong Kong's teachers in general have to carry an onerous workload. Various reform measures and the community's expectation on their professional standard have brought about a lot of impact on them. Through different means, we will continue to provide support to them, including the implementation of specialized teaching in primary schools, the optimum use of the \$500-million-odd Education Development Fund to provide school-based professional support services to secondary and primary schools, investment of sufficient resources for promoting teachers' professional development and enhancing the flexibility of schools in the use of funds to meet their specific teaching needs.

Some opine that the authorities should reduce the pressure on teachers by implementing small-class teaching. But some hold that the better solution to reduce the pressure on teachers is to reduce the number of lessons to be taken by them because small-class teaching may not necessarily reduce their workload as they have to adjust their teaching methodology accordingly in order to raise the teaching effectiveness. I have to point out that education resources are not infinite. We understand that some resources may become available for other purposes as the student population falls. But the deployment of resources depends on the priority of different policies and cost-effectiveness.

Take small-class teaching as an example. The Government should be cautious in its planning because the effectiveness of small-class teaching has not yet been confirmed by overseas experience and a full-scale implementation of small-class teaching will involve tremendous financial commitment in the long term. Moreover, it has to take expenditures incurred in other education measures into account. In the 2004-05 school year, the Education and Manpower Bureau launched a study on small-class teaching in 37 primary schools for a period of three years in order to assess what merits will be achieved in terms of students' academic performance and performance in affective aspect with the implementation of small-class teaching in Hong Kong. The study also aims at identifying the teaching strategies and conditions required for bringing small-class teaching into full play under the circumstances in Hong Kong. In the 2005-06 school year, over 300 small classes have been opened in 37 primary schools involving about 700 teachers who are responsible for teaching Chinese, English and Mathematics.

After the delivery of the last policy address, the Education and Manpower Bureau has tried its best in collaboration with the Government's poverty

eradication policy. Also, in view of the findings of overseas studies that the efficacy of small-class teaching is more obvious for students in junior grades with lesser family support, starting from this school year, small-class teaching has been extended to some primary schools with a higher percentage of students who come from less well-off families. The scheme is launched progressively for students of Primary One to Primary Three. With a total of 29 primary schools taking part in the scheme, it is first introduced at Primary One involving 90-odd small classes and about 240 teachers.

We will regularly collect data relating to both quality and quantity from schools which have participated in the scheme in order to evaluate the learning process of students and the effectiveness of small-class teaching. The data collected in the first year can only be used as the baseline for assessing future progress. As the overall report of the study will be completed by 2008, it is hard to draw any conclusion at this stage. I would like to stress that the Education and Manpower Bureau attaches great importance to providing professional training and support to teachers involved in small-class teaching. In June this year, I already briefed the Education Panel of the Legislative Council of our work in this aspect last year. Preparations for this year's professional support have also been made. Starting from September this year, staff of the Education and Manpower Bureau have visited various schools to discuss with teachers about the school-based programmes for implementing small-class teaching and provided necessary professional support. As the Chief Executive has said, the small-class teaching pilot scheme will help the Government decide what conditions and approach are needed for implementing small-class teaching.

The education reform is making steady progress and initial results have been seen. During the past eight years, full-time primary school places have increased from less than 20% to 80%. After years of promotion, we have introduced about 60 Direct Subsidy Scheme schools, 10 quality private schools and 20 sets of linked schools so that the education sector has become more diverse and provides more choices to parents. We have implemented Project Yi Jin, Yi Jin/Secondary Schools Collaboration Project, Senior Secondary Career-oriented Programmes one after another so that courses offered are more flexible to cater for the needs of various students. The professional standards of teachers and principals have also improved tremendously. 66% and 90% of primary and secondary school teachers respectively have attained degree level and a collaboration culture has also gradually emerged in the education sector.

Once we are in the school campus, we will find that students are learning more proactively and happily, and enjoying more extra-curricular activities.

As regards tertiary education, in 2000, the Government set the goal of enabling 60% of senior secondary students to receive tertiary education in 10 years. Meanwhile, it has introduced a number of measures to support the development of the sector such as interest-free loans, sites for building school campus, subsidies for students and a stringent quality assurance mechanism. Now the percentage of youngsters who have an opportunity to receive tertiary education has increased from 33% in 2000 to 66%. In other words, we have achieved the policy objective five years ahead of schedule.

The number of places has increased mainly due to the introduction of associate degree programmes, the qualifications of which are recognized by all local universities and about 150 tertiary institutions in 10 other regions or countries. Besides, 22 professional bodies have exempted associate degree holders from part of their professional examinations. The SAR Government has also accepted associate degree as a qualification for its recruitment of civil servants. As associate degree has become widely recognized, the graduates will have more choices in further studies and employment.

The tertiary institutions in Hong Kong are ranked among the top institutions in the region, providing the best management, business administration and hospitality courses in Asia. We have also made a lot of excellent achievements in academic researches and won international recognition. Apart from supporting the tertiary institutions' operation and development by means of public funds, we have also encouraged a division of roles among them so that resources can be focused for enhanced effectiveness. A total of \$2 billion has been allocated for launching the Matching Grant Scheme twice to promote a culture of private donations and successfully helped institutions develop additional resources.

All these accomplishments are hard earned and we must cherish them. We hope these achievements can give new impetus to our education workers. I look forward to sincere co-operation with all Members, education workers and parents so that our education policies can be further consolidated for the well-being of our students.

With the rapid development of the global economy and the fast advancing technology, we have to keep upgrading ourselves and keep abreast of new knowledge even though we have left the school in order to embrace a diverse and vibrant future. We have established the qualifications framework (QF) to specify the targets for different qualifications so that quality can be ensured. This is to encourage lifelong learning by establishing an articulation ladder leading to diverse education and training pathways. It helps individuals to select their own ways forward and realize their own dreams so that they can make the most of their potential and achieve success.

I would like to reiterate that the QF is not a mandatory system and the qualifications under the QF are not "licences" for employment. The employers will consider such other factors as the applicants' work attitude and experience as well as the referees' comments. The implementation of the QF is a long-term, complicated task with far-reaching effects. We will implement it in a gradual and orderly manner. We will be pragmatic and cautious. I also hope that people from all sectors will work together with the Government with a view to nurturing talents for Hong Kong so that our economy can continue to grow and prosper.

Thank you, Madam President.

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, many Members who have spoken tonight show a deep concern about district work. Mr LAU Wong-fat, Miss CHOY So-yuk, Mr Tommy CHEUNG and Mr Daniel LAM are concerned about the Chief Executive's remark in the policy address that public policies should be effectively implemented at the district level. To better respond to the demands of the people, we will enhance the role of District Officers (DOs) as the bridge between the people and the Government so that the DOs can more effectively co-ordinate district affairs such as solving local problems, strengthening community building, promoting charity work at the district level, strengthening the participation of civil society in public affairs and raising the self-governing capacity of public bodies.

We will also enhance the co-ordination function of District Management Committees to better provide cross-departmental services in districts. Suitable arrangements will be made so that DOs can directly communicate with relevant Bureau Directors and departmental heads in order to focus on the issues at hand

which can then be upgraded to the decision-making level with a view to solving problems at the district level as soon as possible.

The Chief Executive will issue a clear internal guideline requesting various departments to better co-ordinate with the DOs in order to enhance the latter's ability to solve local problems and deal with issues concerning people's livelihood.

The role of the District Councils (DCs) will be expanded. As the Chief Executive mentioned in the policy address, the DCs will be allowed to assume the responsibility for the management of some district facilities. The working group formed under the Constitutional Affairs Bureau and the Home Affairs Bureau will study how such proposals can be implemented without amending the existing legislation so that the DCs are enabled to participate in the management of district facilities such as libraries, community halls, leisure grounds, sports venues and swimming pools.

When considering how specific arrangements of relevant proposals can be implemented, we will brief the DCs on the needs of various sectors, including the local people in the community, national sports associations and schools, in the use of district facilities. In doing so, the DCs, when participating in the management of these facilities, can put our social resources to the optimal use in order to reflect the needs of the local people and promote the development of sports, arts and culture.

We will consult the DCs and stakeholders on the detailed arrangements of the proposals as soon as possible. The DOs of various districts will continue to canvass views from the DCs for referral to the working group and follow-up actions by the relevant departments. It is expected that public consultation by the working party will commence early next year. It is hoped that by April 2006, we can select one district each from the New Territories and the urban area to implement the pilot scheme concerning the community halls under the Home Affairs Department (HAD) in order to find out the best way of participation by the DCs in the management of district facilities.

I share very much the views of Mr LAU Wong-fat and Mr Daniel LAM in relation to the Heung Yee Kuk. In fact, the Heung Yee Kuk has always been an important partner of co-operation to the Government. The Government and the Kuk has maintained close liaison and co-operation on rural matters and issues

under their management for the promotion of the well-being of the New Territories residents. The Government has also consulted the Kuk and Rural Committees on matters of concern to the New Territories residents. Apart from maintaining regular contacts with them, we will enhance the close ties with the Kuk to assist the full discharge of their statutory functions.

Under Article 40 of the Basic Law, "the lawful traditional rights and interest of the indigenous inhabitants of the New Territories shall be protected by the Hong Kong Special Administrative Region." These traditional rights mainly originated from the traditions and customs of the New Territories. The Hong Kong Government, as in the past, will respect and protect the lawful traditional rights and interest of the indigenous inhabitants of the New Territories in accordance with the spirit of the abovementioned provision. We will protect these rights and interest by working together with the Kuk.

Mrs Selina CHOW and Miss CHOY So-Yuk are very concerned about building maintenance. In fact, the management of private buildings should be the owners' responsibility. The Government's policy is to provide a legal framework to facilitate the setting up of Owners' Corporations (OCs) in order to deal with the management and operation of private buildings. Besides, the Government will also give owners advice and support so that they can be better able to deal with matters concerning building management.

The HAD has set up four building management resources centres to provide owners and OCs with advice and information on building management.

The HAD tabled the Building Management (Amendment) Bill 2005 to the Legislative Council on 27 April 2005. With the aim of improving the deficiencies of the existing Ordinance, the objectives of the Bill are to rationalize the appointment procedure of a management committee, assist OCs in performing their duties and exercising their powers, and safeguarding the interests of property owners. As regards the licensing system for property management companies proposed by Miss CHOY So-yuk, we have consulted the industry and found that no consensus has been reached. So, in view of the profound impact on the industry and the users (the property owners) brought about by such licensing system, we will continue to study the proposal in detail.

Mr Ronny TONG mentioned the freedoms of speech and of the press in Hong Kong. In fact, in terms of the freedom of the press, Hong Kong is one of the freest places in the world. Press freedom in Hong Kong is protected by the Basic Law, the Bill of Rights and the International Covenant on Civil and Political Rights. At present, we have more than 100 international news agencies, over 50 newspapers and over 80 periodicals in Hong Kong. The diversity and prosperity of publications show the high degree of freedom we enjoy in Hong Kong in these two aspects.

Mr Abraham SHEK is concerned about racial harmony which is in fact the cornerstone of social harmony as well. We issued a public consultation document on the legislative proposals in September 2004. The period of consultation was subsequently extended to 8 February 2005. We have fully considered all the views received when drafting the legislation. Now, the law drafting work is at its final stage and we hope that the Bill can be tabled to the Legislative Council within this Legislative Session.

