

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 14 December 2005

The Council met at Eleven 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.

THE HONOURABLE ALBERT HO CHUN-YAN

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

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 MA LIK, G.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

MEMBER ABSENT:

THE HONOURABLE LEUNG YIU-CHUNG

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE RAFAEL HUI SI-YAN, G.B.S., J.P.
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE WONG YAN-LUNG, S.C., J.P.
THE SECRETARY FOR JUSTICE

THE HONOURABLE JOSEPH WONG WING-PING, G.B.S., J.P.
SECRETARY FOR THE CIVIL SERVICE

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 AMBROSE LEE SIU-KWONG, I.D.S.M., J.P.
SECRETARY FOR SECURITY

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

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
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Film Censorship (Fee Reduction) Regulation 2005	221/2005
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Public Health and Municipal Services (Setting Aside Places for Use as Public Pleasure Grounds) (No. 3) Order 2005	222/2005
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Public Health and Municipal Services Ordinance (Amendment of Fourth Schedule) (No. 3) Order 2005	223/2005
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Other Papers

No. 38	—	Queen Elizabeth Foundation for the Mentally Handicapped Report and Accounts 2004-2005
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No. 39	—	Forty-fourth Annual Report on the Social Work Training Fund by the Trustee of the Fund for the year ending on 31 March 2005
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No. 40	—	Hong Kong Arts Development Council Annual Report 2004/2005
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No. 41	—	Estate Agents Authority Annual Report 2004/2005
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Report of the Bills Committee on Revenue (Personalized Vehicle
Registration Marks) Bill 2005

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Smart ID Card Readers Fail to Verify Fingerprints of Card Holders

1. **MR PATRICK LAU** (in Cantonese): *President, the Smart Identity Card (ID Card) readers currently used by the Immigration Department (ImmD) verify the identity of ID Card holders by matching their fingerprints with the fingerprint data stored in their ID Cards. It is learnt that this identity verification method is not applicable to some members of the public, thus precluding them from using the Automated Passenger Clearance System (commonly known as "e-Channel") to complete immigration clearance procedure. In this connection, will the Government inform this Council:*

- (a) *of the number of Smart ID Card holders whose identity cannot be verified by the said readers and its percentage in the total number of Smart ID Card holders, together with a breakdown by their gender and age profile;*
- (b) *as the authorities had commissioned a consultant to conduct a feasibility study before implementing the Hong Kong Smart ID Card Replacement Exercise, whether the above problem had been identified in the feasibility study; if so, of the reasons for the authorities making the decision to choose fingerprints as the biometric data to be stored in Smart ID Cards; if not, whether the Government may claim compensation from the consultant; and*
- (c) *of the causes of the above problem, and whether such problem can be resolved by way of technology enhancement; if so, of the costs involved; if not, whether it has, by making reference to the relevant practices adopted overseas, made any efforts to explore other methods to resolve the problem?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) From June 2003 to November 2005, the ImmD issued over 4.3 million Smart ID Cards. The vast majority of people could provide two clear fingerprints when applying for a Smart ID Card. So far, about 350 persons, or eight out of 100 000 Smart ID Card holders, could not provide at least one clear fingerprint. They will not be able to use e-Channels for self-service immigration clearance

since the chip of their Smart ID Card does not contain any fingerprint data. The ImmD does not keep statistics on the gender and age profile of these persons.

- (b) The question raises the issue of why fingerprint recognition technology has been adopted for the Smart ID Card System. At the feasibility study stage of the Smart ID Card Project, different types of biometrics, such as facial image, fingerprint, palm print, iris data, voice and signature, were examined by a consultant to see if they could be used to verify the identity of a person. In view of the high level of accuracy and reliability of fingerprint recognition technology and its wide application, the consultant recommended that this technology be adopted after detailed analysis and consideration. Taking into account that some individuals may not be able to provide their thumbprints for various reasons, we have provided flexibility in the application procedures so that applicants may provide fingerprints of any two fingers if they cannot provide their left and right thumbprints.
- (c) Some Smart ID Card holders cannot use e-Channels for immigration clearance mainly because they are not able to provide clear fingerprints. It is difficult to resolve this problem simply by way of technology enhancement. But the people concerned can continue to take advantage of traditional counters for immigration clearance. By the large, fingerprint recognition technology has enabled the overwhelming majority of Smart ID Card holders to successfully use e-Channels.

MR PATRICK LAU (in Cantonese): *I still wish to ask the Secretary one more question for further clarification. Do the 350 people know that they are not able to use e-Channels? Is their inability to do so caused by the problem of fingerprint or by other problems?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the 350 people do know that since we were unable to record their fingerprints, they will be unable to use e-Channels. We already told them that they would be unable to use e-Channels and must use traditional counters for immigration clearance.

The main reason for their inability to use e-Channels is that the fingerprints of all their 10 fingers are not clear enough for recording in the chips of their Smart ID Cards.

MR SIN CHUNG-KAI (in Cantonese): *President, although some 4 million people have obtained Smart ID Cards and are able to use e-Channels, I can often notice that e-Channels are not widely used by members of the public for immigration clearance. There do not seem to be too many opportunities or too much room for people to use e-Channels. Can the Secretary provide a ratio of some kind that can indicate the number of Hong Kong Smart ID holders who have used e-Channels for immigration clearance?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, we have been introducing e-Channels at various immigration control points by stages. Currently, 60 e-Channels are available at various immigration control points — 23 at Lo Wu, 18 at the Hong Kong-Macao Ferry Terminal, nine at the Hong Kong-China Ferry Terminal and 10 at the through train station in Hung Hom Station. According to the plan, we hope to provide the remaining 140 e-Channels by the middle of 2006 as scheduled. In other words, there will be a total of 200 e-Channels for people's use. Up to 11 December this year, as many as 138 million travellers have used e-Channels for immigration clearance. As for the proportion of these travellers in the total number of travellers, I do not have any statistics to hand. I may perhaps provide a written reply at a later time. (Appendix I)

MR HOWARD YOUNG (in Cantonese): *President, it is pointed out in part (b) of the Secretary's main reply that studies on palm print, voice and signature were also conducted by the consultant and it was concluded that the technology of fingerprint recognition was of a high level of accuracy and reliability. May I ask the Secretary whether it was the finding of the studies that fingerprint recognition was a faster means of immigration clearance? In other words, is fingerprint recognition at least faster than signature or iris recognition?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, various biometrics were examined by the consultant commissioned by us. Having

compared the biometrics I have just mentioned, including facial image, fingerprint, palm print, iris data, voice and signature, the consultant recommended us to adopt fingerprint for recognition purposes.

The consultant's report contained findings on the following aspects. The first was reliability. In this regard, the score of iris data was the highest, followed by fingerprint, the score of which was also high. The scores of other biometrics such as facial image and voice were not so satisfactory in comparison. The second aspect was uniqueness. In this regard, the score of iris data was the highest, followed again by fingerprint, the score of which was again high. The scores of other biometrics such as palm print and facial image were just average. The third aspect was accuracy. In this regard, the score of iris data was the highest, with an accuracy rate of not less than one ten-thousandth, and followed by fingerprint. The fourth aspect was recordability. In this regard, the scores of facial image, iris data and fingerprint were the highest. The fifth aspect was the maturity of technology. In this regard, the scores of fingerprint, voice and signature were the highest, followed by facial image and iris data, the technologies of which were not yet very well developed. Lastly, we must also consider the number of vendors in the market that can provide the technologies for using these biometrics as means of recognition.

In this connection, the vendors that could provide fingerprint technologies were the greatest in number. They had long years of experience in this field and could provide the services required. As for facial image, voice and signature, there were also many vendors, but in the case of iris data, which had the highest scores in uniqueness and reliability, there was only one vendor in the market. Consequently, having weighed all the relevant factors, the consultant finally recommended the technology of fingerprint recognition. The reason was that the scores of this technology in all the aspects were quite high on average.

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

MR HOWARD YOUNG (in Cantonese): *President, the reply of the Secretary was very detailed. But I actually wanted to ask whether clearance time was also one of the considerations. In other words, was the speed of clearance also one of the factors taken into account?*

SECRETARY FOR SECURITY (in Cantonese): Reliability is of course very important. But if accuracy is high but the clearance time required is very long — for example, if the accuracy rate is one ten-thousandth but the clearance time for one traveller is as long as one or two minutes — the technology concerned of course cannot be accepted.

MR LAU KONG-WAH (in Cantonese): *President, there are currently some 4 million Smart ID Card holders, but mainland visitors and frequent travellers to Hong Kong are mostly using traditional immigration counters. May I ask the Secretary whether the Government has any intention of upgrading its immigration clearance capability?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, at the first stage, e-Channels are open to holders of Permanent Hong Kong Identity Cards. At the second stage, e-Channels will be open to holders of ordinary Identity Cards (that is, holders of Non-permanent Identity Cards). Earlier on, we already proposed the relevant legislative amendments in the Legislative Council. At the third stage, we will explore the possibility of installing e-Channels for travellers who come to Hong Kong regularly for sightseeing or on business, and who do not cause us any trouble. This will be the direction we will follow at the third stage. Of course, we will still need to conduct studies on the technologies required and policy constraints.

MISS TAM HEUNG-MAN (in Cantonese): *President, I hope that the Secretary can conduct some studies on how to shorten the time required of members of the public in using e-Channels for immigration clearance. Last week, I tried the e-Channels at Hung Hom Station for immigration clearance. The whole process involved two readers. The user must first insert his Identity Card into the first reader and produce his fingerprint at the second one. The process took quite some time. Therefore, the clearance time for both e-Channels and traditional counters may be more or less the same. Can the Secretary consider the possibility of making improvements in this respect?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, we have all along been exploring how we can improve both the hardware and the software to

shorten the time for immigration clearance. Naturally, once members of the public get used to e-Channels, the clearance process will surely become much more efficient. Miss TAM Heung-man's suggestion is a very good one. My departmental colleagues have also been making efforts in this respect.

MR DANIEL LAM (in Cantonese): *President, e-Channels have been in use for quite a long time but we notice that they are not so widely used at Lo Wu. Will the Government inform this Council whether it will step up its publicity efforts?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, since the introduction of e-Channels, we have been conducting publicity through the media. We will of course intensify our efforts in this respect.

MR LAU KONG-WAH (in Cantonese): *President, the Secretary has disclosed that studies on the third stage will be conducted. May I ask him approximately when the third stage is to be launched?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, we do not have any timetable yet. But we hope to conduct active studies next year (that is, 2006)

PRESIDENT (in Cantonese): Second question.

Non-civil Service Contract Staff Scheme

2. **MR LAU CHIN-SHEK** (in Cantonese): *President, the Non-Civil Service Contract Staff Scheme (the NCSC Scheme) was introduced in 1999 to enable Heads of Departments (HoDs) to employ staff on fixed term contracts outside the civil service establishment, to meet service needs that were short-term or did not require keeping staff on a long-term basis, or required staff on a part-time basis, or where the mode of delivery of the service was under review or likely to be*

changed. However, I have learnt that many non-civil service contract (NCSC) employees have been employed in the same posts for over three consecutive years. In this connection, will the Government inform this Council:

- (a) whether the scope of the scheme will be changed; if so, of the details; if not, how the Government changes the situation in which employment on a consecutive basis is inconsistent with the original purposes of the scheme;*
- (b) of the measures to prevent abuse of the scheme by HoDs; and*
- (c) whether it will consider changing the NCSC posts which have long-term needs to posts in the civil service establishment?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, the NCSC Scheme, introduced in 1999, aims to provide HoDs with a flexible means to employ staff on fixed term contracts outside the civil service establishment to meet service needs which are short-term or time-limited, seasonal, part-time, under review or likely to be changed. There are detailed guidelines on the scope, terms of employment, remuneration package and recruitment procedures, and so on, for HoDs to follow in the employment of NCSC staff. HoDs have full discretion to decide on the appropriate employment packages for their NCSC staff subject to the guidelines of the NCSC Scheme.

Against the above background, my replies to the specific questions are as follows:

- (a) As mentioned above, detailed guidelines on the scope of the NCSC Scheme have been set out for HoDs to follow in the employment of NCSC staff including the duration of each contract up to three years. Due to the different nature of the NCSC jobs required, some NCSC staff may be employed for a period longer than three years upon contract renewal, but such employment is still within the scope of application of the NCSC Scheme where it is to meet needs that are short-term or time-limited, seasonal, part-time, under review or likely to be changed.

Short-term or time-limited jobs include jobs in the Buildings Department for clearing backlog cases in unauthorized building works. For NCSC staff who are employed to meet service needs which are seasonal, examples include temporary lifeguards employed during the swimming seasons and those employed by the Inland Revenue Department to cope with the workload of the annual bulk issue of tax returns.

NCSC staff may also be employed to meet service needs that only require staff on a part-time basis, for example, part-time Contract Workers and Contract Sorting Office Assistants employed by the Hongkong Post for sorting, loading and unloading mails. Due to their working hours are less than the normal working hours of civil servants of comparable rank (that is, 45 hours per week), it would not be necessary and appropriate to create permanent posts for this purpose.

NCSC staff may also be employed where the service needs are under review or likely to be changed. For example, the Land Registry is introducing a central registration system and launching a new Integrated Registration Information System by phrases. Pending the long-term arrangements for delivery of service, NCSC staff are employed to meet service needs that may change in the long run. Furthermore, NCSC staff may also be employed to provide departments operating as trading funds such as the Hongkong Post and the Electrical and Mechanical Services Department with the much needed flexibility in adjusting staffing levels and staff mix to cope with the business fluctuations, which is essential to their financial viability. In certain departments like Radio Television Hong Kong and Office of the Telecommunications Authority which need to tap the latest expertise in the market to meet the special and changing business and operational needs of the departments, the NCSC Scheme has offered them a flexible and effective means to employ suitable staff with the appropriate contract duration and to adjust staff level in accordance with their business situation.

Overall speaking, employment of NCSC staff by departments is in compliance with the policy stipulated and within the scope of the

NCSC Scheme. The NCSC Scheme has provided departments with flexibility in sourcing manpower to supplement civil service establishment to meet service needs. While we will continue to monitor the implementation of the NCSC Scheme and make adjustments whenever necessary, we have no plan to change the scope of the NCSC Scheme at this stage.

- (b) Apart from setting out detailed guidelines on NCSC employment, we have put in place control and management measures at different levels:
 - (i) At the departmental level, the employment of NCSC staff must be approved by a directorate officer with delegated authority from HoDs and there should be a directorate officer not below the Directorate pay scale of D2 equivalent to control and monitor the implementation of the NCSC Scheme. This is to ensure that adequate attention by an officer at a sufficiently senior level is given to the consideration of the need for employment of NCSC staff and to ensure that the employment is in compliance with the policy and guidelines of the NCSC Scheme.
 - (ii) We have asked bureaux to monitor the employment of NCSC staff and the redeployment of common grade officers among departments under their respective purview.
 - (iii) For the purpose of overall monitoring of the implementation of the NCSC Scheme, the Civil Service Bureau collect statistics from departments on the general information of NCSC staff as at 30 June and 31 December each year. Based on the information gathered, we would introduce, where necessary, adjustments to the existing guidelines so as to enhance the implementation of the NCSC Scheme. For instance, in August this year, we issued further advice to HoDs on strengthening the administrative and management arrangements for employment of NCSC staff, which include (1) encouraging HoDs to avoid offering short contracts, say three or six months, if the operational needs justifies a longer term employment; (2) providing adequate notice to NCSC

staff in case of non-renewal; and (3) providing relevant training including orientation programmes and job-related training to NCSC staff to help them "blend" in with their departments and to better equip them for the discharge of their duties.

We will remain vigilant on the utilization of the scheme and continue to introduce appropriate measures to ensure the optimal use of human resources in the Civil Service and good employment practice for NCSC staff.

- (c) Although the general recruitment freeze is at present in force, if it is justified that for certain jobs civil servants instead of NCSC staff are needed to meet certain long-term service needs, departments may seek exemption from the general recruitment freeze to proceed with open recruitment for filling of civil service posts. Existing NCSC staff may apply for the posts together with other outside applicants and following a selection process, if selected, be appointed on civil service terms. For example, NCSC staff have been employed by the Food and Environmental Hygiene Department (FEHD) to perform duties relating to pest control. After review, the FEHD has confirmed that additional 14 civil servants are needed to carry out part of the service needs which are of a long-term nature. As a result, approval has earlier been given for the FEHD to conduct an open recruitment for filling civil service posts in the Pest Control Officer and Pest Control Assistant grades. Both existing NCSC staff employed by the FEHD and outside candidates may apply and compete for these posts.

MR LAU CHIN-SHEK (in Cantonese): *President, the Secretary pointed out in part (c) of the main reply that the departments may seek exemption if it is justified that for certain jobs civil servants instead of NCSC staff are needed to meet certain long-term needs. However, it also implies that the departments may not seek exemption, especially because the civil service establishment is required to be capped at 160 000. They will thus not seek exemption as far as possible, thereby preventing NCSC staff from becoming civil servants. As a result, there is unequal pay for the same post and uncertain employment prospect for NCSC staff in the Civil Service.*

May I ask the Government if it will issue central directives to change such unfair and unreasonable phenomenon, and require departments with justified needs to convert contract staff to civil servants?

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, while all departments should in fact have a good understanding of the arrangement, it has also been spelt out clearly in the guidelines issued in the past that if there is a long-term need for the work in question, departments should consider the recruitment of staff on civil service terms.

Just as Mr LAU Chin-shek has said earlier, in taking forward the initiative of reducing the overall civil service establishment in the past, reviews had been conducted by some departments to examine the possibility of leaving certain civil service vacancies unfilled temporarily or even deleting them. However, just as I have told Honourable Members before, the objective of capping the civil service establishment at 160 000 in 2007 is generally achieved. Since the latter half of this year, a number of departments have in fact sought exemption to recruit civil servants for certain jobs previously handled by NCSC staff. Earlier, I mentioned the pest control work in the main reply. According to the information on hand, apart from such work, the applications for exemption received since September also include other grades, such as Scientific Officer, Government Counsel, and so on. In view of the food safety problem and the reorganization of the FEHD, I will not dismiss the possibility that there will be more such applications, say, for the post of Health Inspector.

MR KWONG CHI-KIN (in Cantonese): *President, it is the Government's established policy to offer permanent appointment to non-civil service contract staff who have completed two contracts (a contract period of three years each), that is, upon completion of the sixth year of the "3+ 3" system.*

The Chief Executive met with the labour sector on 14 November, and during the Question and Answer Session, certain cases aroused his concern when NCSC employees lodged complaints with him. While some of them have been doing cleaning jobs for seven to eight years, some have entered into contracts with their employers for more than 20 times. And yet, they are still unable to become civil servants. At last, the Chief Executive undertook to discuss with the Civil Service Bureau on how certain work or posts with long-term needs can be

regularized, normalized and rationalized, that is, to change them to permanent posts.

However, I heard from part (c) of the Secretary's main reply that the posts concerned, after becoming permanent posts, will have to be filled through open recruitment, which is different from the understanding of the labour sector. As far as the labour sector understands it, these people have been doing the job for seven to eight years and are all along employed on contract term. This is in fact most unfair to them. Once the posts can be changed to permanent posts, priority should be given to these employees in appointment. And yet, the Secretary said that the posts have to be filled through open recruitment. Is this most unfair to those serving NCSC staff whose contracts have been renewed for more than six years? As far as we understand it, once the posts become permanent posts, priority should be given to them.....

PRESIDENT (in Cantonese): Mr KWONG Chi-kin, I have already given you sufficient time to raise your supplementary question. Please sit down and let the Secretary reply.

MR KWONG CHI-KIN (in Cantonese): *Sure. Thank you, President.*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, first of all, I wish to make an elucidation. The "3+3" system which Mr KWONG Chi-kin mentioned earlier only applies to the civil service establishment. There is no "3+3" system for the conversion of NCSC staff into permanent tenure. Furthermore, as advised in my reply to Mr LAU Chin-shek and also in the main reply, departments are required to conduct open recruitment for civil servants if they consider there is a long-term need. It is because under the existing civil service recruitment policy, vacancies must be open to all applicants and applications should not be restricted to serving non-civil service staff.

However, as similar jobs are being taken up by NCSC staff, therefore using the example which I cited earlier, when the recruitment result is announced, I will not dismiss the possibility that many of the civil service posts on open recruitment will actually be filled by serving NCSC staff. There are

channels through which NCSC jobs can be changed to permanent jobs or civil service posts.

MR JAMES TIEN (in Cantonese): *President, there were nearly 200 000 civil servants a few years ago, and the annual expenditure amounted to nearly \$100 billion, which we had always thought a burden too heavy for the taxpayers. Subsequently, the Government intended to introduce the policy of NCSC staff, and it is heard that the number of civil servants has currently been reduced to 160 000-odd people as pledged. May I ask what the total number of the so-called NCSC employees is, and how much can be saved for taxpayers?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, NCSC staff is basically employed to handle jobs that are time-limited or under review, rather than to achieve cost savings. With regard to the number of people involved, we have 15 661 full-time non-civil service contract staff as at 30 June this year, representing a drop of about 900 staff over the same period last year. This shows that the number of NCSC staff is subject to close control.

As regards the civil service establishment, it has been reduced from the highest 198 000 staff of 2000 to about 164 000 at present. Just as I have said earlier, I think the objective of capping the establishment at 160 000 in 2007 is generally achieved. There are currently 15 000-odd serving NCSC staff (Appendix 1), and the annual savings achieved amounts to more than \$1 billion. As for the specific amount of savings achieved, a detailed reply will be provided to Mr James TIEN after the relevant details have been verified.

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

MR JAMES TIEN (in Cantonese): *No, President. My supplementary question was: The employment of the 15 000-odd NCSC employees incurred government expenditure. May I ask the Secretary to clarify whether the \$2 billion savings mentioned by him earlier referred only to savings in manpower, and whether or not the wages of those 150 000-odd NCSC employees have been included? Are the \$2 billion savings net of wage expenses, or are the wages of these 150 000-odd staff still payable while the \$2 billion savings are achieved?*

PRESIDENT (in Cantonese): Mr James TIEN, it does not seem like a supplementary question, but simply another supplementary.

MR JAMES TIEN (in Cantonese): *No, President, the Secretary has not answered my supplementary. I asked the Secretary what is the total amount of savings? Can he clarify how the \$2 billion savings mentioned earlier are achieved, whether or not there are savings in manpower on the one hand while wages of contract staff are still payable on the other?*

PRESIDENT (in Cantonese): Mr James TIEN, it is not necessary for you to ask the Secretary for elucidation, all you need is to ask him how much can be saved. Otherwise, you are making a further request, and I can hardly allow you to raise your supplementary in this way. Secretary, do you have anything to add?

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, I understand Mr James TIEN's point. A written reply will be provided to Mr TIEN after a verification of the relevant data. (Appendix II)

MR WONG KWOK-HING (in Cantonese): *President, the Secretary's reply to Mr KWONG Chi-kin's supplementary has aroused my grave concern because in relation to the NCSC employees, the Chief Executive.....*

PRESIDENT (in Cantonese): Mr WONG Kwok-hing, I have to interrupt you because I hope to allow one more Member to raise a supplementary. Please ask your supplementary question direct and not to talk about the Chief Executive's undertaking anymore.

MR WONG KWOK-HING (in Cantonese): *Sure, President. It is because I must explain the background clearly before putting the question to the Secretary, and that is: Will the reply of the Secretary today not give those 15 000 NCSC employees the feeling that they will be subject to summary dismissal as the Government said there would be open recruitment? So, I wish to ask the*

Secretary via the President to clarify if the NCSC employees who originally intend to look for long-term employment will in turn be subject to summary dismissal.

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, the answer is definitely in the negative.

MR WONG KWOK-HING (in Cantonese): *President, can the Secretary give any assurance?*

PRESIDENT (in Cantonese): Mr WONG, I can only at best ask the Secretary whether or not he has anything to add. Secretary, do you have anything to add?

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): The point which I may add, if I have to, is just as I have said, the contracts of these employees will surely continue where necessary. There is no question of my remarks resulting in over 10 000 people being dismissed immediately.

PRESIDENT (in Cantonese): We have spent more than 19 minutes on this question. Last supplementary question.

MR LEE CHEUK-YAN (in Cantonese): *President, the Secretary's reply earlier gives us an impression that he is very passive, that is, the departments themselves will assess their own needs so as to determine whether or not to make applications for exemption. However, we do not wish to see the Secretary being put in such a passive position. May I ask the Secretary, just like what many people have been asking Chief Secretary Rafael HUI regarding the timetable for universal suffrage, whether there is a timetable for the conversion of NCSC employees into civil servants? If not, what is the reason for that? Some NCSC employees have been working for six years, eight years, 10 years or even longer, can the Secretary tell us whether or not these jobs have long-term needs? How can he say there is no long-term need? Does the Secretary not find the*

employment of a large number of NCSC employees on the same term after serving in a department for so many years most unfair to them? Has the Secretary issued clear policy directives to require departments to immediately convert these staff into civil servants if there is a genuine long-term need, rather than passively giving all departments the discretion to decide whether or not to make applications, so that we.....

PRESIDENT (in Cantonese): Mr LEE, I think we all understand your supplementary question. Please be seated.

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, in fact, neither are we passive, nor are the HoDs. Just as I have said earlier, more and more HoDs will put forth their requests for exemption from the policy of the civil service recruitment freeze, so that they will be allowed to create civil service posts to meet long-term needs. I am also willing to relay this message to various departments.

MR LEE CHEUK-YAN (in Cantonese): *President, the Secretary has not answered my question on a timetable. Is there a timetable specifying that, say, employees who have been serving for five years can be converted to civil servants? At present, a timetable is of the paramount importance.*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Madam President, I have already highlighted in the main reply that if an employee has been serving for more than three years, his post may also fall within the scope of the scheme. Furthermore, it has been explained in the main reply that the service period of some NCSC staff may be more than three or five years. Nevertheless, the service period of over 90% of such employees is, on the whole, less than five years. Actually, the service period of serving NCSC staff and the possibility of converting them into civil servants are two different issues, which are two completely different systems.

PRESIDENT (in Cantonese): Third question.

Gazetting of Speed Limits

3. **MR ALBERT HO** (in Cantonese): *President, a man was prosecuted and convicted for driving a vehicle at a speed of 97 km per hour (km/h) along a particular section of the Lantau Link in July last year, which exceeded the speed limit of 80 km/h for that road section. The man subsequently lodged an appeal. In September last year, a Judge of the High Court ruled in favour of the appellant on grounds that the speed limit of 80 km/h for the road section was invalid because the authorities had not, as required by the law, published a notice of it in the Gazette, and the traffic sign stipulating the relevant speed limit was therefore misleading to the appellant. Since then, the Department of Justice has not lodged an appeal against the ruling and the authorities have not yet published a notice of the speed limit for that road section in the Gazette. In this connection, will the Government inform this Council:*

- (a) of the reasons for not publishing, immediately after the relevant authority had decided not to lodge an appeal, a notice of the relevant speed limit in the Gazette;*
- (b) whether the police have, since September last year, instituted any prosecution against drivers on grounds that they had driven in excess of the speed limit on that road section; if so, of the number of prosecutions instituted and the speed limit on which the prosecutions were based; and*
- (c) as a notice for the relevant speed limit has not been published in the Gazette, of the legal basis for the police's law-enforcement actions?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): President, section 40 of the Road Traffic Ordinance (RTO) (Cap. 374) stipulates that the maximum speed at which a vehicle may be driven on any road shall be 50 km/h. The Commissioner for Transport may by notice in the Gazette vary the speed limit.

In July 2004, a man was prosecuted and convicted for driving a vehicle at a speed of 97 km/h, which exceeded the speed limit of 80 km/h, along a particular section of the Lantau Link. The man subsequently lodged an appeal.

In September 2004, the Court ruled in favour of the appellant. We did not publish, immediately after we had decided not to lodge an appeal, a notice of the relevant speed limit in the Gazette. It was because at that time, we were of the view that the Lantau Link was part of the Tsing Ma Control Area (TMCA) and was governed by the Tsing Ma Control Area Ordinance (TMCAO) (Cap. 498). According to the TMCAO, it was not necessary to gazette the speed limit.

However, after the relevant case, we have carried out a comprehensive review of the application of the provisions in the RTO to the TMCA and various tunnel areas. The review concluded that the provisions relating to speeding in the RTO should also be applicable to the TMCA, and it was necessary under the RTO to gazette speed limits other than those of 50 km/h, irrespective of whether drivers were to be prosecuted for speeding under the RTO or the Tsing Ma Control Area (General) Regulations. The speed limit of the relevant road section has been published.

Since September 2004 the police have not instituted any prosecutions against drivers for driving in excess of the speed limit on that section of road.

MR ALBERT HO (in Cantonese): *President, this incident does make us gravely concerned about the rule of law in Hong Kong. President, in July last year, the Court ruled that speed limits applicable to the TMCA must be gazetted in order to take effect. Though the Government did not lodge an appeal after the Court had ruled against it, it seemed unwilling to accept the decision of the Court, and indeed claimed to conduct its own review. Fifteen months were spent on the review. It was not until 9 December, just a couple of days ago, when problems have arisen that the speed limits were gazetted.*

President, in view of the response of the Government, is it not suggesting to us that the judgement made by the Court last year is not binding on the Government and can be ignored? The Government has now adopted a strong governance approach. Does it imply that it will only accept the views of the Court or consider gazettal a better option when its own review also comes to such a conclusion? As such, is the Government telling us that this is the form of strong governance it is pursuing and that the executive should override the judiciary? The Secretary for Justice is here today, I very much hope that he will answer this question.

PRESIDENT (in Cantonese): You have already stated your supplementary question.

SECRETARY FOR JUSTICE (in Cantonese): President, Mr Albert HO has just raised a question on whether the Government of the Hong Kong Special Administrative Region (SAR) has ignored the rule of law. I strongly stress that such case is absolutely out of question.

First, the incident involves the legislation governing the speeding of vehicles along the Lantau Link. I have to stress that this is not a simple issue. Under ordinary circumstances, just as the Secretary has said earlier, the general speed limit stipulated under the RTO is 50 km/h. If speed limits exceeding 50 km/h are stipulated, the Government will gazette the limits concerned, and vehicles going beyond these speed limits constitute a breach of law. However, sections of Lantau Link are also governed by other ordinances, the TMCAO and its subsidiary legislation. This is where the problem lies. Is the RTO still applicable when two ordinances co-exist? Could the TMCAO replace the RTO? Or, should both ordinances apply? This is a very complicated legal issue, and the premise at stake.

Regarding the case in question, after the judgement was made in October last year, the Department of Justice did not lodge an appeal. According to the information available and the views we held at the time, the legal conclusion so reached was that that section of Lantau Link was governed by the TMCAO and the RTO was not applicable. In the light of this, the Government, in the first place, did not need to gazette this. We did give this reply in a meeting of the Legislative Council held last year. Moreover, the legal advice obtained at that time stated that the section concerned was governed by the TMCAO but the RTO was invoked in the prosecution. Owing to this point and other reasons, no appeal was thus lodged at the time.

However, the Government has still responded actively in relation to the issue. After the case in question, the Government has conducted a detailed, in-depth and comprehensive study, and collected many different views to carry out analysis. Eventually, a result different from our initial conclusion was reached, that is, the RTO remains effective in sections of Lantau Link. In other words, despite the existence of two ordinances governing speeding in that

section, the RTO is still in effect, it is thus necessary to gazette the speed limits concerned. Given that conclusion, the Government has gazetted the speed limits recently. I would like to stress that in view of the lack of clarity of the legal circumstances, the Government has the responsibility to conduct detailed analysis to ensure that the conclusion will not cause any unfairness to any citizen.

The Secretary mentioned earlier that before the gazettal, we had not instituted any prosecution on that road sections. We do so exactly because we respect the principle of law. After we had come to a conclusion, we gazetted the speed limits. In this case generally, a relatively large amount of time has been spent on the entire incident before the result of the gazettal of speed limits is concluded. But I wish to stress that, given the legal principles involved and the highly controversial nature of the case, and that not only Lantau Link but also other tunnels and control areas will be affected rather extensively, the case must be handled cautiously. I have to emphasize that during the entire process, the attitude adopted by us is definitely in line with the principle of the rule of law.

MR ALBERT HO (in Cantonese): *President, part of the question just raised by me has not been answered. That is regarding the ruling made by the High Court in July last year, does the Government consider itself being bound by it? Irrespective of the correctness of such views, is the Government bound by the ruling?*

SECRETARY FOR JUSTICE (in Cantonese): President, we surely respect the judgements of Courts. The Secretary has also mentioned earlier that from that time till the gazettal of the speed limits, we had not instituted any prosecution against any drivers for driving in excess of the speed limit on that section of road.

MR ALBERT HO (in Cantonese): *President, does it mean that the Government is bound by it? For having respect to it is different from being bound by it.*

SECRETARY FOR JUSTICE (in Cantonese): I think whether it is binding or not depends on how one looks at it. We respect the judgement and we have done nothing contrary to the judgement of the Court.

PRESIDENT (in Cantonese): There are 10 Members waiting for their turns to raise supplementaries. Will Members who have the chance to raise supplementaries please be as concise as possible and refrain from stating their personal views.

MR ANDREW CHENG (in Cantonese): *Madam President, the Secretary for Justice said earlier that it was a very complicated legal issue. If it is so complicated, it should have lodged an appeal immediately, so that the matter could be resolved in Court. However, the Government did not lodge any appeal, nor did it gazette the speed limits immediately. As the success of Hong Kong counts on this, it will*

PRESIDENT (in Cantonese): What is your supplementary question?