Miss CHOY So-Yuk is very concerned about the training of elite athletes. Our elite athletes have achieved good results in major sports competitions in recent years, scaling new heights for Hong Kong in the international sports arena. This shows that the performance of local elite athletes is improving, which is an achievement we should be proud of.

The Government attaches importance to sports development, in particular, the well-being of elite athletes. The new administrative structure for sports is also a milestone in the sports development in Hong Kong. The Sports Commission and its three Sports Committees, including the Elite Sports Committee, Community Sports Committee and Major Sports Events Committee have been set up in succession and started functioning.

We have also set up a joint dedicated unit to look into the long-term development of elite sports. With members from the Elite Sports Committee and the Hong Kong Sports Institute (HKSI), the unit will fully review the facilities of the HKSI as the elite training centre and make recommendations on the provision and upgrading of facilities with a view to providing the best training environment for our elite athletes. In addition, the Elite Sports Committee will also advise the Government on formulation of policies in relation to the support, training and career development of elite athletes. This is a

paragon of policy formulation by the Government with the assistance of the sector, the athletes and experts.

Madam President, I would like to take this opportunity to explain to Mrs Selina CHOW on the hiring of venues under the Leisure and Cultural Services Department.

Actually, quality arts performances are already given priority treatment in the hire of venues. But we cannot meet the needs of all applicants as the demand for venues is so high. The newly established Committee on Performing Arts will issue a consultation paper shortly which will touch on the principles relating to the use and allocation of performing venues in the hope that these venues are put to the optimal use. We hope that the merits of two different venue management modes, that is, the arts accountability system and social accountability system, can be integrated so that the needs and interests of various parties can be catered for. We also hope that the West Kowloon Cultural District project can be completed as soon as possible in order to provide a long-term solution to the shortage of venues.

Madam President, let me now turn to an explanation on our cultural policy. One of the Government's major initiatives is to enrich people with a rich culture. Culture is an all-embracing term. The public culture under the ambit of the Home Affairs Bureau is part of it. In view of the public concern for cultural management recently, I would like to take this opportunity to briefly discuss the subject of public culture. In a broad sense, the term culture has three meanings. First, it refers to the day-to-day culture, that is, the civilized activities, institutions and systems of a society as a whole such as clothing, food and drinks, household decoration, traditions and customs, religious rituals, and so on. Matters relating to covenants on civil rights, liaison with religious bodies, funeral rituals, management of temples, festive activities and creative industries under the charge of the Home Affairs Bureau fall within this ambit. Second, it refers to high culture or arts of high culture, the appreciation of which will require a certain standard in education level and taste. The arts programmes, cultural venues, the Hong Kong Academy for Performing Arts and the Hong Kong Arts Development Council managed or sponsored by the Home Affairs Bureau fall within this area. Third, it refers to the spiritual culture, that is, the thinking strategy and world outlook of a nation in coping with their daily life, in particular when they are in times of adversity. It is also the basic world view, moral and ethics concepts of our society. The so-called underlying quality of

culture or the foundation of culture generally belongs to this area. A society with a strong underlying quality of culture will have a high ability to cope with adversity. It is time for a society to test its cultural foundation or underlying quality of its culture when it faces challenges. Two years ago when there was the SARS outbreak, it proved that the underlying quality of our culture is strong. Particularly it proved the strength of our civil society.

In a society which enjoys freedoms in constitution and traditions, the Government can directly exert influence on people's cultural life. But this is limited to cultural activities supported by public funds or public venues or subject to legislative regulation. These belong to the area of public culture. In areas other than that, the Government can only make use of its demonstration effect and exert an indirect influence on the public's cultural life. It can be said that the long-standing cultural policy in Hong Kong has been adhering to the administrative tradition of a small government, that is, a descriptive approach is adopted for its policy on culture. Through our legislative and judicial procedures, we protect freedoms in arts creation and expression. Besides, we will, as far as the Government's financial capacity permits, provide a supportive and encouraging environment and liberalize the public space for pluralistic interpretation, diverse development and free competition. Through public participation in policy making, the Government can formulate a long-term cultural development target and strive for a consensus in our values. However, we do not lay down any official definition of arts and culture. Nor do we censor the specific forms of operation or contents of expression. In supporting public cultural and arts performing bodies, we have always adopted the policy of delegation so that they can perfect their internal governance, and enable them to enjoy autonomy and develop in a healthy way. While supporting arts and culture, the Government also promotes the development of a civil society.

Thank you, Madam President.

PRESIDENT (in Cantonese): The third debate session ends.

Before the start of the fourth debate session, I would like to tell all of you that Members have about 13 hours left, and the time needed for preparation and delivery of speeches by public officers is about two hours. If you are going to use up all the time for speeches, it will need a total of 15 hours approximately.

So I have decided that tonight's meeting be extended by 30 minutes and adjourned at about 9.30 pm.

We now proceed to the fourth debate session. The policy areas for this session are "housing, planning, lands and works, environmental affairs and transport".

DR KWOK KA-KI (in Cantonese): Madam President, in the Panel on Planning, Lands and Works meeting a few days ago, the Permanent Secretary, Mrs Rita LAU, mentioned Central Reclamation Phase III (CRIII). She put up a lot of reasons explaining why the Government needs to build so many commercial premises including shopping malls, shopping centres and office premises on the reclaimed land. In fact, this is not a new move by the Government. Whether it be coastal reclamation, the future Wan Chai reclamation that we are talking about now or the land for the West Kowloon Cultural District (WKCD) development, a major intention of the Government is to serve Hong Kong's real estate developers with our precious resources.

In 1999 and 2002, when the Government came to the Legislative Council to explain why it needed to implement CRIII, it put forth five reasons, but none of them were related to commercial needs. The Government only mentioned the need to construct the Central-Wan Chai Bypass, the extension for MTR turn back siding, the North Hong Kong Island Line and service roads. At present, the North Hong Kong Island Line is still under negotiation, but of course the reclamation would have to proceed before all else. Basically, what matters after the reclamation would still be continuing its land auction for revenue. This is also the reason for the Government continuing to turn a deaf ear to the Subcommittee on West Kowloon Cultural District Development and carry out single tender in a disguised form. Moreover, from the land grant policy in the past two years and such measures as reduced land production, the construction of less public housing estates and the abolition of the Home Ownership Scheme, it is obvious that the Government is killing the goose that lays golden eggs. A major aim of the Government to increase revenue for the Treasury by way of auctioning our precious land resources is to pamper the influential real estate developers and they could very well be the key persons who supported the new Chief Executive to take office.

Madam President, it is disappointing to find that the Government can be as shortsighted as to sacrifice, without any intention to avoid suspicions, Hong Kong's vital land resources for commercial interests. In the latest policy address, the Chief Executive did not propose any measure to help people resolve the long-standing problem of high property prices. A report yesterday said that the rent for street level shops in Causeway Bay was the second highest in the world. I believe the people of Hong Kong still remember vividly the trauma caused by high land prices and the real estate bubble. However, in order to paint a rosy picture for the smooth passage of his undemocratic constitutional reform package and, more importantly, for the renewal of his term of office in 20 months' time, the Chief Executive continues to let the people take poison.

Madam President, the Government has not learnt from past lessons at all. No matter how many people have come forth and said that they oppose reclamation, that they want the Government to protect the environment, that the land for the WKCD should be truly used for cultural purposes and that land auctions should be conducted in a fair manner, the Government still refuses to listen and clings obstinately to its course. It is hard for me to teach the Government how to do anymore for I have already spoken on what should be done many times here. Only the two Secretaries and their colleagues have obviously not listened to the suggestions. Finally, I still hope that in the following year, the Government will listen to the suggestions that we have made repeatedly and truly return the valuable land, including the important land at the waterfront, to the people.

I so submit. Thank you Madam President.

MR LAU KONG-WAH (in Cantonese): Madam President, I wish to focus my speech on transport problems and I would like to exchange my views on these with the Secretary. For many years, the people of Hong Kong have been hoping that transport fares can be lowered. But after years of hard work, it seems that no significant progress and results have been obtained. Over the past few years, even though the public has been offered some petty favours from time to time, no transport company has announced any plans to reduce the fares.

Now the Secretary seems to be hinting that with the launch of a fare adjustment mechanism that would allow upward or downward adjustment of fares, bus fares, especially those of long-haul buses, can hopefully be adjusted

downwards. This would of course be good news. However, I think that if it is suggested that a causal relationship exists between the two, that will be tantamount to denying that there has been a need to adjust fares downwards over the past few years. I am worried that if this fare adjustment mechanism is launched, when coupled with the suggestion to reduce fares, it seems that we will be forced to give our support to this mechanism.

I do not think Members will say no to the concept behind this mechanism, but as to the details and contents, these would have to be worked out. As we expect inflation to continue in the next few years, if this mechanism is allowed to be switched to automatic transmission, so to speak, and if the scrutiny of this Council is not required, and if it is to operate like the Western Harbour Crossing where there is no room for negotiation on tunnel tolls, I am worried that there will only be more disputes to come. As Members of this Council will have no chance to discuss this issue at all, it can be foreseen that in the next few years, transport expenses will become a very heavy burden that will exert tremendous pressure on the public.

There is one point which I think is very important and that is, two years ago when the Government proposed this fare adjustment mechanism that would allow fares to go upward and downward, a formula was mooted. But at that time we did not think it could be accepted. Many Members thought the same way. I pointed out that if this formula would only care about the interest of the transport companies without taking into account the affordability of the public, then there was no way we could accept it. After listening to our views, the Government came up with a new formula. But as to whether or not this formula can take into account the affordability of the public, that will remain to be seen. That is why we will need to look at the details and contents before we can decide to support the new proposal or not.

I also hope that this fare adjustment mechanism which would allow fares to go upward or downward will benefit our senior citizens. We were glad to see bus companies offer a \$1 concessionary fare to senior citizens on Sundays but this concession was suddenly withdrawn subsequently. This made many old people feel very worried. Previously, they might be able to visit their children or grandchildren on Sundays or attend some social activities, but now they are barred from doing these. That decision was extremely unwise. As a matter of fact, there are many empty seats in the public modes of transport on Sundays, but why do these operators not offer concessionary fares of \$1 or \$2 to the senior

citizens on Sundays as a token of respect or gratitude shown to the elderly for what they have contributed to society? I hope in the future when the Secretary announces the details of this mechanism, she will elaborate on this point.

Madam President, today outside the Legislative Council Building there are 200 residents from the outlying islands who have come here to make a petition. They are protesting the increase in ferry fares by 14.2%. I share their view that the rate of increase is very high. I hope this proposed fee hike can be rejected by the Secretary.

Madam President, I will now turn to transport infrastructure. For the few years or the next decade to come, transport infrastructure will become the single most important infrastructure item for Hong Kong. Originally, the Hong Kong-Zhuhai-Macao Bridge project was scheduled to commence at the beginning of next year, but now the pace seems to have been slackened. We do not know of the reasons. Perhaps the Secretary may like to explain this in greater detail later. Our feeling is that it is like pausing after a step made and then a pause is made after another step is taken. I believe this Hong Kong-Zhuhai-Macao Bridge is of vital importance to the future development of Hong Kong. Likewise, it is also crucial to the development between Hong Kong and the western part of Guangdong Province, and even as a link between Hong Kong and various provinces to the west of Guangdong Province. Therefore, we hope that this project can commence at the soonest.