MR ANDREW CHENG (in Cantonese): *I now ask the Secretary for Justice. With this practice of no appeal and no gazettal, will he not worry that the rule of law which underpins the success of Hong Kong will collapse because the judgement of Court has been ignored by the Government?*

SECRETARY FOR JUSTICE (in Cantonese): I definitely do not worry that such a situation will arise. President, as I have just said, we have reasons for not lodging an appeal. It was because the legal advice we obtained at the time considered that the TMCAO was applicable to that section of road while the RTO was not applicable, it was thus considered that the charge so brought might be incorrect. We lodged no appeal because of this. However, we responded actively, acknowledging that legislation in this respect should be examined and defined very clearly, and an in-depth examination was therefore conducted. Since the conclusion reached at the later stage differs from the initial legal advice obtained, a different approach was thus adopted. However, Mr Andrew CHENG, being a lawyer himself, should know that in some complicated issues, more often than not, different lawyers will have different conclusions according to the information they have collected under different situations. But I think we have been faithful to our own practice, taking steps appropriate to the problems that need to be handled at the time. On the whole, though we can be criticized

for failing to handle the incident promptly, in terms of attitude, we have definitely not acted with contempt.

MS MIRIAM LAU (in Cantonese): *President, in the last paragraph of the main reply, it is mentioned that between September 2004 and the gazettal, no prosecution was instituted, but before that, prosecutions had been initiated. In November last year, I raised a similar question, and the Government said at the time that it would consider refunding the penalty to persons being prosecuted in the past or correcting their demerit points record. What conclusion has the Government reached after the examination?*

PRESIDENT (in Cantonese): I think this supplementary question should be for the Secretary for the Environment, Transport and Works, right?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): According to section 41 of the RTO, the maximum speed at which a vehicle may be driven on any road shall be 50 km/h, unless speed limits other than that have been prescribed and gazetted for the section of road concerned. However, if the higher speed limit prescribed otherwise has not been gazetted and thus remains invalid, the 50 km/h speed limit will still take effect and apply. Therefore, any driver driving in excess of this speed limit will contravene the law. Therefore, we consider that summons and fixed penalty tickets issued against speeding in any section of road where speed limits have not been gazetted are still valid.

DR YEUNG SUM (in Cantonese): *Madam President, the Government had not lodge an appeal against the ruling of the Court but had instead spent 15 months to conduct a review. Finally, it was until 9 December, when Mr Albert HO had put forth this question, that the Government did gazette the speed limits. Madam President, in the last paragraph of the main reply, it is pointed out that for the 15 months between September last year and now, the police have not instituted any prosecutions against speeding on that section of road. May I ask the Secretary whether this will facilitate or encourage drivers to speed on that section of road and remain not liable to prosecution? Will this pose a hazard to road safety?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): President, between September last year and the gazettal, though charges were not brought against speeding on the section of road where the speed limits had not been gazetted, the police had continued to take law-enforcement actions within the TMCA. We did not inform drivers openly that no prosecutions would be initiated against speeding along that section, and the section had been kept under surveillance for extended periods to check if such case did occur.

DR YEUNG SUM (in Cantonese): *Madam President, my supplementary question is why no prosecution has been initiated. Will the practice of not initiating prosecution encourage dangerous driving? However, the Secretary said that there had been law enforcement, though no prosecution had been initiated.....*

PRESIDENT (in Cantonese): Dr YEUNG, you need not debate with the Secretary, you only need to state your supplementary question.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): I am only emphasizing that the police have all along continued to enforce the law in the TMCA. As to how they decide the initiation of prosecution

MR CHAN KAM-LAM (in Cantonese): *President, the Secretary for Justice just said that the RTO and the TMCAO are both in effect. As for the present situation, is it that the authorities have initiated prosecution according to the RTO, but they have actually invoked the wrong ordinance, and that had the prosecution been initiated according to the Tsing Ma Control Area (General) Regulations, it would definitely not result in the different interpretation by the Court?*

SECRETARY FOR JUSTICE (in Cantonese): The point just mentioned by Mr CHAN Kam-lam is the view we held at the end of last year before an in-depth

study had been carried out, that is, the TMCAO should be invoked in the prosecution, and if the RTO is invoked in the prosecution, it would be incorrect. This is one of the reasons for not lodging an appeal. However, after an in-depth study, a different conclusion was reached, that is, the relevant provisions of the two ordinances remain in effect in the control area. Having said that, the gazettal of the speed limits is necessary no matter which ordinance is adopted; we have thus gazetted the speed limits. In actual enforcement, provided that the speed limits have been gazetted, enforcement action can be taken according to any one of the two ordinances. Of course, the penalty so charged may vary.

MR LEE WING-TAT (in Cantonese): *President, clarity and being known by all are the principles of law. When I heard the Secretary say that enforcement actions had been taken during that period, I was really astonished. May I ask the Secretary and the Secretary for Justice that from last year when the judgement had been made until the gazettal on 9 December, what laws were indeed enforced? I do not quite understand what kinds of law have been enforced.*

PRESIDENT (in Cantonese): Have you stated your supplementary question already?

MR LEE WING-TAT (in Cantonese): *I asked what kinds of laws had been enforced.*

PRESIDENT (in Cantonese): Which Secretary will answer this supplementary question?

SECRETARY FOR JUSTICE (in Cantonese): Let me take this. Mr LEE Wing-tat, the Secretary has already mentioned in the main reply that between September 2004 and the gazettal of the speed limits, the police had not instituted any prosecutions against drivers for driving in excess of the speed limit on that section of road. This is a fact. What is involved indeed? Mr LEE Wing-tat is right in saying earlier that law must be clear. If prosecutions are instituted

when the law concerned is not clear, it will violate its principle. In the light of that, we have not instituted any prosecutions. However, has any law not been enforced? This is also a point which I have emphasized earlier. Since the law concerned needs to be clarified, there should be no confusion. Prosecution should only be made under a clear principle. This is being responsible. Superficially, we seem to have spent a lot of time, but I would like to emphasize that we must clarify the case and could not rashly enforce the law when the situation is not clear. I thus consider this an essential step.

MR LEE WING-TAT (in Cantonese): *My supplementary question is very straightforward. Though the Secretary said that enforcement actions had been taken, in reality, no enforcement actions regarding the speed limit of that section of road had been taken during the whole year, is that right?*

PRESIDENT (in Cantonese): Which Secretary will answer this supplementary question?

SECRETARY FOR JUSTICE (in Cantonese): Let me supplement one point. Enforcement should be carried out only when the law is clear. If enforcement actions are taken rashly when there are reservations about the law, it goes against the spirit of law enforcement. Therefore, though a lot of time has been spent unfortunately, the Government should not, on the contrary, be criticized for taking actions ignoring the enforcement of law.

PRESIDENT (in Cantonese): We have spent more than 20 minutes on this question. Last supplementary question.

DR RAYMOND HO (in Cantonese): *President, the Secretary for Justice mentioned earlier that the relationship between the RTO and other ordinances on control areas, such as the TMCA, was very complicated. He has also mentioned other ordinances related to the Cross Harbour Tunnel. Actually, the Hong Kong-Shenzhen Western Corridor and the Hong Kong-Zhuhai-Macao Bridge will come into operation in future. These roads and bridges link up with*

the urban area directly and cover a vast stretch of area. Can the Government be certain that these new ordinances will not be inconsistent with the RTO in future? Will the authorities amend the existing ordinances to enable the general public to understand these complicated legal issues more easily?

PRESIDENT (in Cantonese): Which Secretary will answer this supplementary question?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): President, the RTO and the TMCAO related to special areas include many kinds of provisions. We will consider different aspects in the light of this case. Then, the Department of Justice will review these ordinances and examine more clearly how steps of gazettal should be carried out.

PRESIDENT (in Cantonese): Members, I note that Members consider the reply made by officials on this question inadequate, I thus suggest Members to follow up the matter in the relevant panels. We will now proceed to the fourth question.

PRESIDENT (in Cantonese): Fourth question.

Mainlanders Begging in Hong Kong

4. **MRS SELINA CHOW** (in Cantonese): *President, it has been reported that the activities of mainland beggar syndicates in Hong Kong have become increasingly vigorous since more citizens of mainland cities have been permitted to visit Hong Kong under the Individual Visit Scheme (IVS), and quite a number of physically crippled or old people are begging on the streets of Central, Causeway Bay, Tsim Sha Tsui and Mong Kok, where pedestrian flow is heavy. Some of them are controlled by syndicates which keep watch for them. In this connection, will the Government inform this Council:*

- (a) *of the number of mainland persons arrested by the police for begging in Hong Kong each year since the implementation of the IVS*

in August 2003; the number of those who have been successfully prosecuted, and the penalty generally imposed on them by the Court;

- (b) of the information the police have about controlled mainland beggar syndicates; whether they have established a mechanism for communicating with the mainland public security authorities to facilitate co-operation in preventing such syndicates from coming to Hong Kong, or to prohibit mainland persons who have been arrested for begging in Hong Kong from re-entering Hong Kong within a specified period; and*
- (c) as the IVS has been further extended since November this year, to four more cities, that is, Chengdu, Jinan, Shenyang and Dalian and will be extended to other places of the Pan-Pearl River Delta Region, of the corresponding measures to be taken by the police to prevent mainland beggar syndicates from taking advantage of such opportunities to increase their activities in Hong Kong?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) The police have started to collate figures with regard to mainland visitors' involvement in crime in Hong Kong since 2004. Over 12 million mainland visitors in 2004, of whom 197 persons were arrested for begging and 19 of them were prosecuted. The remaining persons were repatriated. Between January and October 2005 there were more than 10.18 million mainland visitors. Amongst them, 131 persons were arrested for begging and four of the arrested persons were prosecuted. All other arrested persons were repatriated. The penalty of convicted persons imposed by the Court ranges from a fine of \$400 to \$1,000, or four days' to one month's imprisonment (including suspended sentence).
- (b) So far, there is no police intelligence indicating that mainland visitors begging in Hong Kong are controlled and arranged by syndicates. However, the police will monitor the situation closely and will maintain close liaison and exchange intelligence with the mainland authorities to prevent such illegal activities. The Hong

Kong Special Administrative Region Government has established an effective notification mechanism with the mainland authorities to scrutinize the future applications for visiting Hong Kong from mainland visitors who have previously been involved in illegal activities in Hong Kong. Meanwhile, the police will continue to monitor the situation and front-line officers have been instructed to take appropriate actions against persons involved in begging by considering prosecution where appropriate and arranging for their repatriation to the Mainland.

- (c) During the first 10 months of 2005, there were more than 4.5 million IVS mainland visitors to Hong Kong, with only 14 being arrested for begging. The police therefore consider that further relaxation of the IVS will not have a great impact on the trend of mainland visitors involved in begging activities in Hong Kong.

MRS SELINA CHOW (in Cantonese): *President, will the Secretary please explain part (a) of the main reply? He stated that in both 2004 and 2005 there were over 100 persons arrested for begging, but the number of prosecuted cases was small. There were 19 persons prosecuted in 2004 and only four in 2005. Why was it so, and under what circumstances will the police institute prosecution?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, this is mainly a question of evidence. When two-way exit permit holders are found begging in Hong Kong, the police will take appropriate actions according to the relevant ordinances and on the circumstances of the case. If the person involved in begging activities did so without premeditation and was in real need of assistance and agreed to the repatriation, the police generally would not institute prosecution and would only transfer him to the Immigration Department (ImmD) for repatriation.

MR WONG TING-KWONG (in Cantonese): *President, may I ask the authorities whether they will strengthen patrolling districts with heavy pedestrian flow, such as Central, Causeway Bay and Tsim Sha Tsui, to deter activities of the mainland beggar syndicates in Hong Kong?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, police officers will surely strengthen patrolling these tourist areas, not so much for arresting beggars as for maintaining law and order in Hong Kong. However, if an old or physically handicapped person was found begging, we would first check whether he was a Hong Kong citizen or a mainlander. If he was a Hong Kong citizen and was in genuine need of assistance, the police would refer him to the Social Welfare Department for follow-up. If he was a mainlander, we would proceed according to our existing practice and check whether he begged with premeditation or deception and institute prosecution where appropriate. If he did not involve in any of the above, we would repatriate him to the Mainland.

MISS CHOY SO-YUK (in Cantonese): *President, it has been reported that groups of beggars were found wearing the same style of clothing and holding the same style of earthen bowls. Yet, in part (b) of the main reply the Secretary stated that "there is no police intelligence indicating that mainland visitors begging in Hong Kong are..... arranged by syndicates". As a matter of fact, it has been reported that these beggars would move from one district to another. May I ask the Secretary whether the phenomenon of beggars wearing the same style of clothing and holding the same earthen bowls really indicates no control by syndicates?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, according to police experience, beggars coming from the Mainland usually beg individually. There is not any case or evidence now indicating that they are controlled by syndicates. Nevertheless, the police will still pay great attention to the development of the current situation and conduct "organized crime" investigation once an increase in the number of such cases is detected. If Miss CHOY So-yuk has intelligence in this respect, I hope she can give it to us or to the police for follow-up. If Miss CHOY really saw groups of beggars wearing similar clothing were assigned to different districts such as Wan Chai and Central to engage in begging, she is welcomed to furnish the police with such intelligence.

PRESIDENT (in Cantonese): Miss CHOY, has your supplementary not been answered?

MISS CHOY SO-YUK (in Cantonese): *Yes, President, the Secretary has not answered my supplementary question. In fact, such a phenomenon was discovered by the police in Sha Tin and reported in the newspaper.*

PRESIDENT (in Cantonese): Miss CHOY, what is your follow-up question?

MISS CHOY SO-YUK (in Cantonese): *President, the Secretary has not answered whether these beggars are controlled by syndicates.*

SECRETARY FOR SECURITY (in Cantonese): Madam President, according to police information provided to me, for the time being, there is no evidence indicating that mainlanders begging in Hong Kong are controlled by syndicates.

DR KWOK KA-KI (in Cantonese): *President, the Secretary stated in the main reply that amongst the 100-odd persons arrested, only four were prosecuted. May I ask the Secretary whether the number of mainlanders begging in Hong Kong will be lowered as a result of strengthened prosecution?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, as to the question whether penalties, such as raising the penalty meted out by the Court or strengthening prosecution, will be able to deter mainlanders from begging in Hong Kong, I hold that this is multi-faceted and the situation cannot be changed simply by strengthening prosecution against them. However, Hong Kong is a community where the rule of law prevails, we thus will certainly prosecute people who have broken the law. Yet, as I have said just now, before instituting prosecution we have to ensure that it meets the policy of prosecution and there is sufficient evidence to do so. As to how to deter mainlanders from begging in Hong Kong, there are actually a number of methods that can reach the same goal. One of the penalties is to repatriate them to the Mainland and then notify the mainland public security authorities of their particulars, with a view to prohibiting them from re-entering Hong Kong within a certain period of time.

MR JAMES TIEN (in Cantonese): *President, in part (a) of the main reply the Secretary stated that only 131 persons had been arrested for begging this year, but I notice beggars begging everywhere on the street. May I ask the Secretary whether it is because the police have not instituted enough prosecution that resulted in only 131 persons being arrested for begging? Does the Secretary know how many persons are involved in begging activities now — are there thousands upon thousands or only a 100-odd such persons? Have all of them been arrested?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the number of persons arrested and the number of persons prosecuted are two different sets of figures. The 131 persons were arrested for begging on the street. The police would then check whether they were local citizens or mainlanders and they were all found to be mainlanders. The figure did not include local citizens arrested by us. With regard to the figure on prosecution, amongst the 131 persons arrested this year, only four were prosecuted. As to Mr TIEN's question, the police will not turn a blind eye to persons begging in Hong Kong, nor will they not arrest them. Police officers will take action to arrest them whenever the latter are found begging.

MR CHAN KAM-LAM (in Cantonese): *President, the interesting thing about the main question lies in the statement that "the activities of mainland beggar syndicates in Hong Kong have become increasingly vigorous since more citizens of mainland cities have been permitted to visit Hong Kong under the IVS". However, from the two figures provided by the Secretary in parts (a) and (c) of his main reply — the 10.18 million mainland visitors coming to Hong Kong between January and October 2005 and in part (c) of the main reply more than 4.5 million IVS mainland visitors coming to Hong Kong during the first 10 months of 2005, I can see that the phenomenon of begging brought by the IVS only accounted for a very small proportion. In other words, amongst the persons arrested for begging, the ratio of those coming to Hong Kong under the IVS to those coming to Hong Kong through other exit permits is 14:117. We thus should not have the impression that the IVS has led to vigorous begging activities. May I ask the Secretary whether discussions have been held with the relevant mainland authorities on the situations in which other exit permit holders begging or involving in other illegal activities in Hong Kong, and whether the issuance of exit permits has been subject to tightened control and review?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, Mr CHAN Kam-lam's analysis is very accurate. In other words, amongst the 131 persons arrested by us for begging in Hong Kong, the proportion of mainland visitors coming under the IVS was smaller than other categories of visitors. On the contrary, those visitors coming to Hong Kong on exit-entry permits with endorsement for visiting relatives, for example, accounted for a higher proportion. If we set aside the problem of begging, we have been collating statistics on mainlanders coming to Hong Kong to commit crimes. The statistics also confirm that the number of IVS visitors who have broken the law in Hong Kong is on average smaller than that of other mainland lawbreakers. In other words, the IVS has not made a great impact on public order in Hong Kong. In this regard, I can tell Mr CHAN Kam-lam and Members that we have been closely monitoring the situation and relevant information has been given to the mainland authorities responsible for issuing exit permits, which are the public security authorities. We hope that they can help us at the source by firstly monitoring more stringently the issuance of these exit permits, and secondly by scrutinizing more meticulously the applications from persons who have been repatriated to the Mainland for breaking the law in Hong Kong for re-entering Hong Kong within a certain time period.

MRS SELINA CHOW (in Cantonese): *President, the Secretary stated in both his reply to Mr CHAN Kam-lam just now and in the main reply that the authorities will establish an effective notification mechanism with the mainland authorities to strengthen the scrutiny. However, the Secretary said just now that these persons arrested for begging were repatriated to the Mainland because they had not done it with premeditation. Are these persons who begged without premeditation considered as lawbreakers? Have the authorities collated statistics on whether these persons repatriated to the Mainland have re-entered Hong Kong, and whether they are involved in begging activities again in Hong Kong?*

SECRETARY FOR SECURITY (in Cantonese): We did notify the relevant mainland authorities of this category of visitors. Despite the fact that we have not instituted prosecution, we do not want to see visitors coming from the Mainland or other places need to beg because they do not have enough travel expenses. I hope that the mainland authorities, when vetting and approving

two-way exit permits in future, can make sure that they have enough money to come and spend in Hong Kong. As to the second part of Mrs Selina CHOW's question, which is whether these persons who were repatriated for begging have applied for exit permits to come to Hong Kong again, I do not have this information at hand. Please allow me to go back and check whether we have such information. If such information is available, I will give a reply in writing. (Appendix III)

MISS TAM HEUNG-MAN (in Cantonese): *President, in reply to Mr CHAN Kam-lam's supplementary question, the Secretary stated that these repatriated persons are not allowed to re-enter Hong Kong for a certain period of time. May I ask how long this period of time is roughly? Moreover, will the authorities consider extending this period of time to make it more difficult for them to come to Hong Kong?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, maybe I have not made myself clear enough just now. The authority to control the exit of mainlanders is beyond the purview of the ImmD, but under that of the mainland public security authorities. We will notify the mainland authorities responsible for issuing exit permits, which are the public security authorities, of the particulars of these persons who have broken the law in Hong Kong. According to what the public security authorities have told us, these persons will be penalized according to the law they have broken in Hong Kong and be prohibited from re-entering Hong Kong by discretion of a period of one to five years. For less serious cases, the persons concerned may be prohibited from re-entering Hong Kong for one year. For serious cases, they may be prohibited from re-entering Hong Kong within five years.

PRESIDENT (in Cantonese): We have spent more than 17 minutes on this question. Last supplementary question.

MR LAU KONG-WAH (in Cantonese): *President, the Secretary stated that these persons, once they are found begging, will be arrested immediately by the police. Some of them will be prosecuted, while others will be repatriated.*

May I ask what the criteria are? In other words, is there a degree of seriousness for begging? Is it purely determined by whether it is premeditated, and how premeditation is determined?

SECRETARY FOR SECURITY (in Cantonese): First of all, it mainly depends on whether the act of begging is premeditated; secondly, whether it involves fraudulence. If one begged because he really did not have money and not even the money for food, this can be regarded as an example of extenuating circumstances. I hold that it has to be determined on a case by case basis.

PRESIDENT (in Cantonese): Fifth question.

Former Senior Staff of Statutory Regulators Taking up Outside Work

5. **MR KWONG CHI-KIN** (in Cantonese): *President, recently, a former senior staff member of the Hong Kong Monetary Authority (HKMA) joined a private bank after having left service for six months. Regarding former senior staff of statutory regulators taking up outside work after leaving service, will the Government inform this Council:*

- (a) of the present posts and numbers of senior staff of statutory regulators with remunerations equivalent to directorate civil servants, with a breakdown by institution;*
- (b) whether statutory regulators impose any regulations on the taking up of outside work by the former senior staff mentioned in (a) after leaving service; if so, of the details of the regulations and whether they are the same as those currently adopted by the Government for directorate civil servants; if there are no regulations or they are different, the reasons for that; and*
- (c) as the Government plans to implement from 1 January next year the modified policy and arrangements governing the taking up of outside work by directorate civil servants after leaving government service, whether the scope of such policy and arrangements will be extended*

to the senior staff of the regulators mentioned above; if not, the reasons for that and whether the Government will consider extending the scope?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President,

(a) There are currently 46 statutory regulatory boards and bodies on the list of public sector advisory and statutory bodies (ASBs). They comprise:

- 28 regulatory bodies, each responsible for regulating an industry or a sector of the economy in Hong Kong;
- 13 registration boards, each responsible for regulating a profession or trade by way of registering entrants to the profession or trade;
- three licensing boards, each responsible for regulating the licensing of premises or equipment for a specific purpose or function; and
- two supervisory boards, each responsible for supervising and monitoring a specific activity or range of activities.

Among these 46 statutory regulatory boards and bodies, two have senior staff with remuneration packages comparable to those of directorate officers in the Civil Service. They are:

- the Estate Agents Authority (EAA); and
- the Hong Kong Institute of Certified Public Accountants (HKICPA)

Another two regulatory boards and bodies which have senior staff with scope of duties and responsibilities comparable to those of directorate officers in the Civil Service are:

- the Mandatory Provident Fund Schemes Authority (MPFA);
and
- the Securities and Futures Commission (SFC).

The post title and number of major management staff of the above four regulatory boards and bodies are at Annex 1.

The HKMA is not a statutory body. The Financial Secretary has appointed the Monetary Authority (MA) in accordance with the Exchange Fund Ordinance to assist him in the performance of his functions under the Ordinance. Hence, the HKMA is not included in the list of public sector ASBs. This notwithstanding, the post title and number of staff at the top four levels of the HKMA are listed at Annex 2.

- (b) With the exception of the HKICPA, the other three statutory boards and bodies (that is, the EAA, MPFA and SFC) and the HKMA have all imposed rules on the taking up of outside work by their major management staff after leaving service, though the rules are different from those currently adopted by the Government for directorate officers. Details of the rules and reasons for the three regulatory boards and bodies to impose rules different from those of the Government are set out in Annex 3. Information relating to the HKMA is set out in Annex 4.

To summarize, the reasons for the three regulatory boards and bodies to impose different rules include that:

- the body is empowered by legislation to determine the remuneration, allowances and other terms and conditions of employment of their staff on their own (for example, the EAA); and
- they are independent statutory bodies.

The HKMA imposes different rules from those for the Civil Service because the terms and conditions of employment of their staff are different from those of civil servants.

The HKICPA has not imposed any rules on the taking up of outside work by its directorate officers after leaving service. As pointed out by the Institute, it is an independent statutory body incorporated under the Professional Accounts Ordinance, and the Institute's Council is empowered under section 18(1)(b) of the Professional Accountants Ordinance to determine the terms and conditions of employment of its staff.

- (c) The Government will not make it mandatory for all statutory regulatory boards and bodies to adopt the modified arrangements (to be implemented as from 1 January next year) governing the taking up of outside work by directorate officers in the Civil Service after leaving government service. Of the existing 46 statutory regulatory boards and bodies, only four have senior staff comparable to directorate officers. The responsible bureaux which oversee these four statutory regulatory boards and bodies may, having regard to the functions of these bodies, review whether it is necessary for them to follow the Government's modified arrangements governing the taking up of outside work by directorate officers after leaving government service and, where the relevant legislation permits, ask the bodies concerned to review the existing arrangements governing the departure of directorate officers from service.

Annex 1

Post Title and Number of Major Management Staff of the Regulatory Boards and Bodies in the "Advisory and Statutory Bodies" list

<i>Name of Body</i>	<i>Post Title</i>	<i>Number</i>
EAA	Chief Executive Officer	1
	Director of Regulatory Affairs and General Counsel	1
	Director of Operations	1
	Director of Services	1
	Total	4
HKICPA	Chief Executive and Registrar	1
	Executive Director	2
	Head of Compliance and General Counsel	1
	Director, Specialist Practices	1
	Total	5

<i>Name of Body</i>	<i>Post Title</i>	<i>Number</i>
MPFA	Managing Director	1
	Executive Directors	4
	Heads	3
	Total	8
SFC ¹	Chairman	1
	Executive Director	3
	Senior Director	7
	Chief Counsel	1
	Director	20
	Chief Information Officer	1
	Adviser	3
	Total	36

- ¹ The staffing and grading structure of the Commission are different from those of the Civil Service. The pay system of the Commission is not equivalent to that of the Civil Service and the remuneration of SFC staff is based on a "total cash package" concept with minimal fringe benefits. It is therefore not appropriate to equate senior officers of the Commission as civil service directorates. The information provided are the post and number of senior staff whose scope of duties and responsibilities are comparable to directorate grade in the Civil Service (as at 1 November 2005).

Annex 2

Post Title and Number of Staff at the Top Four Levels of the HKMA

<i>Post Title</i>	<i>Number</i>
Chief Executive Officer	1
Deputy Chief Executive	3
Executive Director	10
Division Head	27
Total	41

Note: The staffing and ranking structure of the HKMA are different from those of the Civil Service. The remuneration of HKMA staff is based on a "total package" concept with minimal fringe benefits. The HKMA offers no allowances such as housing allowance, annual leave passage allowance, local and overseas education allowance and school passage which are available to eligible staff in the Civil Service.

Annex 3

Regulations governing the Taking Up of Outside Work by Senior Staff of Regulatory Boards and Bodies in the "Advisory and Statutory Bodies" List after Leaving Service and the Reasons for Imposing Regulations Different from Those Currently Adopted by the Government for Directorate Civil Servants

1. *EAA*

(i) Details on the Regulations

- The Chief Executive Officer shall not take up employment of any nature with an estate agent company within four months immediately after the completion of his employment with the EAA.
- The three Directors shall not take up employment of any nature with an estate agency company within three months immediately after the completion of their employment with the EAA.

(ii) Reasons for Imposing Different Regulations

The relevant regulations are determined by the EAA in accordance with the power granted by section 11 of the Estate Agents Ordinance¹, having regard to the specific circumstances of the EAA.

2. *MPFA*

(i) Details on the Regulations

- Prior approval must be obtained if a staff member, within six months after leaving the service of the MPFA, wishes to take up work in Hong Kong that may constitute a conflict of interest with that of the MPFA. The work concerned may

¹ Under section 11 of the Estate Agents Ordinance, the Authority may determine the remuneration, allowances and other terms and conditions or its employees.

include the taking up of business/employment in the following forms:

- (1) entering into a business on his/her own account;
- (2) becoming a partner of a partnership;
- (3) becoming a staff of another organization, whether or not on a full time basis; or
- (4) being engaged or interested, whether as principal, agent, consultant or otherwise, in any business.

- The approving authorities are as follows:

- (1) Managing Director/Executive Director: the Management Board
- (2) All other staff: the Managing Director

- Furthermore, the Memorandum on Conditions of Service signed by staff joining the MPFA imposes contractual obligations not to disclose knowledge/information obtained in the course of performing his/her duties at the MPFA.

- Similarly, the confidentiality provision under the Mandatory Provident Fund Schemes Ordinance (MPFSO) (section 41) binds any person who obtains information in the exercise or performance of functions conferred or imposed by or under the MPFSO. Any person who at any time, without lawful authority, contravenes the section commits an offence and is liable on conviction to a fine.

(ii) Reasons for Imposing Different Regulations

The regulations are different from those of the Civil Service because the MPFA is a separate statutory body established under the MPFSO. The MPFA Management Board, with members

appointed by the Chief Executive of HKSAR, is the governing body responsible for determining the MPFA's policies.

3. *SFC*

(i) Details on the Regulations

- At present, sanitization requirements are applicable to Executive Directors (including the Chairman)². The current rules require the Executive Directors (including the Chairman) to obtain prior permission in writing from a committee, comprising all Executive Directors and Non-Executive Directors except the officer concerned, for an employment during a six-month post-termination period if the activities of the new employment have been the subject of any of the statutory functions of the SFC in the period of 12 months before and/or six months after departure.
- In addition, there is a "Confidentiality" clause in the employment agreement which requires SFC employees, including all directorate staff, to maintain secrecy of confidential information even after they leave the Commission. SFC staff are also bound by the secrecy provisions as set out in section 378 of the Securities and Futures Ordinance which impose statutory secrecy obligations on them.

(ii) Reasons for Imposing Different Regulations

The SFC is an independent statutory body. Its staff are not civil servants and are employed on different terms and conditions. The regulations on the taking up of outside work by Government for directorate civil servants are therefore not applicable to the Commission. In developing its policies on regulating the taking up of outside work by its former staff including directorate staff after they leave SFC, the Commission has already considered market practice and similar arrangements of other relevant organizations.

² According to section 2 of Part 1 or Schedule 2 of the Securities and Futures Ordinance, the Chairman of the Commission shall, by virtue of holding that office, be regarded as an executive director of the Commission.

Regulations on the Taking up of Outside Work by Staff at the
Top Four Levels of the HKMA after Leaving Service and the
Reasons for Imposing Different Regulations from those
Currently Adopted by the Government for Directorate Civil Servants

(i) Details on the regulations

An employee of the FIKMA at the level of Senior Manager to Deputy Chief Executive must obtain prior approval of the MA (that is, Chief Executive/HKMA), and in the case of the MA he must obtain the approval of the Financial Secretary, before he/she can:

- enter business on his/her own account;
- become a partner of a partnership;
- become a director of a company; or
- become an employee of another organization/corporation/firm, whether or not on a full time basis

in Hong Kong within six months from the termination of his/her employment with the HKMA.

(ii) Reasons for Imposing Different Regulations

The HKMA employs staff on terms different from those of the Civil Service in order to attract personnel of the right experience and expertise so that it can discharge its responsibilities effectively. As far as the policies and arrangements on post-termination employment are concerned, its objective is to avoid conflict of interest after taking into account relevant factors such as market practice and similar arrangements of other relevant organizations.

MR KWONG CHI-KIN (in Cantonese): *President, the Secretary mentioned in Annex 4 of the main reply that senior staff members (including the Chief Executive) of the HKMA must obtain prior approval before taking up any outside*

employment within the six-month post-termination period. In other words, no application for approval is required for taking up employment after they have left service for six months. However, as senior staff members of a regulator have access to a lot of sensitive and confidential information, is the sanitization period of six months adequate? According to the existing practice of the Government, an employee, upon termination of service, cannot take up outside employment within the first year after leaving service, and prior approval has to be obtained from the relevant committees if the employee wishes to take up employment in the second and third years. Will the HKMA extend the six-month sanitization period and set up a monitoring mechanism to pre-empt possible conflict of interest?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I would like to take this opportunity to explain to Members the practice of the HKMA in staff employment. Under the HKMA, there is a Governance Sub-Committee established under the Exchange Fund Advisory Committee (EFAC), and issues of remunerations and terms of employment fall within the purview of the Governance Sub-Committee and the EFAC. As for other financial bodies, such as the SFC and the MPFA, their arrangements in this respect differ slightly; these bodies are either monitored by a committee or their own management board. The EFAC of the HKMA is chaired by the Financial Secretary who will review the relevant regulations from time to time. I can explain to Mr KWONG that this committee will review the employment contract and terms of employment of its employees, as well as the sanitization period.

MR KWONG CHI-KIN (in Cantonese): *President, the Secretary has not answered my supplementary question. Six months is only a very short period of time, however, no mechanism is in place to monitor the situation once these six months have passed. In what ways could the authorities pre-empt the potential conflict of interest after the six-month sanitization period? I am not asking the conditions of service of employees.*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, regarding the potential conflict of interest, I am not sure whether Mr KWONG is referring to the disclosure of confidential information of

the HKMA by former employees to their new employers, if he is, he may note that staff members leaving the service of the HKMA are still bound by the confidentiality provision of the HKMA on non-disclosure of such information, where disclosure of such is an offence.

MR SIN CHUNG-KAI (in Cantonese): *President, my supplementary question is also on the case of the HKMA. Since the HKMA has once considered itself as the central bank, how the sanitization system adopted by the Government is comparable to the post-termination arrangement and the duration of sanitization of similar regulators like the central bank in Britain or the Federal Reserve Board of the United States? Is the six-month sanitization period a normal international practice?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, we have some information on Britain. As Mr SIN Chung-kai mentioned central banks earlier, I may perhaps cite the rules of the Bank of England to explain the case to Members. The Bank of England may require employees responsible for the handling of sensitive information to be transferred to less sensitive posts during the notification period. That is to say, upon the submission of the resignation letter, the employee concerned will be transferred to a less sensitive post; or, the employee will be required to cease executing his or her duties during the pre-resignation notification period, but be given his or her salary and benefits as usual. We have enquired about information in this respect. According to what we have obtained, unlike Hong Kong, they do not prohibit their employees from taking up post-termination employment in other companies within a certain period of time. Another example is the code of practice of the Financial Services Authority (FSA) in Britain. A restrictive provision is included in the employment contracts of the chairman, chief executive officer and the board of the FSA, preventing them from taking up employment in financial bodies or listed companies without prior approval within the first three to six months after leaving service. They are subject to the restriction for three to six months only. This is the information we have obtained from Britain.

MR WONG KWOK-HING (in Cantonese): *President, I would like to ask the two Secretaries via the President whether the Government will conduct a*

comprehensive review and set up an independent committee to review the duration of the sanitization period binding senior staff members of statutory regulators.