The same thing goes for the railway link between Guangdong and Hong Kong. Works for the section of the railway between Guangzhou and Shenzhen will commence at the end of this year on the Mainland, but it seems that works for the Hong Kong section is still being studied. This makes the possibility of commissioning on both ends of the line simultaneously extremely slim. However, the Secretary has not yet explained why the two projects fail to synchronize. Why is it that things agreed by both parties would result in one party going faster than the other? Why is there this lack of co-ordination? Is this because of problems found in the differences in the system and culture of the two places and in co-operation? I hope the Secretary could give an explanation on these.

During the recent visit of the officials from the Shenzhen Municipal Government to Hong Kong, the issue of the crossing point at Liantang was once again brought up. When the Chief Secretary for Administration met the mayor

of Shenzhen, they said enthusiastically that the two places should forge a closer partnership and more exchanges should be made with respect to infrastructural projects involving the two places. About three years ago, the DAB suggested that Liantang should be made a crossing point as it is situated in the eastern part of the New Territories. In our opinion, if attention is focused only on the western areas but not enough attention is paid to the eastern part of Guangdong Province, including links to coastal areas like Fujian Province and even places around Jiangxi Province, that it would be unfortunate. Actually, various infrastructure facilities on the Mainland are already linked and there is just one gap and that is, in Liantang and Hong Kong. However, when we raised this suggestion, the officials in Hong Kong were displaying a "couldn't care less" attitude, thinking that the matter was not urgent. This mentality and inadequacy have made a lot of cargo from the Mainland head towards the Yantian port instead. The double-digit growth in the Yantian port is really amazing. If access to the eastern part of Hong Kong can be opened up, this would certainly help the local logistics industry. But these events have been overtaken and I hope both sides can forge a closer partnership in cross-boundary transport infrastructure and avoid the situation of one side being excited while the other side remains lukewarm.

We made a visit to Guangzhou recently and went to the university town there. We were very amazed to see how in just a matter of five years so many things could have developed so fast, whereas in the case of Hong Kong, it is doubtful if any infrastructure of a certain scale and quality can be produced in less than eight to 10 years. I hope that the Government can rationalize the procedures and submit the proposals to this Council for discussion. Many Members of this Council are actually very concerned about this, but they do not know how to approach the issue and streamline the procedures. Can both the executive and the legislature join hands to explore this issue? It remains of course, that we think many procedures are needed. But are they really essential? Do some of these overlap? Can things branch out into many directions at the same time? Why is it that when others can make it but we cannot? We think we can co-operate in these aspects and we hope the Government can make some suggestions.

Lastly, I would like to talk about public safety. With respect to speeding by minibuses, we have made a lot of our efforts to tackle the problem. But many passengers have told me that the speed displayer installed in the minibuses is not very useful and some minibus drivers have even tampered with the

equipment such that the speed is always kept at 50 km. This should not be tolerated. The other thing is even when other drivers honk and warn the speeding minibus drivers, they will not stop or slow down. Passengers are afraid to point this out for fear that they may be bashed. So passengers are in a very helpless position. That is why they have complained to us. Who then is to monitor this situation? The police will not make such matters a priority. I hope therefore that the Secretary can give great attention to this issue of public safety and make improvements as appropriate, especially on strengthening the monitoring system.

Thank you, Madam President.

MR JEFFREY LAM (in Cantonese): Madam President, in this session, I wish to say a few words on a problem that closely affects all Hong Kong people — air pollution. How can this problem be solved? I cannot give any answer, for I am no expert. But I still very much wish to share with the Secretary the views of the commercial sector. Members can all see that air pollution in Hong Kong has become extremely serious in recent years. This has aroused the grave concern of not only Hong Kong people but also foreign investors, because apart from damaging people's health, air pollution may also spoil Hong Kong's reputation as a metropolis and tourism centre.

Late last month, the Hong Kong General Chamber of Commerce launched the Clean Air Charter with the support of both the Guangdong and Hong Kong Governments. So far, more than 150 companies from Hong Kong alone have signed the Charter. Many of these companies are operating their production lines in the Mainland and they all pledge to follow international emission standards in the conduct of their business, install systems on monitoring sources of emissions, adopt energy-saving measures and formulate business-related green plans.

However, in order to address this great concern of ours, besides the efforts of the commercial sector, we must also need the support and publicity of the Government as well as people's participation. This explains why the Hong Kong General Chamber of Commerce will launch the Care-for-Air Guideline next month, in the hope that the general public can do something simple to help during days of serious pollution and join hands to take one step further in creating a fresh environment.

For example, people may reduce electricity consumption at home by switching off their air-conditioners when the weather is cool, remembering to switch off the lights on leaving a room, shutting down the computer after use and trying not to turn their electrical appliances to the stand-by mode as much as possible. We must not belittle the importance of pressing just a few buttons in our daily life. In fact, if every family, all families, can reduce electricity consumption, the overall power consumption of Hong Kong will be greatly reduced and so will gas emissions.

Motorists should even do something more to help. They must remember to switch off their engines while waiting, so as to avoid the emission of exhaust fumes. They must also check their motor engines regularly to ensure their good condition and prevent the discharge of black fumes. In regard to the Government's proposed measures to strengthen the control of emissions by petrol and liquefied petroleum gas (LPG) vehicles, including the use of roadside remote sensing equipment and the use of dynamometers for emission testings, I would like to express my support and hope that they can be implemented as soon as possible.

I am very glad to learn that the Government has agreed to implement the PRD Regional Air Quality Management Plan and to report daily to the public the air quality in the PRD. I am also very delighted to note the installation of 16 monitoring stations, three in Hong Kong and the rest in Guangdong Province, as part of the plan on the joint monitoring of air quality. I believe that with the joint efforts of Hong Kong and Guangdong, the objective of achieving the emissions reduction targets in 2001 can definitely be achieved.

Secretary for the Environment, Transport and Works Dr Sarah LIAO once described the efforts of improving air quality as "protracted warfare". I agree with her very much, and I must add that it is not easy at all to win this war. But I very much hope that with our concerted and extra efforts, we can finish and even win this war very soon. When that day comes, even when we cheer, we will be able to breathe in clean and fresh air. Madam President, I so submit.

MR CHAN KAM-LAM (in Cantonese): Madam President, since there is not much speaking time left for me, I would like to focus my speech on the issue of building maintenance. In the recently issued consultation paper, the Government suggested that for buildings aged 30 years or more, an inspection

should be made once every seven years and the requirement would cover about 13 000 old buildings. Furthermore, owing to the spate of falling windows which has resulted in casualties in recent years, it is also suggested that for buildings aged five years or above, inspection of windows should be made once every three years. The Government expects that over 1 million households will be affected territory-wide.

I believe that everybody is responsible for building safety, and the DAB also subscribes to this principle. In fact, the building neglect problem does not only affect the residents themselves, but also poses as a threat to the safety of pedestrians. Many years ago, when the mandatory building inspection scheme was first proposed by the Government, we already indicated our support to it and considered it worth implementing. We even suggested that both the Government and the building owners should assume shared responsibility of ensuring building safety and this would also mean the Government would have the responsibility to carry out preliminary building safety inspection. However, it is very unfortunate that the scheme was later shelved as the Government and the community could not reach a consensus on the issue at that time.

Recently, the Government raised the proposal again, and yet it has certainly taken into account the recent spate of falling windows that has aroused widespread public concern. The crucial point is, however, whether assistance will be provided under the scheme to residents who have financial difficulties. Regrettably, the consultation paper has not made any major breakthrough in the first problem. I am gravely concerned about the possibility of the present consultation failing again to earn understanding and support from all sectors just like the last occasion.

Madam President, the DAB has all along considered it very reasonable that the maintenance costs of private buildings should in theory be borne by the building owners, because they own the buildings. However, the building neglect problem has dragged on for years and became a serious and knotty problem. We think that the Government should function as a "catalyst" by using all of the resources available to ensure the smooth operation of the building maintenance scheme, and win the endorsement of small building owners. Recently, the Housing Department has introduced the Total Maintenance Scheme, with a view to carrying out total maintenance works in all housing estates territory-wide. We certainly welcome this proposal. However, the

DAB considers that the Government should play an active role in resolving long-standing problems found in old buildings. In this connection, apart from carrying out preliminary visual inspections of buildings, the Government should also be responsible for informing the building owners concerned to follow up after problems have been identified in their buildings. If the building concerned fails to comply with the maintenance scheme either in the absence of an owners' corporation or because it has yet to engage any management company, we think the Government should provide them with all kinds of necessary assistance. The DAB suggests that, in the absence of an owners' corporation and as the Government has put great emphasis on the formation of an owners' corporation by buildings if there is none, and yet owing to the prolonged absence of an owners' corporation in these buildings, problems may still arise despite that one has been formed as required, hence in the absence of an owners' corporation, maintenance works can be handed over to the Urban Renewal Authority or the Housing Authority for detailed investigation and maintenance. If building owners have any financial difficulties, they can submit applications under the three loan schemes available. We think this approach feasible because even though an owners' corporation has been formed, if the building owners concerned refuse to carry out the maintenance works, the Government will intervene in any case. Therefore, we find this approach feasible and hope that the Government will conduct further studies in this respect. Thank you, Madam President.

DR JOSEPH LEE (in Cantonese): Madam President, to make a healthy city, the quality of environment and housing that prevails is a decisive factor. Following, I will speak mainly on two areas, namely air pollution and housing. First of all, let us look at some objective figures:

- Since 1993, the pollutant concentrations within the territory have been increasing by about 2.3% per annum;
- In 1995, only 7% of the time the visibility of Hong Kong was below 8 km, yet it reached 18% in 2004; and
- In September 2004, the time during which the Air Pollution Index (API) recorded at the roadside air pollution monitoring station was "very high" amounted to 313 hours, nearly 40 times higher than the eight hours recorded in 2003.

These show that the SAR Government has to step up its effort on improving the environment and air quality.

In order to relieve the air pollution problem, regulation on emissions alone is not adequate because regulation on the substances contained in the emissions is equally important. The particulate traps and catalytic converters installed for trucks can only reduce the emission of suspended particulates, but not sulphur dioxide (SO₂). Furthermore, the number of local cross-boundary vehicles using low-price diesel from the Mainland is increasing. Statistics provided by the Environmental Protection Department show that the total amount of SO₂ emitted in Hong Kong in 2003 was 90 000 tonnes. It should be noted that a high concentration of SO₂ will cause respiratory diseases, reduced pulmonary function, as well as higher incidence and death rates. In 2002, as revealed by a report assessing the respiratory and heart diseases caused by air pollution, the economic loss incurred in Hong Kong as a result amounted to HK\$1.7 billion each year. In the interest of public health and the economy, it is necessary to control vehicle emissions, whereas the control on emission from power plants is also vitally important.

Apart from introducing effective measures, expediting the reduction of emissions by the two power companies and ensuring that the emissions can be reduced to the required standard, the Government should also encourage those companies to develop renewable energy, to use natural gases and wind energy, solar energy and bio-fuels to generate electricity, so as to reduce the burning of coal.

Under the influence of air pollution, the rain in Hong Kong has turned sour in recent years. While normal rain has a pH value of 5.6, the pH value of Hong Kong rain is currently 5. Acid rain may have great impact on the ecological environment, historic relics and our health direct. Therefore, the Government should address the acid rain problem because it is indirectly caused by air pollution.