PRESIDENT (in Cantonese): Which Secretary will answer the question? Secretary for Home Affairs.

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, regarding the roles and functions of ASBs, the ever changing social need should certainly be catered for. Therefore, the entire process of the review of ASBs is a continuous one. In the past 12 months, we have been reporting to the Panel on Home Affairs the progress made in this respect. During the period, 14 interim reports have been submitted. The suggestion made by Mr WONG Kwok-hing earlier is very good. Pending the announcement of the entire package by the Civil Service Bureau on 1 January next year, we will examine whether the civil service package is also applicable to other ASBs. We will report the studies and process of review in this respect to the Panel on Home Affairs.

MR WONG KWOK-HING (in Cantonese): *President, the Secretary has not answered my question on the establishment of an independent committee.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, during the preliminary review, in particular the initial stage of the review of this issue, the Home Affairs Bureau will put forth some general views to the Panel on Home Affairs for discussion, and the Bureau will plan for the next step when it deems necessary.

DR KWOK KA-KI (in Cantonese): *President, I am very disappointed with the reply given by the Secretary for Financial Services and the Treasury just now. Actually, this issue has already aroused public concern. This is particular so in the case of the HKMA, a body which has access to a lot of sensitive information about Hong Kong, where its senior staff member has joined a private bank only*

six months after leaving service. As the Government will implement the arrangements for directorate civil servants from 1 January next year, may I ask the Secretary whether he will undertake to review the post-termination employment arrangement of employees of certain bodies, including the HKMA and the SFC, which have access to important information and are susceptible to possible conflict of interest?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, just as I have said earlier, the HKMA, SFC and MPFA will review the employment arrangement in this respect. I am not sure if Dr KWOK will be satisfied with this answer. If Dr KWOK still finds this unsatisfactory, I can only ask persons directly in charge of these bodies, such as the Financial Secretary, to write to Dr KWOK to reassure him. Is Dr KWOK satisfied with this answer?

DR KWOK KA-KI (in Cantonese): *President, I am satisfied. (Laughter)*

MISS TAM HEUNG-MAN (in Cantonese): *President, I would like to raise a question on the main reply of the Secretary. Secretary Dr Patrick HO said that a review would be conducted, is the HKICPA one of the targets of the review concerned? In the last paragraph of part (b) of the main reply, it is pointed out that the Institute had its own terms and conditions. Given this, will the Secretary review the arrangement of the HKICPA in this respect, and does the post-termination employment arrangement of the senior staff members of the Institute have to comply with the relevant rules governing civil servants?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I would also like to take this opportunity to explain the case. As Secretary Dr Patrick HO has said in the main reply, the HKICPA is in fact a professional body independent of the government structure. However, since the question mentions statutory bodies and that the HKICPA is also a statutory body, Secretary Dr Patrick HO therefore included the Institute in his main reply. In respect of the HKICPA, I believe no one knows better than Miss TAM that it is a statutory body for the self-regulation of the profession with its running cost contributed by its members. The work of the HKICPA does not

involve regulatory duties, and the relevant work is carried out by a Council. Though the Chief Executive of the Institute is a salaried office, all the decisions are made by the Council. It is owing to the scope of the question that Secretary Dr Patrick HO has included the HKICPA in his reply. I see no reason why the HKICPA should be subject to the regulation of the code of practice of civil servants.

PRESIDENT (in Cantonese): Last oral question.

Governance of Hong Kong International Theme Parks Limited

6. **MS MARGARET NG** (in Cantonese): *Madam President, in late 1999, the Government and The Walt Disney Company set up a joint venture company — the Hong Kong International Theme Parks Limited (HKITP) to build and operate the Hong Kong Disneyland. In its paper submitted to the Finance Committee of this Council for its meeting on 26 November 1999, the Administration stated that two non-executive independent directors mutually agreed by both shareholders would be appointed to the Board of Directors of HKITP. It has been reported that such appointments have yet to be made. Concerning the governance of HKITP, will the Government inform this Council:*

- (a) *of the reasons for its failure to-date to appoint the independent directors and not regularly keeping this Council informed of the progress in this respect;*
- (b) *of the action it has taken, since the establishment of HKITP, in regard to appointing the independent directors; and*
- (c) *whether, in accordance with the principles of transparency in and accountability for public finance, it will publish all the directors' reports and audited financial statements of HKITP since its establishment; if it will, of the timing for that; if not, the reasons for that?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, in 1999, the Government and The Walt Disney

Company (TWDC) formed a joint venture company, the HKITP, to develop and operate the Hong Kong Disneyland.

While the Hong Kong Disneyland Management Limited is responsible for the day-to-day operation of the theme park, the Board of HKITP exercises a supervisory role. The Board of HKITP currently has nine members. Five of them are appointed by the Government. They are the Financial Secretary, Secretary for Economic Development and Labour, Secretary for Financial Services and the Treasury, Secretary for the Environment, Transport and Works and Commissioner for Tourism. The other four members are appointed by TWDC. The Government and TWDC may, if they so agree, appoint up to two independent non-executive directors to the Board.

Upon the establishment of the HKITP, the Government and TWDC have discussed the question of the appointment of independent non-executive directors. We consider that the primary objective during the construction stage of the theme park is to ensure the timely completion of the works within budget. Other than monitoring the project through the Board, we also set up a Steering Committee on the Implementation of Hong Kong Disneyland under the chairmanship of the Financial Secretary, which meets monthly to monitor the progress and expenditure of the Government's infrastructure works, construction of the theme park and other complementary arrangements. Under the Steering Committee, a works progress committee was set up to monitor the progress of the construction of the theme park and the Government's infrastructure works and deal with works-related matters. The Disneyland Readiness Committee set up in May 2004 co-ordinated interfaces of the work of various stakeholders in preparation for the opening of the theme park and monitor works progress. In view of the focus of the construction stage, both parties agreed in 2000 that it was not the appropriate time for the appointment of independent non-executive directors. The Board of Directors decided in 2000 that the appointment of independent non-executive directors should be made at a later stage. The Government briefed the Economic Services Panel of the Legislative Council in October 2000 of this decision.

Under the supervision of the Board and the Steering Committee, the Hong Kong Disneyland was completed on time and within budget.

Now that the Hong Kong Disneyland has entered the operation stage, there is a wider spectrum of matters for the Board to supervise. In line with our

original plan, the Government considers it opportune now to consider the appointment of independent non-executive directors. The Government is in the process of discussing with TWDC the appointment of independent non-executive directors to the Board.

The HKITP is a private company, there is no requirement under the Companies Ordinance for a private company to publish its directors' reports and audited financial accounts. Although TWDC invests jointly with the Government in the HKITP, the Government has to respect the company's interests and its operation under commercial principles will not be compromised due to the disclosure of commercially sensitive information. As an international financial and business centre, we have to respect the right of a private company to protect its commercially sensitive information. The directors' reports and audited financial accounts of the HKITP contain commercially sensitive information regarding the operation of the Hong Kong Disneyland. In accordance with its way of commercial operation, TWDC would not disclose individual accounts of its theme parks. But being a listed company, TWDC will disclose information on the performance of its theme parks in its annual report.

MS MARGARET NG (in Cantonese): *Madam President, it should have been known a long time ago that the Hong Kong Disneyland will have entered the stage of operation by now. Why have the discussions on appointments been delayed until now? May I ask the Secretary whether any candidates have been identified? When will there be a decision? When will the appointments be announced?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, my thanks to Ms Margaret NG for asking this question.

As Members certainly know, the Hong Kong Disneyland started operation on 12 September this year. Since the Hong Kong Disneyland started operation, many incidents have occurred, so we think that it is now an appropriate time to appoint independent non-executive directors as originally planned. We are actually considering various candidates and have been discussing with TWDC over the past couple of months. But, as Ms Margaret NG is also aware, the

most important thing here is that any candidates must be accepted by both sides. For this reason, we must obtain the consent of TWDC. Once there is mutual consent, we will of course appoint the candidates concerned as directors and public announcements will also be made.

MS MARGARET NG (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. My question is on a timetable. In other words, when will there be a decision and announcement on the appointments?*

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

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, my reply is that we are already considering various candidates. This means that we have already identified certain candidates and we have also started discussions with TWDC on the appointment of independent non-executive directors. But the most important point is that we must first reach a mutual agreement before any announcement can be made. I can assure Ms Margaret NG that discussions are already underway and we are also studying the suitability of various candidates. I do not think that this will take too long. Lastly, I think what is most important is that we must select candidates who are agreed by both sides. Madam President, I hope that the result can be announced as soon as possible.

PRESIDENT (in Cantonese): Members, there are totally nine Members intending to ask supplementary questions. Therefore, will those Members having the chance to do so please be as concise as possible.

MR JEFFREY LAM (in Cantonese): *President, the HKITP is a private company, so I think the appointment of its non-executive directors must comply with commercial principles. In the process of appointing non-executive directors — who may as well be Legislative Council Members — care must be taken to avoid any conflicts of interests. As far as the appointment of non-executive directors is concerned, may I ask the Secretary what progress has been achieved and what kinds of candidates are preferred?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, as mentioned in my reply to Ms Margaret NG just now, since the HKITP is a private company operating on a purely commercial basis, we must consider the candidates' independence, integrity, capability and also past experience in public service and commercial operation. We will of course also consider their professional expertise and knowledge in other fields. Therefore, as I told Ms Margaret NG in my reply to her just now, having considered all these factors, we have in fact identified a number of suitable candidates. And, as Members all know, under the principles of commercial operation, the independent non-executive directors of a private company should be appointed by its board of directors. We will certainly follow this practice.

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

MR JEFFREY LAM (in Cantonese): *President, the Secretary has not answered the part of the question on conflicts of interests. I pointed out just now that non-executive directors should not be involved in any conflicts of interests.*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Thank you, Mr Jeffrey LAM.

Conflicts of interests are certainly a very significant factor in our consideration because this is actually implied by the title of independent non-executive directors. We will certainly consider this factor. While ensuring their independence and integrity, we will also ensure that there are no conflicts of interests of the future appointees.

MS AUDREY EU (in Cantonese): *President, my concern is about the various environmental problems arising from the operation of the Hong Kong Disneyland, especially those caused by its fireworks displays. May I ask the Secretary whether environmental protection is also a factor in considering the appointment of independent directors? In particular, will this factor be considered in the selection of candidates?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, I believe Ms Audrey EU should also know that apart from environmental protection, the HKITP must at the same time consider other aspects like commercial operation. Regarding environmental protection, there are already various statutory bodies and government authorities to effect monitoring, ensuring that all the standards are met. Therefore, as far as environmental protection is concerned, the Government has already put in place a supervisory framework. This is similar to asking whether we should do anything more to ensure labour welfare if we recognize the importance of labour issues. There are already the Labour Department and other government departments to monitor labour issues. That being the case, what we should do should be to ensure that there will not be any problems with other aspects of operation. For example, we should ensure that there is no squandering, and that the management of the company will remain sound. In spite of all this, we will appoint a maximum of two non-executive directors only. In conclusion, we will consider all factors, but we cannot possibly, as suggested by Ms Audrey EU, give sole consideration to environmentalism in the appointment of independent non-executive directors. My reply is that our consideration must be holistic. In other words, the board of directors will consider which candidates are most suitable for and useful to the company from the perspectives of its business needs, corporate governance and supervision.

MR FRED LI (in Cantonese): *President, there are also two directors among us. I very much agree, as pointed out in the Secretary's main reply, that the board of directors of the HKITP shall exercise a supervisory role. In the board of directors of the HKITP, five directors are appointed by the Government and four by TWDC. This means that the Government can actually play a very strong supervisory role. Of the five directors appointed by the Government, one is the Financial Secretary, three are Bureau Directors and one is a commissioner. All of them are themselves very busy, so can they still find time to attend board meetings? Can they fully discharge their supervisory duty?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, I think no matter how busy we are, we must still attend board meetings. And, just last month, I myself also came to the Legislative Council and spent a very long time on discussions about the various aspects of the Hong Kong Disneyland. We are very concerned about the

various issues in connection with the Hong Kong Disneyland. Mr Fred LI can actually see that the situation is described in detail in the main reply. Actually, Mr Fred LI, apart from attending board meetings, we have also been making many other efforts of our own accord. For example, the Steering Committee led by the Financial Secretary will hold a meeting at least once a month and under the Steering Committee, a number of subcommittees have been established to follow up problems and hold meetings with TWDC. Therefore, although it is specified that the board of directors shall hold at least four meetings a year — which we all attend, of course — we have not relied solely on these four meetings as a means of follow-up. As a matter of fact, we have been monitoring many day-to-day operational aspects of the Hong Kong Disneyland through our routine and regular contact with the management of TWDC.

MR FRED LI (in Cantonese): *President, the Secretary has not answered a simple part of my supplementary question. Do the government officials concerned attend board meetings?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, I do of course. *(Laughter)*

PRESIDENT (in Cantonese): Secretary, it seems that you have not answered Mr LI's supplementary question. He wants to know whether the several government officials concerned do in fact attend board meetings.

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Secretary Frederick MA also attends these meetings. We do attend these meetings. And, even if we may fail to turn up sometimes, we will still assign representatives to do so for us.

MS EMILY LAU (in Cantonese): *President, the last paragraph of the main reply makes reference to commercially sensitive information, and it is stated that "the Government has to respect the company's interests and its operation under commercial principles will not be compromised due to the disclosure of commercial sensitive information". President, we have asked various questions*

involving certain sensitive information, such as admission figures. Many people are very concerned about these figures because they can reflect the business situation of the Hong Kong Disneyland. Yesterday, the Hong Kong Disneyland announced that admission had exceeded its capacity, but it had refused to disclose such statistics prior to this. From the perspective of corporate governance, how can one possibly imagine that an organization can choose to do only those things it likes? How does the board of directors perform its supervisory role? Does it know that the Legislative Council and members of the public both hope that it can disclose certain information, instead of simply following its own liking, sometimes labelling certain information as confidential and refusing to disclose it or sometimes disclosing only such information that can work to its own benefit?

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, we do understand the desire of the Hong Kong community for more transparency. In other places, such as the United States, TWDC has never disclosed its admission figures as an established practice. But in Hong Kong, as Ms Emily LAU may remember, Don ROBINSON did disclose at a meeting of the Panel on Economic Services last month that the total admission figure from the day of opening to several weeks ago was over 1 million. With some calculations of their own, as I mentioned at that time, Members can actually know that the average daily admission was 14 000 to 15 000 people. The admission yesterday exceeded capacity, so Members will know that more than 20 000 people were admitted yesterday. I believe Members will appreciate that besides admission figures, other types of information are also considered sensitive. Honestly speaking, it is a private company operating under commercial principles and it is also our business partner, so it is very difficult for us to force it to disclose some commercially sensitive information in violation of its established principle. Madam President, I did explain this point when I replied to one of the questions in the last meeting.

MS EMILY LAU (in Cantonese): *President, the Secretary has not answered whether any information previously considered commercially sensitive has ceased to be so and can now be disclosed. In other words, he has not told us whether TWDC will stick to its present corporate governance and continue to disclose only such information it considers beneficial to itself. President, we in the Legislative Council are extremely confused.*

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

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, TWDC knows fully well that although it operates under commercial principles, we, including the Legislative Council, still hope that there can be more transparency. Therefore, despite its established practice of not disclosing admission figures, it has actually disclosed the relevant information in another form. We will continue to discuss with it in the hope of making it realize the desire for more transparency in Hong Kong. However, what is most important, I believe, is that from the disclosed figures, we can see that admission has been on the increase throughout. Nevertheless, we must after all recognize the fact that it is a private company, and that as a commercial centre, we cannot possibly force it to disclose certain figures. In the meantime, staff members of TWDC have already been attending meetings of the Panel on Economic Services. I hope that in the future, TWDC can disclose as much information to us as possible in other forms.

MR RONNY TONG (in Cantonese): *President, I wish to follow up the supplementary question asked by Ms Emily LAU, but I am not at all confused. Does the Government agree that since the money invested in the Hong Kong Disneyland is public money, the government officials concerned are not supposed to serve as directors in their personal capacity but should instead represent the Hong Kong Government and the people on the board? Provided that the principle of preserving commercial secrets is not violated, does the Government agree that it is obligated to disclose all other information, so that the Legislative Council and members of the public can check whether there are any reasonable returns for our investment in the HKITP? Besides, how can we possibly monitor this company in regard to other social issues, including labour problems? Does the Government agree that it has such an obligation?*

PRESIDENT (in Cantonese): Which Secretary is going to give a reply?

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Let me do so first and Secretary Frederick MA may perhaps say something more.

As directors appointed by the Government, we do have such an obligation. As rightly pointed out by Mr Ronny TONG just now, we have a very important obligation to discharge because the investment is funded by public money and we must ensure the proper use of all capitals. It is precisely for this reason that the HKITP is required to present budgets to the board of directors for vetting and approval. As mentioned by myself last time and a moment ago, we are very concerned about the question of money because we do not consider it appropriate to apply for any additional funding from the Legislative Council, even for the purpose of launching the Phase I expansion project currently under discussions. We must ensure that there can be enough operating revenue to fund the expansion project.

As regards the question of labour welfare and other issues mentioned by Mr Ronny TONG just now, we have of course been playing a monitoring role throughout. And, as I once mentioned, since we are directors, there is all the more reason for us to forbid any contravention of the law by the HKITP. Members can see that officials from the Labour Department, for example, have already visited the Hong Kong Disneyland several times for inspection and monitoring. As Members can learn from recent press reports, our requirements in respect of occupational safety and other areas are all very strict.

We do have an obligation to discharge and as I mentioned just now, we will attend board meetings. We have been making many efforts over the past few years. We have been checking the progress of certain issues on a monthly basis, and we have been doing so precisely because our duty, as rightly pointed out by Mr Ronny TONG, is to make sure that all works, expenses and progress can fully meet our requirements. I believe that the efforts we have made over all these years — from project finalization in 2000 to formal opening in 2005 — will constitute a record, and I believe no other Disneyland will do this. We do serve as directors of the HKITP as government officials and our mission is to ensure the proper use of public money.

As for reporting, we will of course also do so through the Legislative Council. For example, we have been reporting the progress at the meetings of the Panel on Economic Services, and just last month, representatives of TWDC were assigned to attend a meeting of the Panel and answer Members' questions. I believe that these channels can already enable us to report to Members.

Perhaps, Secretary Frederick MA may wish to add a few words.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, the reply of Secretary Stephen IP is already very detailed. The only point I wish to add is that as a director, I have always paid particular attention to the books. In other words, whenever a meeting touches upon accounting issues, I will scrutinize all the items carefully and ask detailed questions. I wish to assure Mr Ronny TONG that we will certainly discharge our duty as directors.

MR RONNY TONG (in Cantonese): *President, the Secretary has not answered a very important part of my supplementary question: Does the Government agree that providing there is no violation of commercial confidentiality, it should provide as much information as possible to facilitate the supervision of this company by the Legislative Council and members of the public?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, if Mr Ronny TONG's supplementary question is about the books

MR RONNY TONG (in Cantonese): *No, not about the books. I am referring to all sorts of information.*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Not about the books..... Okay. It is about all sorts of information.

PRESIDENT (in Cantonese): You two do not need to have any further exchanges. Mr TONG, I fully understand what you mean. Please be seated first. Secretary, you may give a reply on the books. As for other issues, Secretary IP will give his reply.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): In regard to the books, since this company is a private joint-venture instead of a listed company, or a statutory organization like the Airport Authority and the Kowloon-Canton Railway Corporation, which are wholly owned by the

Government, we should adhere to the terms and conditions of the joint venture. In other words, it is a private company and under the Companies Ordinance, a private company is not required to disclose its books for public information. Does Secretary Stephen IP have anything to add?

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

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I do understand that all the supplementary questions asked by Members just now are meant to ask for more transparency. As I mentioned just now, I also agree to this. But, most importantly, we must respect the fact that we are talking about a private company. TWDC is our partner in this case, owning almost 47% of the shares. If it has been following the long-standing practice of not disclosing certain information, then it is really very difficult for us, as its business partner, to request it to disclose any information it considers to be sensitive or prejudicial to its own interests. Therefore, what I meant in my reply just now is that as directors, our aim is to disclose as much as possible all the information which, in our eyes, is not considered by it sensitive. As I already mentioned when replying to Ms Emily LAU just now, TWDC has never disclosed any admission figures elsewhere, but here in Hong Kong, it has adopted an alternative approach of disclosing that there has been an average daily admission of 14 000 people over the past few months. I think this is already an improvement. I hope there can be further development in this direction.

PRESIDENT (in Cantonese): We have spent more than 24 minutes on this question. Last supplementary question.

DR LUI MING-WAH (in Cantonese): *President, generally speaking, in addition to monitoring corporate governance, independent non-executive directors of listed companies are mainly responsible for safeguarding the interests of minor shareholders. However, the case of the Hong Kong Disneyland is rather special because its major shareholder is the Government and government officials are in the majority on its board of directors. Therefore, it appears that the Government is able to have a firm grip on company governance. But the interesting problem is that the minor shareholder in this case is responsible for the day-to-day management and from its own standpoint,*

the minor shareholder will of course seek to safeguard its own interests as much as possible

PRESIDENT (in Cantonese): What is the supplementary question you wish to ask?

DR LUI MING-WAH (in Cantonese): *My supplementary is: In this very special case, what attributes does the Government expect from the appointees? What requirements has the Government set for prospective appointees? For example, will the Government appoint Mr Ronny TONG, Ms Emily LAU and Miss TAM Heung-man to the board of directors? (Laughter)*

PRESIDENT (in Cantonese): Which Secretary is going to reply?

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, regarding Dr Lui Ming-wah's supplementary question, I believe you will also agree that I have actually given a reply already. Members have in fact asked many questions on this and I have already replied that the non-executive directors we are looking for should be free from any conflicts of interests. Naturally, we will not appoint an independent non-executive director to check the interests of the minor shareholder (that is, TWDC) because we are presently talking about corporate governance. Besides, as I have mentioned, our selection will certainly be based on the candidates' experience in commercial operation. They must be well-versed in commercial operation. They must also be people of integrity and ability. And, records of public service are generally required. We will consider all relevant factors. But most importantly, we must not forget that we are talking about the appointment of independent non-executive directors. I think the adjective "independent" is very important here. We must ensure that the appointees are people of integrity and free from any conflicts of interests. I am not saying that there are any integrity problems with Legislative Council Members. I am simply emphasizing that we must consider all relevant factors, including the independence of appointees, principles of commercial operation, and so on.

PRESIDENT (in Cantonese): Oral questions end here.

WRITTEN ANSWERS TO QUESTIONS**Safety of and Facilities for Cycling Road Races**

7. **MR TIMOTHY FOK** (in Chinese): *President, as a cyclist was killed some time ago in a collision with a public light bus during a cycling road race, will the Government inform this Council of:*

- (a) *the measures to be taken in future cycling road races to prevent the recurrence of similar incidents; and*
- (b) *the currently permitted locations for holding cycling competitions, and whether additional cycling competition and training facilities will be provided; if so, of the details; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President,

- (a) As a recognized national sports association promoting cycling activities in Hong Kong, the Hong Kong Cycling Association (HKCA) is required to take appropriate safety measures for different cycling events and races in accordance with the safety requirements of the Union Cycliste Internationale in order to protect the safety of participating cyclists. To enhance the safety of cycling road races and to prevent the recurrence of similar accidents, the Administration is working with the Executive Committee of the HKCA in carrying out a thorough review of the existing arrangements for cycling road races. The purpose is to devise a safety plan so that cycling races can be conducted more safely in the future. Consideration will be given to selection of suitable road sections for races, feasibility of road closure, erection of traffic/warning signs, deployment of wardens and police officers of the Traffic Branch to provide assistance on site, and wider publicity of the race zone via the media. As in the past, the Administration will work closely with the organizers and support the local development of cycling as a competitive sport in a regulated and co-ordinated manner.
- (b) At present, sports centres, playgrounds and parks managed by the Leisure and Cultural Services Department are available for holding

various types of cycling events such as artistic cycling, cycle ball and BMX. Such venues include Lai Chi Kok Park, Chai Wan Park, Western Park, Kai Tak East and Cheung Fat Sports Centres. Track racing can be held in the velodrome located inside the Hong Kong Sports Institute. As for road races, there are no designated venues. The HKCA will give regard to the nature and requirement of the event and apply to the Government in using suitable road sections on Hong Kong Island, Kowloon and New Territories, such as Bride's Pool, Pak Tam Chung and Concorde Road in Kowloon City.

The Administration is currently discussing with the HKCA on proposals to convert the roller skating rinks at Kwok Shui Road and Tai Tau Leng, and the five-a-side football pitch on Kwai Shun Street into BMX venues.

Government Selection of Contractors to Undertake IT Projects

8. **MR SIN CHUNG-KAI** (in Chinese): *President, regarding the selection of contractors to undertake information technology (IT) projects, will the Government inform this Council:*

- (a) *of the numbers of contracts for IT projects awarded in each of the past three years and, amongst such contracts, the numbers of those awarded to the contractors whose bid prices were the lowest among all the bids that had fully met the technical specifications stipulated in the tender documents concerned; and*
- (b) *as more advanced technologies will bring more benefits for IT projects, such as longer serviceable lifespan and more room for future enhancement, how it assesses and compares the cost-effectiveness of the following two types of bids: those adopting more advanced technologies but have higher bid prices and those adopting less advanced technologies but have lower bid prices?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Chinese): President, in accordance with the Government Stores and Procurement Regulations, bureaux and departments (B/Ds) should normally award contracts to tenderers who fully meet the tender requirements and whose bid price is the

lowest. These requirements can cover both technical specifications and non-technical ones. For tenders where quality is of great importance, B/Ds can adopt a marking scheme taking into account both price and quality in the tender evaluation process. For all IT contracts awarded by the Government, they should fully meet the tender requirements stipulated in the tender documents concerned.

- (a) There were 287, 179, and 163 IT contracts awarded in the years of 2003, 2004 and 2005 respectively. However, since the tender requirements can cover both technical and non-technical specifications, we do not have ready information on hand concerning bids that meet the technical specifications and whose bid prices were the lowest.
- (b) In evaluating tenders for IT projects, B/Ds will assess the total cost of ownership, including the one-off expenditure and recurrent costs for support, maintenance, and so on. The benefits afforded by advanced technologies will have been taken into account in this process. Where the technical or non-technical quality of the tender proposal is considered important, the procuring B/D may also specify a marking scheme as part of the evaluation criteria. The general principle is that B/Ds should select the lowest acceptable bid, taking into account the total cost of ownership based on the tender price and any approved marking scheme applicable to the tender.

Collecting Used Clothes in Public Places

9. **MR HOWARD YOUNG** (in Chinese): *President, in recent years, an increasing number of metal cages are put in public places over a prolonged period for collecting used clothes, with banners hung around them appealing to the public to donate used clothes in the name of environmental protection and charity. Some members of the public consider that these metal cages have negative impacts on environmental hygiene and are eyesores, and suspect that they are placed by profit-making businessmen. In this connection, will the Government inform this Council of:*

- (a) *the total number of relevant complaints received by the authorities in the past three years, with a breakdown by their contents and the districts involved;*

- (b) *the number of applications received since January this year by the Lands Department (LandsD) for placing metal cages in public places to collect used clothes, and how the public can tell whether the activities of collecting used clothes have been authorized;*
- (c) *the number of prosecutions instituted against those who placed metal cages in public places to collect used clothes without authorization in the past three years, the charges laid against them and the number of convicted cases; and*
- (d) *the measures to strengthen the regulation of such activities?*

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

- (a) The LandsD received a total of 2 110 complaints in relation to on-street metal cages for collection of used clothes (used clothes collection cages) from 2003 to 30 November 2005. The breakdown of complaints by district is at Schedule 1.

The main reasons for the complaints are as follows:

- (1) street obstruction endangering the safety of pedestrians;
- (2) adverse impact on the environmental hygiene in the vicinity;
- (3) adverse impact on streetscape;
- (4) affect the business of the nearby shops; and
- (5) abuse of the goodwill of the public.

The complaints, being multiple and diverse, do not lend themselves easily to classification by a reason of single nature. Hence, no breakdown of the complaints by individual reasons is available.

- (b) From January to November this year, the LandsD received a total of 914 applications for placing metal cages on public streets. The breakdown of applications by district is at Schedule 2.

Individual/organization applicants are required, for the purpose of identification, to affix a copy of the authorization document in a conspicuous position on their used clothes collection cages to be placed on streets.

- (c) As the evidence available has yet to be adequate to justify prosecution, the LandsD did not initiate any prosecution action with regard to metal cages placed on public streets in the past three years. However, in 2005 the LandsD confiscated 95 unauthorized metal cages in 52 removal operations.
- (d) To improve street management, the District Lands Offices will take steps to introduce a plan to regulate the placing of used clothes collection cages. After consultation with other departments and District Councils concerned, designated locations will be allocated for placing such cages. The said arrangement will enable the LandsD to release more manpower for enforcement and removal operations against unauthorized used clothes collection cages. The communication and co-operation among different government departments, including the LandsD, the Food and Environmental Hygiene Department, the Hong Kong Police Force, the Home Affairs Department, and so on, will be enhanced, so that more joint actions will be taken against unauthorized placing of used clothes collection cages on street. It is hoped that by strengthening inter-departmental co-operation, more effective measures could be taken against unauthorized on-street cages to address the obstruction and environmental hygiene problems so caused and reduce the nuisance to the nearby shops.

Schedule 1

Complaints Received by the LandsD in Relation to Used Clothes Collection Cages

Breakdown of Complaints by District

<i>District</i>	<i>Number of Complaints</i>
Eastern District	572
Wan Chai	85
Central and Western District	171
Southern District	25

<i>District</i>	<i>Number of Complaints</i>
Kwun Tong	133
Wong Tai Sin	101
Kowloon City	471
Yau Tsim Mong	38
Sham Shui Po	73
Islands District	0
North District	45
Sai Kung	37
Sha Tin	116
Tuen Mun	16
Tai Po	70
Tsuen Wan	50
Kwai Tsing	67
Yuen Long	40
Total	2 110

Schedule 2

Applications received by the LandsD in relation to
the Placing of Used Clothes Collection Cages

Breakdown of Applications by District

<i>District</i>	<i>Number of Applications</i>
Eastern District	28
Wan Chai	14
Central and Western District	25
Southern District	16
Kwun Tong	57
Wong Tai Sin	80
Kowloon City	79
Yau Tsim Mong	51
Sham Shui Po	70
Islands District	1
North District	97
Sai Kung	58
Sha Tin	66
Tuen Mun	88

<i>District</i>	<i>Number of Applications</i>
Tai Po	24
Tsuen Wan	33
Kwai Tsing	60
Yuen Long	67
Total	914

Job Losses for Printing Industry

10. **MR WONG KWOK-HING** (in Chinese): *President, many members of the printing industry have reflected to me that the numbers of factories and workers in the industry have dropped continuously. They have said that under the existing procurement policy of the Government, many government printing jobs have been outsourced to non-local factories, resulting in a large number of unemployed printing workers. In this connection, will the Government inform this Council:*

- (a) of the number of factories in the printing industry, the number of workers employed as well as the unemployment rate in the industry in each of the past three years;*
- (b) of the number of local printing factories which relocated to the Mainland and the number of local printing workers who, as a result, had to work in the Mainland in each of the past three years, as well as the number of local printers which arranged for the relevant work to be carried out in the Mainland after they had successfully tendered for government printing jobs last year;*
- (c) of the respective numbers of printing-related government procurement contracts with a contract value of not more than \$1.3 million and \$1.3 million or above awarded to local and non-local printing factories, as well as the percentage of contracts awarded to local printing factories in all the relevant contracts in each of the past three years;*
- (d) of the measures to support the development of the printing industry in Hong Kong and to facilitate the employment of printing workers, as well as the effectiveness of such measures;*

- (e) *whether it will stipulate that a specified percentage of outsourced government printing jobs must be awarded to local printing factories, in order to support the development of the local printing industry; and*
- (f) *whether it will consider revising the existing marking scheme for assessing tenders pertaining to printing-related government procurement contracts, so that it will, apart from tender price, include new criteria for assessment, for example, requiring the relevant work to be carried out in Hong Kong and according priority to employing local workers, and so on, in order that more government printing contracts can be awarded to local factories and hence safeguard the employment of local printing workers?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President, first of all, I would like to point out that it is groundless to attribute the unemployment problem in the printing industry to the government procurement policy. Owing to the increasing use of electronic means, the value of government printing orders has decreased from about \$300 million in 2002-03 to \$230 million in 2004-05. Most of these printing orders are handled in-house by the Government Logistics Department (GLD). Outsourcing will be arranged only when the GLD does not have the necessary skills or machines. In 2004-05, about 22% of the total value of all printing services required by the Government was outsourced. This comprised about 3 300 printing jobs with a total value of \$50.8 million. According to the Annual Survey of Industrial Production conducted by the Census and Statistics Department (C&SD), the business receipt¹ of the printing, publishing and allied industries in 2004 was \$29,222 million. The value of government outsourced printing jobs therefore only accounts for about 0.17% of the business receipt of the printing sector. Given that outsourcing only constitutes a small proportion of government printing jobs and an insignificant proportion in the printing industry, any change in procurement policy is unlikely to have any significant impact on the employment situation of printing workers.

Our reply to the question raised by Mr WONG Kwok-hing is as follows:

¹ Business receipt refers to sales of goods, industrial work and industrial services, and other receipts.

- (a) According to the information provided by the C&SD, the number of establishments² in printing, publishing and allied industries, the number of persons engaged³ and the unemployment rate⁴ in the printing industry in the past three years are as follows:

<i>Period</i>	<i>No. of establishment*</i>	<i>No. of persons engaged*</i>	<i>Unemployment rate# (%)</i>
2002	4 698	39 981	6.7
2003	4 236	37 945	7.1
2004	4 228	36 831	5.9
2005 Q2	4 099	36 749	5.1

* Figures for 2002, 2003 and 2004 refer to the position as at end December of the respective years and figures for 2005 Q2 refer to the position as at end June 2005.