Madam President, the Air Quality Objectives (AQO) currently adopted by the Government were established in 1987. In view of advancement in technology and the changing society, is it necessary for the Government to review the AQO? It is of course not feasible to forcibly apply the index adopted by the World Trade Organization (WTO) and the European Union (EU) to Hong Kong. It is more appropriate to combine the strengths of both of them. At

present, arsenic and mercury have been included under the air pollution control brief by the EU and the WTO. An American study points out that if the air pollution index (API) can factor in PM_{2.5}, which is an average value over 24 hours, and also the average concentration of ozone over eight hours, it can better reflect the threat posed by air pollution to people who suffer from shortness of breath than the currently adopted PM₁₀. Therefore, we believe that it is not so worrying to find the AQO exceeding the limit. Such a rigorous standard makes us more determined and committed in maintaining the air quality.

The Chief Executive expected that the API of the 16 air pollution monitoring stations in the Pearl River Delta Region will be announced by the end of next year. I hope that these monitoring stations will adopt more rigorous AQO so that the actual air quality can be truly reflected.

Madam President, not much on housing policy was mentioned in the policy address. The existing housing policy, and in particular the public housing policy, still have many blind spots and failed to reach the required standard. We are gravely dissatisfied that no concrete solution has been suggested in the policy address.

This year's policy address pointed out that enhanced care should be offered to the disadvantaged groups, including the provision of district-based care to the elderly, the disabled and the poor. As stated in the 44th paragraph of the policy address, community support services to people with disabilities and their families will be strengthened. The 45th paragraph also emphasized that cherishing the family is a core value of our community, and public housing allocation will give special consideration to tenants looking after elderly family members. However, this is not the case in the reality. At present, many old housing estates aged from 20 to 40 years are not installed with escalators. Some of them even have very steep slopes and staircases with hundreds of steps. Statistics show that these housing estates are mainly homes of the elderly persons, which account for about 60%, and yet no plans have been made for the provision of additional facilities in these housing estates or conduct of upgrading works. The living environment of the elderly and mobility-handicapped persons is therefore full of obstacles and danger. Furthermore, due to a mismatch in the type of household during the planning stage, cases of elderly abuse were frequently found in the Housing for Senior Citizens flats, for example, conflicts frequently break out between the young and the elderly ones living under the same roof. It seems that the Administration has not come up

with any long-term and comprehensive solutions. Obviously, the current public housing policy is too rigid with a lack of flexibility. The Government usually handles complicated and onerous cases by one single housing policy and rigid administrative means. Mismatch in housing facilities and design usually creates obstacles to the living of the residents and disadvantaged groups living in the public housing estates. They usually lead a life without dignity and their suffering is indeed indescribable. Therefore, the Government should ensure that the design and improvement in facilities will cater for the needs of such disadvantaged groups. I hope that the policy address of the Chief Executive will hold fast to its undertaking, so that the problems can have breakthroughs and be resolved next year.

Madam President, there are currently around 400 000 registered squatter structures in Hong Kong each year. In the past five years, a total of about 440 clearances failed to pass the income-cum-asset test and thus were not eligible for rehousing. None of them has been allocated with public rental housing under the discretion of the authorities concerned. We regard them as the disadvantaged groups. Therefore, I hope that the Government can face the problem of squatter area residents squarely so that they are not left to fend for themselves. After all, they are the disadvantaged groups in the community which have been marginalized for a long period of time, and this is extremely unfair to them. Last of all, I hope that "fostering harmony in the community" can start with the implementation of a healthy policy.

Madam President, I so submit.

MR WONG KWOK-HING (in Cantonese): Madam President, due to the constraints in time, I would just raise four points to Dr Sarah LIAO, Secretary for the Environment, Transport and Works. First, we hope that the proposal made by New World First Ferry Services Limited to impose a massive fee hike will be rejected before announcing the good news next month on the reduction in bus fares. Second, implement the half-fare concession for people with disabilities early. Third, fares of the railways must be reduced irrespective of how the two railway corporations are going to be merged. Fourth, a full restoration of the fare concessions for senior citizens.

I would also like to put forward four points to Mr Michael SUEN, Secretary for Housing, Planning and Lands. First, take active steps to solve the social problems associated with the mismatch in public housing estates for the

elderly. Second, launch a resale of the unsold units under the Home Ownership Scheme for the benefit of the people and ease their hardship. Third, restore the sale of public housing flats to sitting tenants so that they can own the flats they live in. Fourth, ensure that after the takeover by The Link REIT, there will be no massive increases in the rentals of shopping malls and car park spaces in the public housing estates as this will aggravate the burden of the people.

Thank you, Madam President.

MS EMILY LAU (in Cantonese): Madam President, I am very sorry for not having walked faster. I had no idea that Mr WONG's speech would be so short. His speeches are rarely so short, so it was rather unexpected. Anyway, thank you, Madam President.

Madam President, I wish to mainly talk about one thing as I want to leave more time for a later stage, but I have to talk about air pollution. The Secretary is aware that earlier on, some green groups and I sought a meeting with her, however, since important people have busy schedules, it turned out that it was the Permanent Secretary who met us. The meeting lasted two hours. I believe that green groups, Members of the Legislative Council and even all members of the Hong Kong public consider the present situation totally unbearable. It may not be possible to find four days with clear skies in a 10-day period. Do we have to wait for three, four, five, six, seven or eight years before things will get better? No one knows. It is said that we have made an agreement with Guangdong Province to reduce emissions. It is hoped that both sides can achieve the target in 2010 at the same time, so we have to move at the same pace. However, our power plants have voiced their disagreement, saying that they cannot make it. I believe the Hong Kong public have already sent the power plants a very clear message, telling them that nothing is impossible and that they must make it. I also hope that Secretary Dr Sarah LIAO and other Secretaries can do their best to assist these companies so that they can get things done.

However, what is the situation on the Mainland, Madam President? Actually, the Secretary has told us many times that about or more than 80% of the pollutants that cause the air pollution in Hong Kong come from the Pearl River Delta. We are worried that the situation on the Mainland will not see any improvement by 2010. Besides, even if there will be improvements, it is

possible only because of their very low standards, which make the targets not too difficult to meet. However, the people operating our power plants are saying that the work processes are already very clean and very few pollutants are emitted, so it will be very difficult for them to reduce emissions in any significant way. No matter what, I hope that the Secretary will tell the authorities in Guangdong Province on behalf of the Hong Kong public that they must meet the targets. However, Madam President, the irony is that many of those people causing pollution are Hong Kong people, since the factories there were established by Hong Kong businessmen. They do not have to pay tax here in Hong Kong on the profits that they make but they also live in Hong Kong. With such serious air pollution, the people in the entire Pearl River Delta are suffering. I believe that the losses in terms of the economy, medical services, health care, and so on, will run into billions of dollars.

The Government's approach can be described as being money-minded. I hope that the Secretary can provide more figures. In fact, it is really worthwhile and really necessary to do so because we are worried that the Mainland, and even Hong Kong, will not be able to achieve the targets. Madam President, during that meeting, we suggested that from now to 2010, the Government should call an open meeting every year to inform us of the relevant figures and what progress has been made, rather than wait until 2010 to tell us that nothing can be achieved.

I do not know if the Secretary will still be in office by then, but I remember, and maybe all of us also remember hearing Secretary Michael SUEN say in a radio programme that indeed, some things had not been dealt with properly, however, heads did not have to roll for that. Regarding emissions, if the targets cannot be achieved by 2010, even if heads do not have to roll, the consequences will be very serious still. If we cannot achieve the targets, it will be difficult to account for this to the people in Hong Kong and on the Mainland. I believe that the Secretary must keep us informed of the situation, so is it possible for the Government to inform us of the progress regularly every year (I hope it can be every half year) and whether both sides are doing what they are supposed to do, and whether the targets can be achieved in 2010? If no progress has been made, then extra effort has to be pitched in.

Lastly, Madam President, I hope that the Secretary can give some thoughts to increasing the penalties. Recently, the power plants of the CLP have obtained a new licence and it is stipulated that if the emissions exceed the

standards, a penalty will be imposed. How much will the fine be? The fine is \$100,000 on the first conviction. To the power plant, this is just a paltry sum. And the fine is \$200,000 on a second conviction. However, do not forget that the penalties are intended for a power plant of a very large scale. In view of this, is it not necessary to think further about this situation? More importantly, I hope that the Secretary will ask the authorities in Guangdong Province to also impose heavier penalties on this kind of offences. However, some people say that power plants which have been penalized will just move to somewhere further away. However, regardless of where they move to, I believe that it is still necessary to make these power plants realize that they have the responsibilities to use cleaner methods to generate electricity. This also applies to other factories in the manufacturing industry. Therefore, I hope that the Secretary will impose heavier penalties — in fact, the Secretary is sometimes really fond of imposing penalties. I do not know why she does not impose heavy penalties on these power plants. Of course, to the power plants, a fine of \$100,000 is no cause for fear, but if a criminal conviction will be recorded, then their directors will become wary. To people in senior positions earning hundreds of thousands of dollars each month, certain actions, such as putting them behind bars, will be scary enough.

I trust that the Secretary is confident about handling such matters. Of course, I am not encouraging the Secretary to arrest people arbitrarily. However, if some people have done something that can affect the health of Hong Kong people and the Hong Kong economy, I call on the Secretary to deal with it very sternly. I also hope that the Secretary will ask the authorities in Guangdong Province to act in a similarly stern manner in the interest of the health of all people in the entire Pearl River Delta. I hope that the authorities in the Mainland can also do more.

Finally, Madam President, I must speak to Secretary Michael SUEN about the reclamation project and the proposal to construct buildings on reclaimed land. I am really very disappointed by the present developments. I am not a member of the Town Planning Board, nor have I taken part in its meetings. However, I have read about this matter in the newspapers and heard the account given by Members and I found that the Government had really made a mess of this matter. At that time, the Government undertook to build a road after the reclamation. Some groups told us not to believe in the Government as it would also put up a lot of buildings in future. The proposal which has been announced seeks to build another International Finance Centre, albeit a horizontal one,

stretching from Central to Wan Chai. I find it very terrible that the Government has done this. When we expressed our support for the government proposal, it said that only a road would be built but not any commercial building. Therefore, I hope that the Secretary will keep the promise made to us. I noticed that the motion had been agreed by several major political parties and many Members on that day. I hope that the Government will not think that we are now trying to seize power. Someone has said that the authorities do not like any interference from us in decisions and that its power to make decisions on land use is sacrosanct. Madam President, resources are also involved and the Legislative Council has the power to look into this matter. Moreover, if the Government deceived us at that time by saying that only a road would be built after reclamation in order to secure support from us, but now it intends to build so many commercial buildings instead, we have the feeling of being cheated. I believe the Legislative Council will neither be deceived, nor will it be bullied so easily. I so submit.

MR TAM YIU-CHUNG (in Cantonese): Madam President, I would like to talk about my views on transport matters. Although my colleagues, Mr LAU Kong-wah and Mr WONG Kwok-hing, have already spoken on this subject, as I have more speaking time than they, so I may talk in greater detail. I will dwell on two major points and they are the burden of transport expenses and the planning of future transport infrastructure.