The unemployment rates for 2002, 2003 and 2004 are the annual average figures and the unemployment rate for 2005 Q2 is the moving quarterly average for the period April to June 2005.

- (b) We do not have any information on the number of local printing factories which had relocated to the Mainland, nor information on the number of printing workers who had to work in the Mainland as a result of the relocation in each of the past three years. We also do not have information on the number of local printers which arranged for the relevant work to be carried out in the Mainland after they had successfully tendered for government printing jobs last year. We do not require the successful tenderer to specify

² An establishment is defined as an economic unit which engages, under a single ownership or control, in one or predominantly one kind of economic activity at a single physical location, for example, an individual factory, workshop, retail shop and office. (Source from Quarterly Survey of Employment and Vacancies, C&SD.)

³ Persons engaged include :

- (i) all individual proprietors, partners and persons having family ties with any of the proprietors or partners and working in the establishment without regular pay, who are actively engaged in the work of the establishment for at least one hour on the survey reference date; and
- (ii) all full-time salaried personnel or employees and working directors of limited companies directly paid by the establishment, both permanent and temporary, who are either at work (whether in Hong Kong or outside Hong Kong) or temporarily absent from work (*viz.* those on sick leave, maternity leave, annual vacation or casual leave, and on strike) on the survey reference date. Part-time employees and employees on night/irregular shifts working for at least one hour on the survey reference date are also included. (Source from Quarterly Survey of Employment and Vacancies, C&SD.)

⁴ Unemployment rate in the printing industry refers to the proportion of unemployed persons with a previous job engaged in the printing industry in the corresponding labour force (which is the sum of the number of employed persons engaged and the number of unemployed persons with a previous job engaged in the printing industry). (Source from General Household Survey, C&SD.)

where the outsourced work is performed. Nevertheless, we are aware that most of our local contract suppliers of printing services have printing facilities located in Hong Kong.

- (c) The total number of printing-related contracts awarded by the Government in the past three years is as follows:

<i>Year</i>	<i>below \$1.3 million</i>	<i>at or above \$1.3 million</i>	<i>Value (\$) (in million)</i>
2002-03	4 000	11	61.5
2003-04	3 400	Nil	54.7
2004-05	3 300	Nil	50.8

All the above outsourced printing jobs were awarded to local printing service suppliers. We are aware that most of our local contract suppliers have printing facilities in Hong Kong. Given the small value of each printing order and the very tight delivery schedules, we have good reasons to believe that most orders were carried out in Hong Kong.

- (d) Based on information provided by the Trade and Industry Department, the Government has introduced some measures through the Innovation and Technology Fund and the SME Development Fund to support the development of the printing industry in Hong Kong. The Innovation and Technology Fund provided a grant of \$8.58 million to the Hong Kong Printers' Association and the Vocational Training Council to set up the Advanced Printing Technology Centre to provide demonstration of digital printing technology and production processes. The Centre helps to disseminate the latest technology trend in electronic publishing and digital printing to the local publishing and printing industry. The SME Development Fund provided a grant of \$1.4 million to the Graphic Arts Association of Hong Kong for production of a printing specification manual and a set of best practices for offset printing in Hong Kong. These have helped to establish benchmarks for the industry to make reference to. The measures have helped the industry to upgrade its capabilities and competitiveness which should in turn have facilitated the employment of printing workers.

- (e) Under the current policy, procuring departments are required to ensure that the tender specifications for goods and services to be procured are drawn up on the basis of functional and performance requirements. There should be no requirement for or reference to a particular brand, specific origin or service provider. In view of the motion passed at the meeting of the Legislative Council Panel on Manpower held on 17 November 2005 requesting the Government to review the government procurement policy under the World Trade Organization Agreement on Government Procurement and impose a requirement that priority be given to safeguarding the employment opportunities for local workers in government procurement of goods and services, we will consider in the context of the review whether it is appropriate to stipulate a specified percentage of outsourced government printing jobs to be awarded to local printing factories in order to support the development of the local printing industry.
- (f) As mentioned in part (c) above, given the small value of each printing order and the very tight delivery schedule, we believe that most of the government printing contracts are carried out in Hong Kong. Moreover, the small size of the Government's outsourced printing services has little impact on the unemployment situation in the printing industry. Nevertheless, we will consider in the review mentioned in part (e) above whether we should include the criteria of "local production" and according priority to employing local workers in the tender assessment requirements.

Tuckshops in Schools

11. **DR JOSEPH LEE** (in Chinese): *President, tuckshops in local primary and secondary schools provide snacks and cooked foods to students. In this connection, will the Government inform this Council:*

- (a) *of the number of primary and secondary schools with tuckshops, and the number of such tuckshops which offer cooked foods, including boxed lunches, sandwiches and noodles;*
- (b) *whether such tuckshops are required to hold a licence; if so, of the type of licence required, and how the authorities regulate the*

tuckshops holding that type of licence; if not, the reasons for that, and how the authorities ensure that such tuckshops provide quality and safe foods; and

- (c) *whether it has imposed restrictions on the types of foods sold at such tuckshops, with a view to cultivating balanced and healthy eating habits among students; if so, of the details; if not, the reasons for that, and whether there are any plans and measures to cultivate such habits among students?*

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

- (a) The Education and Manpower Bureau (the Bureau) does not possess detailed statistics on school tuckshops. According to a sample survey conducted recently, more than 90% of the secondary and primary schools in Hong Kong have a tuckshop. Of these, around 90% of the secondary and 40% of the primary schools have lunch boxes, sandwiches or noodles on sale.
- (b) The Food Business Regulation is not applicable to school tuckshops. Hence schools are not required to apply for a licence for their tuckshop under the Regulation, but they should observe the Bureau's related guidelines. Furthermore, for sale of restricted food items under the Food Business Regulation such as milk and frozen confections, permits from the Food and Environmental Hygiene Department should be obtained. To ensure that the restricted food items are sold in compliance with the Regulation, health inspectors will carry out regular inspections.
- (c) To cultivate good eating habits among students, the Bureau has issued guidelines on meal arrangements in schools, which include guidelines on items for sale at tuckshops. Schools are advised to be mindful of the nutritional value of items to be sold. Selling of "junk food" which is of little nutritional value should be reduced, and more healthy snacks should be sold such as fresh or dried fruit, soya milk, breakfast cereals and high fibre biscuits, and so on. The guidelines have been uploaded onto the Bureau's homepage for schools' reference: < <http://www.emb.gov.hk/index.aspx?nodeID=111&langno=1> > .

Personal Safety of Public Officers

12. **MS LI FUNG-YING** (in Chinese): *President, it was reported that five members of the Hawker Control Team under the Food and Environmental Hygiene Department were assaulted and injured in an operation to clear unlicensed hawkers in the middle of last month. Regarding the personal safety of public officers, will the Government inform this Council:*

- (a) *of the respective numbers of public officers who were assaulted and injured while performing duties in each of the past three years, with a breakdown by their departments, modes of employment and ranks; and the results of the follow-up actions taken regarding these cases;*
- (b) *whether there are measures to protect the personal safety of public officers performing duties; if so, of the details of such measures; and whether it has regularly reviewed the effectiveness of these measures; if it has not, of the reasons for that; and*
- (c) *whether it will introduce new measures to enhance the protection of the personal safety of public officers performing duties?*

SECRETARY FOR THE CIVIL SERVICE (in Chinese): President, the Government as a good employer attaches great importance to the safety and health of staff.

Heads of government bureaux and departments are responsible for putting in place an effective safety management system to ensure safety of staff at work. They have developed safety guidelines for compliance by staff. Depending on the specific operational circumstances, staff are provided with suitable training and protective equipment to reduce job hazards and prevent occurrence of accidents. There are established procedures for reporting and investigating incidents involving violence. Regular exchanges take place between the management and staff sides on any concerns about personal safety of staff at work through various communication channels, including the departmental consultative committees, departmental occupational safety and health committees, and various other staff consultative bodies. Collaborative efforts are made by both the management and staff sides to identify any real and potential threats or risks concerning personal safety of staff at work, and to make recommendations for improvement where warranted. Promotional activities are also organized to raise staff awareness in this respect.

At the service-wide level, the Civil Service Bureau, in conjunction with the Working Group on Occupational Safety and Health in the Civil Service (which comprises representatives of the Labour Department, the Occupational Safety and Health Council, staff sides of the four Central Staff Consultative Councils and the management of selected departments), have been promoting occupational safety and health in the workplace through various publicity and educational programmes. These include exhibitions, seminars, experience-sharing workshops, joint visits with the Labour Department to bureaux and departments, and production of guidelines and reference materials. Assistance in the form of financial support and consultancy service is given to bureaux and departments in developing and enhancing their safety management system and in organizing publicity and educational activities.

The Civil Service Bureau has also issued a circular setting out some useful points to assist bureaux and departments in compiling departmental guidelines for staff to deal with situations affecting their personal safety at work. Seminars such as "How to handle potentially violent clients" are held regularly to equip staff with the skills for handling real and potential threats or risks of violence at work, and to provide departmental management with guidelines in formulating precautionary measures and procedures to avoid violent incidents in the workplace.

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

- (a) According to the reports filed by bureaux and departments, there are 15 government departments with 2 110 cases of assaults and injuries sustained by government employees while performing duties during the period from 2003 to 2005 (up to 30 September 2005). Of these cases, 1 791 or 85% are related to law enforcement action taken by the Government. On average, about two thirds of these cases resulted in minor injuries requiring sick leave for three days or less. A breakdown of these cases by department, mode of employment and the rank of the officer (with a brief description of the nature of duties involved) is attached at the Annex.

As a general rule, every incident of assault is thoroughly investigated and, where appropriate, recommendations are made for preventive measures to be implemented. Immediate support, assistance and counselling service will be provided to staff and their families as required. The departments concerned will also report

the injury cases to the Labour Department in accordance with the Employees' Compensation Ordinance, and the assault cases to the police for investigation and prosecution action as appropriate.

(b) and (c)

The Government is fully committed to ensuring safety of staff at work. Safety management systems are in place to avoid and minimize job-related hazards. Preventive measures against potential risks at work are incorporated as part of standard workplace procedures and design. In the light of specific job nature and operational requirements, departments have also put in place different preventive measures which may be broadly classified into the following categories:

- (1) provision of departmental safety/operational guidelines/manuals, such as guidelines on "Personal safety of staff performing outdoor duties", "Handling customers with aggressive or violent behaviour", and so on;
- (2) provision of safety training, such as workshops and training courses on subjects including "How to handle confrontation", "Preventing and handling workplace violence", "Self defence" and "Breakaway techniques", "Resistance control", "Communication/Negotiation skills", "Conflict management", and so on;
- (3) implementation of safety measures for staff performing outdoor duties, such as monitoring system for staff to register (at the office or with their seniors) details of their whereabouts while on outdoor duties, paired or accompanied visits, provision of mobile phone, walkie-talkie and beat radio to enhance communication, regular patrols by supervisors to check the well-being of staff, and so on;
- (4) taking into account the safety of staff in the design of office layout for offices with frequent contact with the public, such as installation of double door system, tempered glass panel counter, CCTV system, intercoms for front-line staff to

communicate with supervisors, wireless alarm in interview rooms, separating the public and staff areas, and so on;

- (5) provision of personal protection equipment, such as packsets, batons, shields, OC Foam, personal panic alarm, striking pads, protective sleeves and restrainers, safety shoes and helmets, communication gears, portable transceivers, and so on; and
- (6) joint operations with security guards or the police, and conducting reconnaissance exercises, briefings and risk evaluation before the operations.

Regular reviews are conducted by bureaux and departments to ensure the effectiveness of the preventive measures. Enhanced safety measures are introduced as and when necessary. Listed below are examples of the enhanced safety measures that have recently been introduced or are about to be rolled out by individual bureaux and departments:

- (1) enhancement of security systems and improving the configuration of offices at high risk areas. For example, CCTV, access control system and metal detection system would be installed at a residential complex for children and juveniles managed by the Social Welfare Department for protection of staff and residents, and renovation works are being carried out in the Social Security Field Units to further improve the office layout and to ensure the safety of front-line staff;
- (2) conducting consultancy studies to review improvement measures on safety issues for specific grades and ranks of staff where their day-to-day duties are vulnerable to confrontational situations, such as hawker control teams of the Food and Environmental Hygiene Department;
- (3) provision of additional personal protective equipment to enhance staff safety; and
- (4) provision of refresher and new safety training courses for staff in the light of prevailing operational circumstances.

Annex

Cases of injuries^(Note 1) sustained by government employees
who were assaulted at work

<i>Bureau/ Department</i>	<i>Rank of injured officers</i>	<i>Terms of appointment (Note 2)</i>	<i>No. of officers injured</i>			<i>Duties performed at the time of injury</i>
			<i>2003</i>	<i>2004</i>	<i>2005 (Note 3)</i>	
Correctional Services Department	Chief Officer	A	0	1	0	- Performing custodial duties in maintaining discipline and order in prisons
	Principal Officer	A	1	3	2	
	Officer	A	2	0	2	
	Assistant Officer I	A	6	6	6	
	Assistant Officer II	A	12	21	5	
	Technical Instructor	A	1	1	0	- Instructing and supervising prisoners at workshops and maintaining discipline and order thereat
	Instructor	A	2	1	0	
Customs and Excise Department	Inspector of Customs and Excise	A	0	2	0	- Arresting suspects
	Chief Customs Officer	A	1	0	0	
	Senior Customs Officer	A	1	1	0	
	Customs Officer	A	10	9	14	
Department of Health	Clerical Assistant	A	1	0	0	- Maintaining the order of general out-patient clinics
	Property Attendant	A	0	1	0	
	Senior Dental Therapist	A	0	0	1	- Giving instruction to subordinate
Department of Health (For civil servants working in Hospital Authority)	Nursing Officer/Ward Manager	A	3	1	1	- Caring of patients
	Nursing Officer (Psychiatric)	A	4	3	2	
	Registered Nurse	A	0	2	3	

<i>Bureau/ Department</i>	<i>Rank of injured officers</i>	<i>Terms of appointment (Note 2)</i>	<i>No. of officers injured</i>			<i>Duties performed at the time of injury</i>
			<i>2003</i>	<i>2004</i>	<i>2005 (Note 3)</i>	
	Registered Nurse (Psychiatric)	A	8	8	5	
	Enrolled Nurse (Psychiatric)	A	11	14	2	
	Enrolled Nurse	A	2	0	0	
	Radiographer I	A	0	0	1	
	Health Care Assistant	A	15	16	7	- Caring of patients - Mediating staff conflicts
	Ward Attendant	A	3	6	3	- Caring of patients
	Workman II	A	3	6	3	- Performing ancillary work at wards and clinics
	Property Attendant	A	0	0	1	- Caring of patients
	Occupational Therapy Assistant	A	1	0	1	
	Artisan	A	0	0	1	
	Office Assistant	A	0	0	1	- Providing chits to patients for attending general out-patient clinic
	Various ward staff of Castle Peak Hospital and Siu Lam Hospital from Ward Managers (Psychiatric) to Workmen (breakdown by ranks for injured staff not readily available)	A	32	20	14	- Caring of patients
Drainage Services Department	Assistant Mechanical Inspector	A	1	0	0	- Supervising operation and maintenance of sewage treatment works

<i>Bureau/ Department</i>	<i>Rank of injured officers</i>	<i>Terms of appointment (Note 2)</i>	<i>No. of officers injured</i>			<i>Duties performed at the time of injury</i>
			<i>2003</i>	<i>2004</i>	<i>2005 (Note 3)</i>	
Environmental Protection Department	Environmental Protection Inspector	A	1	0	0	- Inspecting livestock farm wastewater treatment facility
Fire Services Department	Ambulanceman	A	13	18	17	- Handling drunken/emotional/mental patients
Food and Environmental Hygiene Department	Chief Health Inspector	A	0	1	0	- Supervising hawker control team against shop extension
	Health Inspector I	A	1	1	0	- Inspecting illegal import of meat and poultry - Inspecting market stall
	Principal Hawker Control Officer	A	2	2	0	- Prosecuting unlicensed hawkers/littering or spitting offenders
	Senior Hawker Control Officer	A	10	10	4	- Raiding operation against shop extension/street obstruction
	Hawker Control Officer	A	37	21	19	- Performing patrol duties
	Assistant Hawker Control Officer	A	87	131	93	- Carrying out licence inspection duties - Taking prosecution action against posting illegal bills
	Overseer	A	0	3	0	- Prosecuting littering offenders - Investigating complaints
	Senior Foreman	A	1	2	1	- Monitoring the performance of cleansing contractors - Performing special cleansing operation - Prosecuting littering offenders - Preventing illegal display of banners
	Foreman	A	2	8	4	- Prosecuting littering offenders - Performing market management duties
	Workman I	A	2	3	2	- Assisting in prosecuting unlicensed hawkers/littering offenders