The Secretary in her briefing on the transport-related policy initiatives made an announcement in advance that the mechanism for the adjustment of bus fares would be made public in November and she expressed hope that the fares for some long-distance bus routes could be reduced by a certain extent. This bus fare adjustment mechanism has been under discussion for quite a number of years and now at last a ray of hope can be seen. But will this ray of hope or achievement benefit the public certainly? This we will have to wait and see. It is because we are worried that this mechanism may also become one that will guarantee the profits of the bus companies. We often see that the Government has often missed the right opportunities when dealing with the private sector and consequently it has failed to protect public interest effectively. Over the past few years, Hong Kong was under persistent deflation, but notwithstanding the strong opposition from the public, the public transport operators still charged exorbitant fares and the Government could do nothing about it. Now that the economy has turned for the better and inflation has reappeared, and these

operators have agreed a fare adjustment mechanism with the Government. No wonder the public is worried that the fares will not go down but up. We therefore hope that the Bureau will exercise great prudence in launching this mechanism and be wary of rendering the mechanism a formula for definite increase of transport fares by the operators.

The Secretary made an announcement in advance that as a start, there will be some reduction in the bus fares for long-distance routes where the single fare is \$15 or above. This proposed fare reduction initiative is a far cry from the demand made by the DAB that there should be fare reduction by all public transport operators. We also think that this choice of a fare of \$15 or above is not scientific and it is not in line with the Government's policy of aiding the poor. Bus routes with a single-trip fare of \$15 or above are, in the context of New Territories West, mainly referring to those routes that run from Tuen Mun, Yuen Long and Tung Chung to Hong Kong Island. But most of the buses which residents in these areas take are those going to Kowloon or nearby places and the single fare for these routes is often less than \$15. An example is the bus routes running from Tung Chung to other districts except Hong Kong Island, where most of the fares charged are \$13 something. This choice of \$15 as a threshold is actually somewhat tricky and it makes people think that the initiative will do nothing to reduce the burden of the people in transport expenses. In the past when the bus companies launched fare reduction initiatives for long-distance routes, the threshold set was \$10. There was a 5% discount for routes where the single fare was \$10 or above and there was a 10% discount for routes where the single fare was \$15 or above. Therefore, if in the fare reduction initiative for buses which is about to be announced only routes with a single fare of \$15 are covered, then it is likely that this initiative is even worse off than the previous concessionary schemes. In terms of policy of aiding the poor, the Government has taken a district-based approach and different measures are devised to suit various districts with their unique characteristics. These measures are aimed at making the opportunities in education and employment more equally accessible to the residents. With respect to the reduction in transport fares, the DAB has always suggested that some district-based across-the-board kind of fare reduction initiative be put into practice in various districts, such as Tin Shui Wai. We hope that the Bureau can adopt a different mindset and help alleviate the heavy burden of transport expenses imposed on the grassroots.

With respect to public transport fares, the DAB thinks that the Government should urge public transport operators to offer concessionary fares

to the senior citizens during Sundays and public holidays to enable them to enjoy family life. As for various kinds of monthly passes for long- and short-distance routes, these are expected to be very popular with the public as evident in the experience of the East Rail and West Rail. Other advantages of this kind of monthly passes are that they will help stabilize patronage and further increase passenger volume while the public will pay less in transport expenses. This is an initiative that has many advantages. We hope the Government can give it a big boost and urge the transport operators to give more thoughts to it.

With respect to the building of transport networks, presently there are many regional transport infrastructure projects going on in Hong Kong in tandem with economic developments in the region. Such projects are the Hong Kong-Shenzhen Western Corridor, the Hong Kong-Zhuhai-Macao Bridge, Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Lok Ma Chau Spur Line of the East Rail and the Northern Link of the West Rail, and so on. In the course of building these regional transport networks, we hope that the Government will not overlook how these networks will link up with the road network system in Hong Kong.

With the completion of the Hong Kong-Shenzhen Western Corridor and Deep Bay Link next year, there will be a drastic increase in traffic volume in New Territories West. All along the Government has stressed that the existing roads would be able to accommodate the increase in vehicular traffic and it has repeatedly said that the roads will not be saturated before 2016. There seems to be no intention to put forward any proposals to divert the increased traffic. We must bear in mind that the design capacity is never a living figure because the actual traffic volume may vary greatly according to different times, directions of traffic and charges imposed, and so on. These factors when coupled with the existence of some bottleneck areas will make the residents of New Territories West suffer if no contingency and improvement initiatives are devised. We should never forget that when a bus caught fire by accident on Tuen Mun Road the night before yesterday, the entire south-bound traffic of the highway was brought to a standstill, that is why we think that the road network in New Territories West is actually very vulnerable.

The widening and improvement works of Tuen Mun Road which have started will only be completed in phases in 2009 and 2010 at the earliest. In the interim few years, there is bound to be a need to close certain sections to traffic

from time to time as the works proceed. In other words, the works will not only be unable to tie in with the commissioning of the Hong Kong-Shenzhen Western Corridor and Deep Bay Link but on the contrary, it may also aggravate traffic congestion. On the other hand, with respect to the full utilization of Route No. 3 to divert traffic flow, no progress has been seen so far.

Here, the DAB urges the Government to facilitate a reduction of the tolls for Route No. 3 to divert the increase in traffic volume expected to occur next year, hence preventing the appearance of great traffic congestion in Tuen Mun Road. The other thing is that the Government should commence with the design and construction of the Tuen Mun West Bypass ahead of schedule in order to provide an over-sea corridor from Tuen Mun West to the airport direct. It should also commence with the design and construction of Tuen Mun East Bypass in order to reduce vehicular traffic using the road sections in the Tuen Mun town centre.

Another problem seriously affecting the life of people living in New Territories West is the hazards posed by air pollution. The Government has always stressed that most of the air pollutants found in Hong Kong actually come from Guangdong Province. The policy agenda raises the point again that the Guangdong Provincial Government will be urged to implement various waste reduction initiatives. Incidentally, the word "waste" sounds the same in Cantonese with the word "fares" but it is "waste" that I am referring to here. Actually, the two power companies in Hong Kong produce 90% of the sulphur dioxide in Hong Kong, 50% of the nitrogen oxides and close to 40% of the suspended particulates and such like pollutants. At present, all the power generation units in the Pearl River Delta (PRD) are all fitted with desulphurization devices and the building of petroleum-fired or coal-fired power plants have been banned in the PRD Region. Even as Hong Kong is economically more advanced, we are lagging behind the PRD Region in terms of regulating emissions from power plants. Currently, all the eight power generation units of the CLP Power Hong Kong Limited in Castle Peak do not have any desulphurization devices. Of the eight power generation units of the Hongkong Electric Company Limited, five of them are not fitted with desulphurization devices. Therefore, as the two power companies are the major polluters in Hong Kong, and before they have switched completely to power generation by natural gas, the Government must take strong actions to require them to install desulphurization devices. This requirement must be stipulated as

one of the conditions in the scheme of control agreement as a means to curb air pollution in Hong Kong and protect the health of the public.

The policy address this year has finally accepted this request from the DAB, but there is nothing said on the implementation date. The scheme of control agreements of the two power companies will not expire until 2008, but it is not known which deadline the Government will set as a licensing condition to require the two power companies to complete the installation of desulphurization devices. The fitting of emission reduction devices should be an action taken immediately. A government which is truly for the people will not stand to see its people continue to be exposed to the hazards of air pollution.

Thank you, Madam President.

MR SIN CHUNG-KAI (in Cantonese): Madam President, it seems that I have not queued up to speak. The Chief Executive discusses in his policy address the problem of air pollution at great lengths. Notwithstanding the hundreds of million dollars spent each year by the Hong Kong Government on projects aiming at alleviating air pollution, it is unfortunate to see that the specific result is not marked. There are still haze and smog from the region that shroud the territory. As the Hong Kong Observatory pointed out earlier this year, there is a decline in visibility in Hong Kong and the nearby places over the long run. Figures of days with low visibility for 2004 hit new highs and there was low visibility for 18% of the time last year which translates into one hazy day for every five.

One reason for air pollution in Hong Kong remaining a lingering problem is pollutants from the Pearl River Delta (PRD) drifting past the boundary to Hong Kong. There is no uniformity in the standards imposed on vehicle fuels and this is one major factor contributing to air pollution in Hong Kong. For low sulphur diesel (LSD), the sulphur content of LSD used in Hong Kong is not more than 0.005% whereas LSD used in Shenzhen is at least 0.05% to 0.08% and the difference in sulphur content is 10 to 16 times. If cross-boundary vehicles use diesel from the Mainland, it is just like importing polluted air into Hong Kong.

It is reported that industrial and municipal air pollution in the PRD has seen no signs of any abatement in recent months. The air quality in many cities of the region has drastically deteriorated since October for the main reason that

over the past few weeks the air was dry and this made emissions from factories and vehicles plus dust from construction sites and such like pollutants easier to spread and fly about in the air. The air in cities like Guangzhou had a level of the concentration of lethal sulphur dioxide way above the national standard by 33%. Environmental scientists in Hong Kong and on the Mainland think that such air pollution levels have reached dangerous proportions. More seriously, the poisonous smog thus formed is constantly blowing into Hong Kong with the monsoons in autumn and winter. It is expected that air in Hong Kong over the next few months will only be more polluted.

To tackle the problem of air pollution, the Hong Kong Government must take more proactive steps including doing whatever it can to reduce sulphur dioxide emission from the two power companies in generation, use more environmentally-friendly energy and engage in R&D on renewable energies, and so on. However, for the pollution problem in Hong Kong to be solved, work should not just be done in Hong Kong but also on the Mainland before practical and effective solutions can be found. Some of these solutions are making the fuel and emission standards of both places uniform and offering subsidies to the Mainland to improve air quality.

Starting from next year, all the newly registered diesel vehicles in Hong Kong will need to meet the Euro IV emission standards. But in the case of Guangdong Province, Euro III vehicles will only be introduced next year and their pre-Euro III vehicles are not required to retrofit emission reduction devices as in Hong Kong. As for standards in vehicle fuels, the sulphur content of the diesel used in both places differs by a huge margin of 10 to 16 times. Therefore, the Democratic Party thinks that the SAR Government should open talks with the Mainland to urge it to introduce ultra-low sulphur diesel with a standard on par with that in Hong Kong. This will serve to narrow the yawning gap that exists between the fuel and emission standards in the two places.

On the other hand, to date only 10 power plants on the Mainland are fitted with desulphurization devices. The number is only 10% of the power plants in the whole province. In Hong Kong, only some of the generating units in the Lamma Island station of the Hongkong Electric are fitted with desulphurization devices and there are no such devices in other units. The Democratic Party hopes that the Governments of Guangdong and Hong Kong will take active steps to urge the two power companies to install desulphurization devices

expeditiously to reduce pollutants like sulphur dioxide and pave the way for the early implementation of an emission trading scheme for the two places.

As a lot of resources have already been put into environmental protection and if more resources are put in to alleviate air pollution, the results may not be so marked. Therefore, the Democratic Party thinks that a practical solution will be for the Hong Kong Government to offer subsidies to the mainland environmental protection departments to help cities in the PRD to take actions to curb the pollution problem. Co-operation from Guangdong Province will be required before there can be any success.

The kind of subsidization the Democratic Party has in mind includes a matching fund set up for environmental conservation. Under such a plan, if a private sector company donates \$1 to the fund for purposes of environmental improvement, the Hong Kong Government will be required to donate a matching amount to the fund in return as support. The fund will be managed by an independent trustee appointed by the Government. The fund will be used mainly to subsidize mainland manufacturers and vehicle owners to purchase and install quality emission reduction systems. In addition, the fund may invite some mainland manufacturers to carry out some environmental protection research projects and make recommendations on emission reduction. The fund will decide on the funding to put those recommendations into practice in accordance with the feasibility and effectiveness of these recommendations. In our opinion, this proposal will solve the problem of regional air pollution more effectively.

Another problem which is detrimental to the environment in Hong Kong is the problem of municipal solid waste. The Chief Executive mentions in his policy address that a great amount of waste is produced in Hong Kong. Now each year as much as 6.5 million tonnes of solid waste are produced by the households, offices and other trades and industries in Hong Kong. Projections of the increase in solid waste show that in about six to 10 years, all the three landfills in Hong Kong will be saturated.

The Democratic Party is of the view that the document on the management of municipal solid waste in Hong Kong published by the Government is only focused on the technologies in the treatment of waste such as incineration, and so on. There is no comprehensive and coherent strategy for waste treatment that encompasses recommendations on improving waste recovery and recycling. The overall waste recovery rate in Hong Kong is 40%, but the recovery rate of

domestic waste is only 14%. In the past, the absence of any proactive measures adopted by the Government to promote separation of waste at source accounted for the low recovery rates of recyclable materials. The recovery rate for glass in Hong Kong, for example, is only 1% in 2004 whereas in countries like Australia, it is 45%. This shows that there is a lot of pressing work to be done in waste recovery and recycling in Hong Kong.

To really solve this problem of solid waste, we think that work must be done at the source of waste production and the first and foremost task is to reduce the production of waste. The Government must put forward comprehensive and specific plans, targets and timetables on waste reduction, waste recovery and recycling and such like matters. It is only after these measures are implemented that the non-recyclable waste that remains will undergo terminal treatment in the form of incineration or disposal at landfills. Measures that can be considered include the introduction of a green tax, policies aimed at boosting environmental protection industries, municipal solid waste charging, and implementing a product responsibility system, and so on. The Government should set aside more resources to foster public awareness of waste recovery and matching facilities should be provided, such as placing more separate waste recovery bins in the staircases of public housing estates, and so on, and extending the practice to private buildings. This will enhance the overall recovery rate of solid waste. In addition, the Government should give a big boost to the development of environmental protection industries in Hong Kong, for example, leasing the EcoPark to be established later to the recycling trades at affordable rentals or on long-term leases. This is because the development of environmental protection industry will not only encourage the recovery and recycling of materials but also ease the pressure on the landfills and put off their saturation to a later date. We are convinced that it is only when less waste is produced and when waste recovery and recycling are made long-term objectives in the strategy of the management of solid waste that the principle of sustainable development can be realized, hence the waste problem fully tackled.

I so submit.

MS MIRIAM LAU (in Cantonese): Madam President, although the current session is about environmentally responsible development, I would like to first talk about a new initiative under the section of "Effective Governance" of the

policy agenda, namely the Voluntary Registration Scheme for Vehicle Mechanics. In my opinion, this new initiative is conducive to environmentally responsible development, because the scheme aims at upgrading the standards of the vehicle maintenance trade, ensuring proper maintenance of vehicles, reducing traffic accidents due to mechanical failures and alleviating traffic congestion. It also aims at reducing vehicle emissions for better air quality.

Besides, it is not really appropriate for the Chief Executive to introduce this initiative under the section of "Effective Governance". This is because the way in which the scheme has been implemented is precisely a role model of effective governance in the negative sense. It was members of the trade who first advocated regulating vehicle mechanics, but subsequent to that, the Government did not give them a prompt response. The matter had dragged on for several years. After members of the trade had made renewed efforts to advocate the idea, the Government eventually put forward a scheme. However, instead of a mandatory scheme preferred by the majority of the members of the trade, it turned out to be a voluntary scheme. In fact, it is not uncommon for the Government to hijack ideas initiated by members of the trades and have them repackaged as measures actively introduced by the Government. The LPG Taxi Scheme was one such example. Of course, we should support whatever schemes that are good for Hong Kong, be they trades-initiated or government-initiated. However, if what the Chief Executive pursues is strong and effective governance, he should be able to think in the way people think and sense the urgency of the people, be able to come up with innovative solutions and lead the people to solve problems.

Yet the new initiatives proposed by the Chief Executive for alleviating air pollution are really disappointing, because the entire mentality remains on the level of imposing regulations or punishments. Not only are these measures unimaginative, they are not forward-looking either. In the Third Comprehensive Transport Study Consultation Paper (CTS-3) which was published as early as 1999, there were already recommendations that the Government should consider introducing alternative vehicles, such as fuel-saving vehicles. However, the Government has never conducted any studies with a view to introducing these vehicles into Hong Kong. As far as I know, a hybrid car driven by both gasoline and electricity was already available in the market at that time. Although market response to the car was lacklustre, subsequently, as proven by facts, this type of car has become more and more popular. As the

market demand is on the rise, car manufacturers who once adopted a wait-and-see attitude are now actively launching similar products.

Hybrid vehicles are gaining popularity not just because they are good in terms of fuel economy, but more importantly, it is because there are government concessions. For example, subsidies or concessions for hybrid vehicles are available in such countries as Japan, the United States, Britain and the Netherlands to encourage people to switch to these cars. However, tax concessions are still not available for hybrid vehicles in Hong Kong. According to the Secretary for the Environment, Transport and Works, all along no tax concessions have been provided for hybrid vehicles because at present only one model of such vehicles is available in the Hong Kong market, and it takes a long time to procure them by placing orders. Therefore, the supply of such vehicles must be increased before consumers can enjoy concessions. I found the Secretary's reply most baffling.

Unless the concessions from the Government are only offered for a limited period of time, after which the concessions will lapse, what does the time needed for the procurement of vehicles have to do with the lack of concessions from the Government? Moreover, precisely because only one model of hybrid vehicle is available in the market, therefore if concessions are immediately made available for this particular model of vehicles, I believe more car owners would be attracted to buy or switch to this type of cars, thereby encouraging car makers to provide more models of hybrid car to satisfy market demand. As far as marketing theories are concerned, supply is usually driven by demand. So why should it be demand being driven by supply instead?

Apart from recommending the introduction of fuel-saving vehicles into Hong Kong, the CTS-3 also suggested the use of alternative fuels for vehicles. The taxis and minibuses of Hong Kong have successfully been converted to using LPG, which is an important milestone in the history of environmental protection in Hong Kong. It is high time now for the Government to study the feasibility of extending environmentally friendly energy to other types of vehicle. Yet, the Government has reservations about the introduction of natural gas as fuel for vehicles, on the ground that there is no space for the construction of refilling stations. In fact, when the LPG Taxi Scheme was first introduced, the Government was facing the same problem too, that is, finding suitable places for the construction of refilling stations. Yet, the problem was solved eventually.

So if the Government is still worried, it could introduce the use of natural gas buses as a pilot scheme, because buses can replenish gas supply at bus depots, thus solving the problem of having no space for constructing refilling stations. It is true that natural gas is only suitable for use by single-decked buses for the time being, whereas the majority of franchised buses in Hong Kong are double-decked. Still, we cannot overlook the fact that nearly 6%, or approximately 400 franchised buses are single-decked, and there are also more than 7 000 non-franchised buses which are single-decked as well. Therefore, it is worthwhile for us to implement a natural gas bus scheme in Hong Kong.

As a matter of fact, in recent years, many countries in the world are actively implementing natural gas bus schemes. Countries as faraway as Britain, the United States and Canada and those as nearby as mainland China, South Korea, the Philippines and India, all agree that natural gas buses offer environmental effectiveness. There are also academic papers testifying the fact that natural gas buses have an effective rate of 90% in reducing nitrogen oxide which contributes to the formation of smog. More importantly, natural gas buses do not emit particulates. These are two major target pollutants that Hong Kong aims to combat. Incidentally, the power companies and the gas company of Hong Kong also intend to introduce natural gas as a feedstock for electricity and gas production. Given that there is an ample supply of natural gas in Hong Kong, the Government should take a proactive approach in conducting discussions with the transport industry on the feasibility of introducing natural gas vehicles into Hong Kong. If the pilot scheme for natural gas buses proves successful, we may then proceed to the next step of introducing natural gas trucks into Hong Kong.

The air pollution problem has to be tackled with a multitude of measures. The Government has to break away from its traditional mindset, and stop thinking that regulation is the only way of improving air quality. In fact, there are many other ways.

Madam President, projects for environmentally responsible development include those that fully utilize the railways. I support the notion that railway development should form the backbone of the passenger transport system of Hong Kong. However, I do have some reservations about the recommendations of the paper titled "Hong Kong Moving Ahead: A Transport

Strategy for the Future", which suggests that the rail share in public transport patronage should be increased from the current 33% to 40% to 50% in 2016. The paper was compiled with reference to the CTS-3 of 1999, with the projection that the population will reach 10.1 million by 2016 under the high growth rate model and 8.2 million under the low growth rate model. However, the growth rate of the Hong Kong population has continued slowing down in recent years. According to the latest projection, the population will only hit the mark of 8.38 million by 2033. From this, we can see that the latest projection is at huge variance with that of the CTS-3, and this will have a direct bearing on town development planning as well as the demand for public transport.

Since the demand for public transport is slackening, if the Government still insists on increasing the rail share in public transport patronage from 33% to 40% to 50%, this will adversely affect the viability of other means of public transport and cost the jobs of tens of thousand of people who make a living by working as drivers. In this regard, detailed assessments should be conducted to examine the impact of railway development on other means of public transport. The best approach is to adjust the pace of railway development in accordance with the latest projection on population growth, so as to allow other means of public transport to develop in a way that can match the pattern of population growth. Of course, the Government can purge diesel vehicles away from the roads on the ground of environmental protection. But as I have said just now, the Government should examine ways of introducing alternative fuels for vehicles instead of getting rid of all diesel vehicles just for the purpose of meeting specific goals.

Madam President, finally, I would like to talk about the fare adjustment mechanism which allows for increase and reduction in transport fares. For many years, every time when there is a fare adjustment for public transport, it will invariably trigger off a lot of controversies. Countless debates on this subject have been conducted in this Council as well. I support a fare adjustment mechanism which allows for increase and reduction in transport fares in accordance with actual needs, which is fair to both the operators and the consumer. This will also minimize public disputes and contribute to a more harmonious society. I hope the two railway corporations as well as the bus companies can operate with higher efficiency so as to create room for downward adjustments of the fares for the benefit of the general public. In this regard, I am looking forward to the Government's announcement on the details of the new

fare adjustment mechanism, and I hope that the people can benefit from this mechanism as soon as possible.

Madam President, I so submit.

MR ALBERT CHENG (in Cantonese): Madam President, I have written an article on the merger of the Kowloon-Canton Railway Corporation (KCRC) and the Mass Transit Railway Corporation (MTRC), mainly criticizing the mismanagement, bureaucracy and unsatisfactory performance of the KCRC. I have also criticized the mismatch of the signalling system of the West Rail resulting in a waste of public funds. The Chairman of the KCRC, Michael TIEN, made a response in the *South China Morning Post* yesterday. He thought that I was not in Hong Kong. But nowadays no place in the world is unreachable and I can even observe how meetings of the Legislative Council are conducted on the Internet. I was criticized of having followed the Chief Executive's example by promoting the Pearl River Delta (PRD) Region overseas after the delivery of the policy address. However, those who have criticized me are absent today. Coincidentally, Mr Jasper TSANG left the Chamber when I entered. It is not important whether one is present or not. What he cares is important.

On this point, the response of Michael TIEN, the Chairman of the KCRC, fully reflects that he is reluctant to take any criticism. He tried to distort the reason in order to force his argument and evade his responsibility. More importantly, it fully reflects his bureaucratic style. I criticized the KCRC's performance last year as a serious retrogression, a far cry in comparison with the MTRC. In defence, he argued that the MTRC had got proceeds from land sale. Concerning the signalling system of the West Rail, the KCRC, in my opinion, with almost 100 years' experience in railway operation, has adopted a system which at least will not have any signals failure even in inclement weather, although it is not of the latest electronic technology. However, when designing the West Rail, due to the management's vanity in showing off its achievement, it adopted the so-called state of the art technology at a cost of \$60 million for the installation of a new system. In response to this, Chairman Michael TIEN said that the new system had a failure rate of only 1%. However, when the system failed, it was coincidentally a windy and rainy day. The management then spent over \$40 million for system re-installation. In the policy address, the Chief Executive said that the merger of KCRC and MTRC would be proactively

considered. I hope the merger will take place as soon as possible under the Chief Executive's strong leadership.

When the Chief Executive was promoting Hong Kong overseas, the investors of overseas business sector and Hong Kong people, or those who have planned to return and invest in Hong Kong are very concerned about Hong Kong's air quality, employment opportunities provided by Hong Kong society, and the issue of how to develop a fair and just society. While reiterating that measures for improving air quality would be adopted, the Chief Executive added that the air quality in the PRD Region would be kept under surveillance. He then pledged to overseas investors and those who cared for Hong Kong that efforts would be made to improve the air quality as soon as possible.

On the issue of a fair and just society and minimum wages, the Chief Executive, to my surprise, did not know or did not believe that The Link REIT will scrap the standard wage rate after listing. During the Chief Executive's Question and Answer Session, Mr LEE Cheuk-yan criticized the Chief Executive for his apathy towards the people on the ground that there was no mention of minimum wages in the policy address. In rebutting the challenge, the Chief Executive claimed that he did care for the people and explained that in the Government's contracts of outsourced projects and outsourced services, it was stipulated that a minimum wage system was adopted to benefit 30 000 workers. However, the Chief Executive does not know the truth. Maybe Secretary Michael SUEN is not aware of it either. It does not matter because I can tell them the truth now. I mentioned it at the last meeting of the Housing Panel and I will point it out again in my article to be published tomorrow. Today let me inform Michael SUEN again that the standard wage will be scrapped after the listing of The Link REIT.

In response to my question, Victor SO, the officer-in-charge of The Link REIT, said that The Link REIT would take over the retail and car parking facilities of the Housing Authority (HA) after listing. So, he does not believe that the contractors can hire suitable workers by offering the minimum wage or a wage rate that is below the standard stipulated because demand for service standard is high. I do not understand what logic it is. If he is prepared to hire workers by offering a wage rate which is higher than the standard rate, why is that the pledge of offering the standard wage rate cannot be kept? In my opinion, these words should be spoken by an official rather than by an ordinary

person. However, he is not an official. Why does The Link REIT have to go public? It is because of the HA's mismanagement of its retail and car-parking facilities. Victor SO is washing his dirty linen in the public. But he said that the facilities would be operated according to the commercial principles after being taken over. He spoke as if he was an official. I do not know when he has become an official. Perhaps he had but I did not notice it. Now the question is that the policy address has made it clear that the minimum wage and standard wage will be formulated. The Chief Executive highlighted this point in the Question and Answer Session. In the policy address, he has also pledged that apart from official organizations, the minimum and standard wage rate will be extended to other quasi-government organizations, subvented organizations and subvented schools. However, the listing of The Link REIT has given the Chief Executive a slap in the face. When the Chief Executive said that it would benefit 30 000 people, The Link REIT let him see that the number was going to be reduced by 10 000 or several thousands at least. This immediately shows that the theme of the policy address, strong governance for the people, is mere empty talk.

I very much hope that before the listing of The Link REIT, Secretary Michael SUEN can incorporate minimum or standard wage in the prospectus as soon as possible, or adopt this as the future policy of The Link REIT, in response to the Government's objective of caring for the disadvantaged and the working class in a fair and just society. It is also an act to honour the Government's pledge of formulating the standard wage which will benefit all The Link REIT workers. This is very important.

Besides, on reclamation, I have read some newspaper reports. I remember that on the day when the judicial review lodged by us in an attempt to stop the reclamation project in Central was heard by Court, the counsel representing the Government pleaded that the land reclaimed from the sea would not be used for commercial purposes. But now, according to the newspaper reports, commercial buildings, albeit low-rise, will be built. It transpires the Government lied in Court. However, this is not the first time. The Government has lied in incidents involving The Link REIT and reclamation.

The Chief Executive, when promoting Hong Kong overseas, mentioned the building of an icon, the West Kowloon Cultural District development project, and claimed that there are many landmarks in Hong Kong, one of which is the Victoria Harbour. Not only the Chief Executive, each and every one of us

knows that the Victoria Harbour is our public asset, a heritage from our ancestors, which belongs to every individual, belongs to Hong Kong and China as a whole. Everybody knows that we object to reclamation. Now, it cannot be said that it is the seashore. It used to be a deep and wide harbour, but now it has become a river. But the Government will still implement reclamation despite strong objections. The Government pleaded in Court and claimed to the public that the land reclaimed would not be used for commercial purposes or for making money. But now it has decided to erect commercial buildings there. What sort of government is this? What is the meaning of strong governance for the people? It is meaningless for the Government to talk about all these to the public. The Chief Executive is just paying lip-service. This is what we call "when a policy is devised at the top, there are always ways of getting round it from below". On the issue of reclamation, I hope the Government can stop it before it is too late. Reclamation has done damage to the harbour and the land reclaimed should belong to all citizens.

I heard the defence of a public officer at the meeting of the Legislative Council. It was only hearsay because I was not present at the meeting. He said that because not many people would go to the seaside to enjoy the seascape, it was therefore decided to build a shopping mall there to attract people. I remember that during the Academic Aptitude Test (AAT), which was introduced during the education reform in the past — Mr CHEUNG Man-kwong is not in the Chamber right now — there was a question asking primary school students about the use of a beach. The students, in a straightforward manner, answered that it was for swimming. To their surprise, the answer is wrong. People can do many other things on the beach. It is not necessarily swimming. The answer "swimming" is wrong. If the AAT is reintroduced again in future and students are asked what people will do at the seaside, it is wrong again if they write down for the purpose of enjoying night scenery at the Victoria Harbour because people can go there for shopping only. People should go to the shopping malls under The Link REIT for shopping. Why should they go to the seascape area for shopping? Can anyone say such words? Maybe this is what strong governance means, that is, to distort the reason for forcing the argument.

Regarding these two policies, I hope the Government can really improve the quality of the environment in Hong Kong as soon as possible. In the latest reports by some international rating agencies, Hong Kong is constantly under severe criticisms, some of which are quite negative. So, Hong Kong has been downgraded. Areas subject to criticism include democracy and freedom,

freedom of speech, quality of the environment, and education level. Among these, air pollution in Hong Kong and the scenery at the Victoria Harbour are mentioned. Undoubtedly, social equity and social justice are mentioned too. I so submit.

MR ABRAHAM SHEK: Madam President, the areas of planning, lands and works, housing, environmental and transport affairs are of paramount importance in boosting our various sectors' overall economic growth. To this end, I would like to speak on these special areas.

Firstly, in terms of works, the policy address highlighted the Government's plans to invest around \$190 million to carry out over 120 rural public works and urban minor works projects. Also, the Government plans to accelerate the building programme of municipal works projects and advance maintenance works to community halls and centres. Moreover, the Hong Kong Housing Society and the Urban Renewal Authority will help property owners undertake building maintenance, while the Tourist District Enhancement Programme will soon enact works projects on tourist attractions. All these pledges are positive efforts in alleviating the high unemployment problem within the construction industry. For these initiatives, I applaud the Chief Executive for helping the construction sector. I also support his proposal to build the Central Government Offices and the Legislative Council Building on the Tamar site, as well as projects associated with the 2008 Olympic Equestrian Events and other small-scale projects related to building maintenance. It is my hope that the undertakings set out in his policy address will begin as soon as possible. In order to enhance Hong Kong's competitiveness, the Government should expedite the commissioning of large and major scale infrastructural projects, such as the Hong Kong-Zhuhai-Macao Bridge, the West Kowloon Cultural District project, the South East Kowloon Development, and the Express Rail Link, as well as other domestic railway works.

Secondly, in terms of town planning, the policy address sets out some specific objectives which I support. They include protecting and beautifying the Victoria Harbour, greening urban areas, and protecting our country parks and marine parks. However, in terms of overall planning process, the public should be given more opportunities to participate. In this way, town planning can better fulfil the community's interests.

In my view, the Town Planning Board (TPB) should increase its transparency in all aspects of its work. Over the years, various community sectors — in fact, my colleague Emily — have demanded that the TPB be more open to the public. Despite some improvements, there has been no significant progress. Moreover, the TPB is chaired by a government official and the secretariat is provided by the Government. Since the TPB has statutory power in plan-making and planning-approval, the TPB's decision-making independence could be undermined with a government official in its chair. The current practice should be changed so that a more neutral individual can be placed in this position at the helm of the TPB.

On the subject of lands, as we all know, land resource in Hong Kong is very limited. The Government should be very careful in administering this asset, and its use should benefit Hong Kong's long-term interests, and not just bring us short-term gain. If the Government can do this, it will be very conducive to the territory's sustainable development. There are three main methods of distributing land supply: private treaty grants, land sale through the Application List system, and lease modifications. Currently, land for property development is mainly channelled through the Application List system. To ensure consistency and certainty in the Government's policy, I am of the opinion that the Application List system should remain to be the distribution mechanism of choice as it completely allows the market to operate

PRESIDENT (in Cantonese): Mr SHEK, I am sorry. The computer of the Member next to you is making a lot of noises. Mr LAU, would you please switch off your computer?

Mr SHEK, you may continue.

MR ABRAHAM SHEK: He is in support of my comment. *(Laughter)*

To ensure consistency and certainty in the Government's policy, I am of the opinion that the Application List system should remain to be the distribution mechanism of choice as it completely allows the market to operate on its own, and this method can effectively maintain stability in the private property market. As sites are put up for auction to the highest bidder, the Government can be sure that it reaps the maximum price from the sale. Since the launch of the

Application List system, the Government no longer intervenes in market pricing. For example, the robust results of recent land auctions have brought enormous revenue to the Government and helped facilitate healthy growth in the property sector.

However, I found that there is still room for further improvements in the Application List system. In the Government's land premium assessment, a certain amount of transparency is lacking. Despite the recent improvements made in the Application List, the premium for opening bids is too high, making it difficult for small and medium developers to be successful in land sales.

As for lease modifications, the processing time is far too long. In negotiating premiums, the Lands Department (LandsD) treats any counter-offer to its opening bid as a fresh application and it is put at the end of the queue, which means a delay of another six to nine months. This may be a deliberate ploy of the LandsD to force the acceptance of its offer, but this can hardly be an acceptable practice for any genuine negotiation.

Also, this is definitely a violation of the Chief Executive's stated policy of facilitating economic growth. Delay in the timely process of application for lease modification deters much needed investment in the real estate sector, and is the major stumbling block to the creation of tens of thousands of jobs in the construction sector. A longer-term and detrimental economic impact on our community with the present delay is that it brings about a likely short of supply of flats to the market. It actually upsets the equilibrium of supply and demand. Therefore, there is a real need to shorten the processing time. The LandsD should be subject to performance pledges similar to those of the Planning Department and the Buildings Department. It should not be different. Beyond that, the lease document has also become increasingly complex as various planning and development controls are incorporated into the conditions. Most of these controls are already covered in other statutes under various government departments' jurisdiction, and therefore, repeating them in the lease is an unnecessary duplication of statutory controls. In my view, leases should be simplified wherever possible and redundant lease conditions should be deleted completely. I am sure this must be a subject which is under the Economic and Employment Council under the charge of the Financial Secretary, but nothing has come out of it.

Besides, I am concerned about the issue of charging a premium for amendments to master layout plans (MLP) and general building plans (GBP). In the proposed lease conditions for the Wu Kai Sha Station development of the Kowloon-Canton Railway Corporation, provisions have been made in certain areas where additional premium could be payable, including applications submitted by developers to amend the approved MLP or GBP. In my view, there is no reason why an additional premium should be payable for amendments to MLP or GBP, since no premium is payable for the first approval of such documents, and any changes to them must be confined within the parameters set by the development restrictions. Where is the logic for this? Moreover, the premium factor may deter developers from proposing innovative building designs to avoid potential delays with the approval process and the associated additional development costs.

In addition to concerns on MLP and GBP, the processing of landscape master plans and tree felling applications is often long and protracted due to limited manpower responsible for the vetting of applications and the absence of a proactive interaction channel between the LandsD and the applicants. Application can be held up for months, causing serious delays to the issuance of Certificate of Compliance, and in turn the delivery of units to purchasers. It is my view that there is much room for improving the deployment of resources within the LandsD.

On the subject of public housing, this has not been covered much in the policy address. However, I note that in recent months, the Hong Kong Housing Authority has implemented or proposed various measures to facilitate more equitable allocation of public housing and tighten some lax and unreasonable regulations. These measures include the setting up of a quota and points system for the waiting list of non-elderly one-person applicants, stepping up actions to repossess vacant flats, proposing the tightening of the asset assessment criteria for tenant households, and stricter enforcement of the marking scheme to terminate the tenancy of households which repeatedly commit hygiene-related offences. As public housing estates are valuable public resources heavily subsidized by taxpayers, they should only be provided to people in genuine need who cannot afford adequate private accommodation. Tenancy abuse not only wastes taxpayers' money, but also constitutes deception and guilt. Thus, I have no reservation in supporting these newly implemented measures.

The scale of public housing in Hong Kong has been ranked number one in the world. However, I doubt if the Government has a firm grasp of the number of public housing flats it needs to build or maintain to cater for the ever-growing demand. Currently, a substantial amount of public flats are occupied by the tenants' children and relatives. This is an abnormal phenomenon violating the principle that public housing should only be provided to families in genuine need. As the Government is fully responsible for allocating these assets in a fair and reasonable manner, I hope that it can strictly enforce the relevant provisions of the ordinance on public housing to terminate the tenancy of these well-off tenants.

With regard to transport, the policy address reported that the two railway corporations have entered the final stage of discussion about a merger. Different community sectors share the same view that a proposed merger should lead to better integration of, and connections between, the two rail systems. This should generate more riders, and make it easier to lower public transport costs. I support the merger. Thank you.

MR VINCENT FANG (in Cantonese): Madam President, whenever I speak on the topic of environmental protection, I always emphasize that the wholesale and retail sector fully supports the Government in formulating a reasonable environmental policy. For when the air quality is poor, not only the environmentalists would be affected and denied enjoyment of environments with green trees and luxuriant forests, we would also be affected.

However, we do not support the Government in using punitive means to promote its environmental policy, because it would be better to use means that encourage people to voluntarily love and care about our environment and Hong Kong than to use means that intimidate people into compliance.

In the section under "Environmentally Responsible Development" of the Chief Executive's policy agenda, we in the sector are more concerned about three policies, which are, firstly, to propose a new regulation within this year to control the volatile organic compound (VOC) content of selected products; secondly, to introduce a mandatory energy efficiency labelling scheme to certain products and prepare for its legislation; and thirdly, to publish "A Road-map for the Management of Municipal Solid Waste in Hong Kong" in accordance with the "polluter pays" principle.

To promote environmental protection, I believe we need to carry out continual education and promote the waste recycling business that can be sustainably developed. Environmental awareness cannot be fostered overnight. Take putting rubbish into the rubbish bin as an example. We have educated the public on this for so many years, but many people still throw rubbish onto the floor. Not to mention that we now want people to gather plastic bottles, soft drink cans and paper and put them into the brown, yellow and blue separation bins. This would require a deep-rooted environmental awareness to do so.

Last year, the Administration proposed introducing a mandatory labelling scheme for VOC-containing products. One of the reasons why the sector objected the proposal is that it would be meaningless if there is no education accompanying the labelling requirement. The public would not know how to choose products and which products have a higher VOC content. I am grateful that the Secretary for the Environment, Transport and Works and her colleagues were willing to take the sector's advice and opted to impose control at the import level and target only products of higher VOC content, thereby greatly minimizing the impact on the sector. This is a win-win situation.

With respect to the energy efficiency labelling scheme, the electrical appliances sector, including both the importers and retailers, has expressed support to the scheme for the reason that the Government has implemented a "voluntary" scheme for certain products for a period of time. For example, 80% of the air conditioners available in the market already have energy labels, allowing consumers to choose products that are more energy-efficient.

As this labelling scheme has been implemented for quite some time, corporations have adapted to the change and consumers have also learnt about the scheme. In fact, products without energy labels will be knocked out of the market in future. Thus, the sector supports this government measure as it has little impact on them. They only hope that the Government would give them a longer transitional period, so that they can have time to clear their stock.

I hope that the Government in future can consider the following two measures when enacting new legislation, which are, firstly, instead of clinging obstinately to its course, the Government should listen to the voices of the public at stake and engage in discussions; and secondly, to implement the legislation orderly and progressively, rather than making a sweeping change. Only by so

doing will there be a chance to create a win-win situation, thereby benefiting the people.

The Government's proposal of introducing a tax on plastic bags is another example. The retail sector did not object to the proposal because they would transfer the tax onto consumers, so the real victim is the consumers. However, the sector was immediately able to devise new ways to solve the problem, such as creating environmentally-friendly bags which can claim refunds and increasing the rebate for not using plastic bags to 50 cents; while on the part of the Government, it has also launched a programme on collecting clean used plastic bags, thereby minimizing the use of plastic bags through concerted efforts.

Thus, with respect to the long-term waste management measures, I hope that the Government can foster the concept that waste is valuable by promoting the waste recovery and recycling industry, thereby providing an incentive to create job and business opportunities, educate and encourage the public to make good use of waste materials, and only resort to the "polluter pays" principle as a final means.

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

MS AUDREY EU (in Cantonese): Madam President, there are two policy addresses this year and their covers are all in green. However, in comparison, the policy address delivered by Chief Executive Donald TSANG is produced for the first time in environmentally-friendly ink and recycled paper. In terms of content, there are also greater lengths devoted to environmental protection. I hope that the Chief Executive can honour his pledge and put these initiatives into practice thoroughly in this term of the Government.

There is a very important remark in the policy address and that is: "In future all new major government policies will be subject to environmental protection scrutiny." If this idea can materialize, it would indeed be a major breakthrough. It is because the environmental impact assessment system at present is only meant to monitor a works project after it has been finalized. It is not an assessment of government policies from the perspective of environmental protection before the project concerned is finalized. It is unfortunate that the

policy address is silent on what is meant by "environmental protection scrutiny". So would this become a tiger with bite or just a matter of routine? Would work on this be centralized for conduct by the Environmental Protection Department or be carried out by the various departments at their own initiatives? On that day in the panel, I asked the Secretary to elucidate on this point and hoped that she could give us a written explanation in greater details.

With respect to solid waste, the Chief Executive suggests that there should be policy incentives to promote recycling industries. To reduce waste, the most effective methods are economic incentives and legislation. This is commonly acknowledged throughout the world. I hope the Government will publish its white paper on solid waste soon, propose a legislative timetable for product responsibility and implement source separation of waste in buildings.

With respect to planning, I hope the Government will require all newly developed districts, newly completed commercial and residential buildings, and so on, to reinforce their waste reduction and energy-saving functions in design. Moreover, garbage bins in many cities overseas and on the Mainland have waste separation design. In Hong Kong, garbage bins in three colours for recycling have been adopted for many years and it can be said that green consciousness in Hong Kong has taken roots. The Government can introduce garbage bins for separation and recovery. This will give a boost to recycling efforts.

As for the air quality issue which is the concern of many Members, it is a knotty problem. Sometime ago, the newspapers published photographs of the Victoria Harbour before and after the golden week in 1 October. At a time when the factories on the Mainland were shut down for the holidays, the sky in Hong Kong brightened up remarkably. But when the golden week was over, the same dull and overcast look returned. I hope that the Government can devise some standards on air quality anew. Apart from the suspended particulates PM 10 which are presently monitored, PM 2.5 should also be included as they pose the greatest threat to our health. I hope the Government can also conduct a review of the pyrotechnic display which the Disneyland stages every night since its opening and see if it is really necessary to pollute our skies every night? This is especially the case when the Government owns shares of the Hong Kong Disneyland. I hope very much that the Government can rethink this nightly pyrotechnic display.

What Hong Kong must do is at least its own part before it can conclude any agreement with Guangdong Province in the hope of achieving the emission reduction targets by 2010. I am very glad to note the Chief Executive state clearly in the policy address that emission caps will be tightened during the renewal of the power companies' licences to ensure that the emission reduction targets are achieved. This is because in terms of improving cross-boundary air pollution, the Government only says that the Regional Air Quality Monitoring Network will come into operation soon, but nothing is said on the progress of emission reduction in Guangdong Province which is a cause of public concern.

In addition, the Government has proposed many initiatives such as taking the lead to save energy and introducing more stringent emission targets. Power consumption in all government buildings will be reduced by 1.5% annually. This is a good start. I hope the Government can devise targets for achievement over a longer term and expand the power consumption targets to include all public and subsidized bodies. In a word, I hope the Government can implement all the green measures suggested in the policy address.

As for planning, Madam President, I wish to talk about the latest development in connection with the Central reclamation project which was the subject on which government officials briefed this Council not long ago. I am very disappointed because the Court of Final Appeal has ruled that reclamation works are essential. Previously, the grounds put forward by the Government were usually transport in nature but as we can see from the latest planning, of the 47 hectares of land reclaimed from the sea, only two hectares or 14% will be used for transport purposes. The remaining land will be open space and the other half will be for commercial buildings and government land. Of course, that will include the new Legislative Council building and the government headquarters. I am concerned that the existing Government Headquarters will be pulled down and put on public tender and later turned into blocks of residential or commercial buildings. That will increase transport needs and finally a vicious cycle will form because as more residential and commercial buildings are constructed, the roads will only become more congested. If roads are not enough, then the Government may need to resort to reclamation again. Madam President, this is extremely worrying and so in this regard I hope the Government will rethink whether or not reclamation for as much as 18 hectares of land is really necessary.

Thank you, Madam President. I so submit.

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): Now it is 26 minutes past nine o'clock in the evening. I now suspend the meeting until 9.00 am tomorrow.

Suspended accordingly at twenty-seven minutes past Nine o'clock.