<i>Bureau/ Department</i>	<i>Rank of injured officers</i>	<i>Terms of appointment (Note 2)</i>	<i>No. of officers injured</i>			<i>Duties performed at the time of injury</i>
			<i>2003</i>	<i>2004</i>	<i>2005 (Note 3)</i>	
	Workman II	A	2	1	0	- Performing cleansing duties
	Motor Driver	A	0	1	0	- Driving vehicle
	Pest Control Assistant (Trainee)	B	0	1	0	- Monitoring performance of contractor
	Contract Management Assistant	B	1	0	0	- Performing contract management duties
	Contract Workman	B	0	0	1	- Performing cleansing duties
Hong Kong Police Force	Various ranks of police officers mainly from Police Constables to Inspectors of Police (Breakdown by ranks for injured staff not readily available)	A	328	390	470	- Taking law enforcement action including conducting stop and search and arresting criminals
	Traffic Warden	A	7	3	3	- Taking traffic enforcement duties
Housing Department	Assistant Housing Manager	A	1	1	0	- Complaints investigation
	Housing Officer	A	3	2	1	- Serving notice of termination of tenancy to a tenant - Prosecuting public cleanliness offenders - Demolition of illegal structures in squatter area
	Senior Foreman	A	1	0	0	- Taking enforcement action against illegal hawkers
	Foreman	A	1	0	0	
	Estate Assistant	A	0	1	0	- Patrolling duties
	Contract Customer Services Assistant	B	0	1	0	- Counter work

<i>Bureau/ Department</i>	<i>Rank of injured officers</i>	<i>Terms of appointment (Note 2)</i>	<i>No. of officers injured</i>			<i>Duties performed at the time of injury</i>
			<i>2003</i>	<i>2004</i>	<i>2005 (Note 3)</i>	
Immigration Department	Senior Immigration Officer	A	0	1	0	- Taking law enforcement duties in relation to immigration matters
	Immigration Officer	A	0	1	0	
	Chief Immigration Assistant	A	1	2	2	
	Senior Immigration Assistant	A	1	2	4	
	Immigration Assistant	A	3	5	3	
Labour Department	Contract Clerk	B	0	1	0	- Counter work
Legal Aid Department	Assistant Clerical Officer	A	0	0	1	- Assisting in handling legal aid cases
Leisure and Cultural Services Department	Cultural Services Assistant II	A	0	1	2	- Maintaining order in libraries
	Assistant Librarian	B	0	0	1	
	Artisan	A	2	0	0	- Performing horticultural maintenance duties
	Amenities Assistant	A	2	2	0	- Performing parks/playground supervision duties
		B	0	2	1	
	Library Assistant	B	0	1	1	- Maintaining order in libraries
	Workman	A	0	2	1	- Performing horticultural maintenance duties
	Production Assistant	B	0	1	0	- Maintaining the order during the course of art performance
Social Welfare Department	Assistant Social Work Officer	A	2	1	0	- Conducting office interview with client - Providing direct service to victims of spouse battering and the families concerned - Providing services to children under care in Children's Reception Centre

<i>Bureau/ Department</i>	<i>Rank of injured officers</i>	<i>Terms of appointment (Note 2)</i>	<i>No. of officers injured</i>			<i>Duties performed at the time of injury</i>
			<i>2003</i>	<i>2004</i>	<i>2005 (Note 3)</i>	
	Social Work Assistant	A	2	0	1	- Conducting office interview with client - Supervising and providing training and counselling to persons under care in sheltered workshops and hostels
	Social Security Officer II	A	1	1	0	- Handling social security cases
	Senior Social Security Assistant	A	4	0	0	
	Social Security Assistant	A	3	2	0	
	Certificated Mistress	A	0	0	1	- Performing duties in boys' and girls' home
	Welfare Worker	A	0	0	1	- Performing duties in sheltered workshops and hostels
	Workshop Instructor III	A	0	1	0	
	Ward Attendant	A	0	0	3	
	Contract Social Security Assistant	B	1	0	1	- Handling social security cases
	Contract Community Work Organizer	B	0	3	1	- Supervising recipients of Comprehensive Social Security Assistance to carry out outdoor community projects
	Contract Employment Assistant Co-ordinator	B	0	2	0	- Handling social security cases

Notes:

1. Injuries are those reported to the Labour Department under the Employees' Compensation Ordinance.
2. Terms of appointment are divided into the following two categories:
 - A. Civil service terms (including permanent terms, agreement terms, probationary terms, month to month terms, and so on)
 - B. Non-civil service contract terms and others
3. Figure as at 30 September 2005.

Electricity Saving Measures of Government Offices

13. **MS AUDREY EU** (in Chinese): *President, according to the Government's reply to a written question last month, there were huge differences in the annual average per-sq-m amount of electricity consumed last year by the Government Offices in various districts. For example, the per-sq-m amount of electricity consumed by the Tuen Mun Government Offices was more than nine times that of the Canton Road Government Offices. In this connection, will the Government inform this Council of:*

- (a) the reasons for the huge differences in the per-sq-m amount of electricity consumed by various Government Offices;*
- (b) the gross floor areas of the offices in each Government Office and the number of staff accommodated therein; and*
- (c) the measures adopted by various Government Offices to save electricity?*

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

- (a) The energy consumption per unit area may be affected by many factors. It is not always appropriate to compare the energy consumption per unit area of two buildings. To monitor the energy saving performance, it is usually better to analyse the energy consumption figures of the same buildings in different periods, provided that there are no major activity changes in the buildings across the periods.

Major factors affecting the energy consumption per unit area include:

- number of staff and visitors flow — more staff members accommodated in a building and more people visiting the building (for example, public facilities in the building) usually increase the energy consumption per unit area;
- computer usage and special equipment within the buildings — a higher intensity of computers and network equipment

increases the per-sq-m consumption. Buildings accommodating offices that require special energy demanding equipment often consume more energy per unit area;

- level of usage — the operating hours of the offices accommodated in a building and occupancy rate of the building obviously affect the energy consumption in per-sq-m terms;
- mix of usage — different buildings may have different mix of usage, resulting in different energy consumption per unit area. Some are pure offices buildings. Some may have large conference facilities. Others may contain storage areas, laboratories and workshops;
- building location and orientation — a building near to the seashore may be able to use seawater-cooled air conditioning system, which is more energy efficient. A building tends to consume more energy if more windows are facing south or subject to direct sunlight;
- level of building services provision — buildings designed and built in earlier years tend to be less well provided with building services facilities. They usually consume less energy per unit area; and
- ratio of internal floor area to gross floor area — the ratio depends on the design of individual buildings. A building with a higher ratio of internal floor area tends to use more energy per unit of gross floor area.

The Canton Road Government Offices are in the process of being vacated for construction of a railway, hence the unusually low energy consumption rate.

- (b) The gross floor area and the number of staff accommodated in the major government offices buildings are set out in Annex.
- (c) Over the years, the Electrical and Mechanical Services Department has carried out around 230 energy audits on major public buildings

to identify and implement energy saving measures. Energy efficient florescence tubes (T8 and T5) and electronic ballasts have replaced less efficient lighting devices in virtually all government premises. Whenever technically feasible, energy efficient water-cooled air conditioning systems are gradually replacing less efficient air-cooled ones. Variable speed drives are also widely adopted in air-conditioning plants to reduce energy consumption under partially-loaded condition. Occupancy sensors and timer switches are also installed in some offices to automatically switch off lightings and air-conditioning when not in use.

Furthermore, departments have also been implementing energy conserving housekeeping measures, such as switching off lightings and computers when not in use, maintaining air-conditioning temperature at 25.5 degree Celsius, switching off some lifts during off-peak hours.

Annex

Gross Floor Area of and number of staff accommodated in major government offices buildings

<i>Venue</i>	<i>Gross Floor Area (sq m)</i>	<i>Estimated Number of Staff</i>
WANG CHEONG BUILDING	32 882	30
CANTON ROAD GOVERNMENT OFFICES	24 325	530
GOVERNMENT FLYING SERVICE HEADQUARTER	86 750	210
CUSTOM HOUSE, KWAI CHUNG	35 300	380
APB CENTRE	27 959	930
KWAI HING GOVERNMENT OFFICES	11 827	600
TUEN MUN GOVERNMENT STORAGE CENTRE	11 815	20
EX-ELECTRICAL AND MECHANICAL SERVICES DEPARTMENT HEADQUARTERS (CAROLINE HILL ROAD)	29 330	1 150
WEST KOWLOON REGIONAL POLICE HEADQUARTER	22 023	650
TSUEN WAN M/S CAR PARK BUILDING	11 653	220
EX-ELECTRICAL AND MECHANICAL SERVICES DEPARTMENT KOWLOON WORKSHOP	26 207	950

<i>Venue</i>	<i>Gross Floor Area (sq m)</i>	<i>Estimated Number of Staff</i>
OLD POLICE HEADQUARTER (CAINE HOUSE)	10 578	650
RUMSEY STREET MULTI-STOREY CAR PARK BUILDING	10 920	250
TAI PO GOVERNMENT OFFICES	7 611	480
NORTH POINT GOVERNMENT OFFICES	65 880	2 810
CENTRAL GOVERNMENT OFFICE	51 081	1 870
YUEN LONG DISTRICT OFFICE BUILDING	5 124	400
LEISURE AND CULTURAL SERVICES DEPARTMENT HEADQUARTER	20 477	980
MURRAY BUILDING	33 800	1 130
NEW TERRITORIES NORTH REGIONAL POLICE HEADQUARTER	23 381	1 260
WU CHUNG HOUSE	42 408	2 660
HARBOUR BUILDING	38 200	1 900
YAUMATEI CARPARK BUILDING	6 404	470
EASTERN LAW COURT BUILDING	15 894	800
SHATIN POLICE REGIONAL HEADQUARTER AND STATION	8 330	420
SOUTHORN CENTRE	38 226	1 420
MONG KOK GOVERNMENT OFFICES	12 330	550
KOWLOON GOVERNMENT OFFICES	13 109	900
QUEENSWAY GOVERNMENT OFFICES	70 460	4 070
SHA TIN GOVERNMENT OFFICES	25 039	1 650
TSUEN WAN GOVERNMENT OFFICES COMPLEX	41 154	1 000
CIVIL ENGINEERING AND DEVELOPMENT BUILDING	13 347	1 150
REVENUE TOWER	76 653	4 370
MURRAY ROAD MULTI-STOREY CAR PARK BUILDING	17 822	650
SAI KUNG GOVERNMENT OFFICES	12 339	430
TOKWAWAN MARKET AND GOVERNMENT OFFICES	6 341	330
WANCHAI TOWER	49 116	1 590
TRADE DEPARTMENT TOWER	18 013	800
KOWLOON EAST GOVERNMENT OFFICES	7 784	550
GOVERNMENT LOGISTICS CENTRE	34 324	200
TV HOUSE	10 655	317
CHEUNG SHA WAN GOVERNMENT OFFICES	41 800	2 840

<i>Venue</i>	<i>Gross Floor Area (sq m)</i>	<i>Estimated Number of Staff</i>
NORTH DISTRICT GOVERNMENT OFFICES, FAN LING	10 660	490
YUEN LONG GOVERNMENT OFFICE AND TAI KIU MARKET	13 632	760
CENTRAL GOVERNMENT PIER	3 768	300
TUEN MUN GOVERNMENT OFFICES	13 522	470
IMMIGRATION TOWER	76 453	4 180
HONG KONG OBSERVATORY HEADQUARTER	5 576	310
BROADCASTING HOUSE	6 231	560
AIR TRAFFIC CONTROL COMPLEX AND TOWER	12 507	380
FIRE SERVICES HEADQUARTERS BUILDING	10 000	530
BACKUP AIR TRAFFIC CONTROL COMPLEX AND TOWER	4 091	10
HOMANTIN GOVERNMENT OFFICES	16 502	1 350

Minimizing Abuse of Public Hospital Services

14. **DR KWOK KA-KI** (in Chinese): *President, the "Building a Healthy Tomorrow — Discussion Paper on the Future Service Delivery Model for our Health Care System" published in July this year recommended that the Government should review the fees and charges of accident and emergency (A&E) service and specialist out-patient service of public hospitals, such that hospital services will not cost significantly less compared to a family doctor's service. This step is essential towards minimizing the unnecessary attraction for patients to utilize public hospital services. In this connection, will the Government inform this Council:*

- (a) *of the criteria adopted by the Hospital Authority (HA) for calculating medical costs, and how the HA estimates its expenses and the amount of deficits for the coming five years;*
- (b) *of the fees and charges, costs and the relevant calculation methods of the services provided by the public medical system, including those of the A&E service, general and specialist out-patient services, in-patient service and surgery; patients' average length of stay in hospital, broken down by specialty, type of surgery and disease;*

- (c) *how the information mentioned in (b) compares to that of the services provided by the local private medical system and by overseas public and private medical systems; and*
- (d) *of the plans and incentives to encourage the public to reduce abusing public hospital services, take out medical insurance voluntarily, and turn to private clinics or private hospitals for treatment?*

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

- (a) The HA calculates the costs of its medical services by taking into account all operating costs for providing such services, including staff, drugs, supplies and consumables, the allocated costs of clinical and administrative supporting services, and the cost of supporting services provided by government departments. The capital costs of hospital building facilities are not taken into account.

The Government and the HA are reviewing the long-term funding mechanism for public hospital services, taking into account the recommendations of the Health and Medical Development Advisory Committee in their report entitled "Building a Better Healthy Tomorrow" on the future service model of medical services. The HA will work to maintain its overall expenditure at the existing level; however, given the possible changes that may arise in the funding mechanism, the HA is not in a position to project its financial position in five years.

- (b) The fees and unit costs of the HA's in-patient services by major specialties, specialist out-patient services by major specialties, A&E services and general out-patient services in 2004-05 are set out in the table below. Statistical data on the average length of stay by operation or disease are not available.

<i>In-patient Services</i>	<i>Daily Maintenance Fee (\$)</i>	<i>Cost per Patient Day (\$)</i>
Medicine	100	2,890
Surgery	100	4,170
Obstetrics and Gynaecology	100	4,610

<i>In-patient Services</i>	<i>Daily Maintenance Fee (\$)</i>	<i>Cost per Patient Day (\$)</i>
Orthopaedics and Traumatology	100	3,540
Paediatrics	100	4,250
Psychiatrics	68	1,420
Clinical Oncology	100	2,430

<i>Specialist Out-patient Services</i>	<i>First/Follow-up Attendance Fee (\$)</i>	<i>Cost per Attendance (\$)</i>
Medicine	100/60	1,220
Surgery	100/60	820
Obstetrics and Gynaecology	100/60	580
Orthopaedics and Traumatology	100/60	620
Paediatrics	100/60	900
Psychiatrics	100/60	780
Clinical Oncology	100/60	970

<i>Other Ambulatory Services</i>	<i>Attendance Fee (\$)</i>	<i>Cost per Attendance (\$)</i>
A&E	100	700
General Out-patient Clinic	45	250

- (c) The HA has not conducted any comparative studies on the fees and unit costs of its services with the local private medical system or with overseas public and private medical system.
- (d) The Administration does not have an enumerated policy at this time for encouraging the public to procure medical insurance. In respect of the use of private medical services, we are conducting a new round of review of public medical fees with a view to targeting government subsidies to patients and services most in need as well as redressing the imbalance between the private and public medical sectors.

Illegal Entrants Seeking to Serve Imprisonment Terms in Hong Kong

15. **MR MA LIK** (in Chinese): *President, on 1 September this year, a Vietnamese carrying three bullets was arrested at Man Kam To while attempting to enter Hong Kong illegally. When making a plea in mitigation through his lawyer at the trial, he claimed that he had carried the bullets to ensure that he*

would be jailed in Hong Kong, so that he could receive assistance in drug withdrawal. In this connection, will the Government inform this Council of:

- (a) *the number of illegal entrants arrested in each of the past three years who stated that they came to Hong Kong with a view to serving imprisonment terms here, with a breakdown by their nationalities, reasons for hoping to be jailed (for example, for the earnings from work, medical treatment or drug withdrawal in prison) and means of entry; and*
- (b) *the measures adopted to curb the illegal entry of foreigners seeking to serve imprisonment terms in Hong Kong and the effectiveness of such measures?*

SECRETARY FOR SECURITY (in Chinese): President,

- (a) The vast majority of illegal immigrants (IIs) arrested in the past three years were from the Mainland and Vietnam. They entered Hong Kong illegally either by sea or by land (see relevant statistics at Annex). We do not speculate on II's purposes of entry nor have we kept statistics according to the purposes of their entry, but we have been monitoring the situation where IIs claimed or were alleged to have come to Hong Kong for the purpose of seeking imprisonment.
- (b) We have closely monitored IIs' means of entry and their *modus operandi* so as to ensure that all anti-II measures will remain effective at all times. Apart from regular liaison with the relevant mainland authorities with a view to curbing the entry of IIs effectively, we have also brought to the attention of the Vietnamese Government the trend of Vietnamese IIs so that appropriate actions can be taken at their end. Overall, the number of IIs entering Hong Kong has been decreasing in recent years. There is no indication that cases in which IIs claimed or were alleged to have come to Hong Kong for the purpose of seeking imprisonment are becoming a trend. Nevertheless, we will continue to give particular attention to such a matter.

Annex

Number of IIs Arrested

Year		2003	2004	2005 (January to November)
The Mainland	By Sea	1 298	1 318	1 057
	By Land	2 511	1 581	986
	Sub-total	3 809	2 899	2 043
Vietnam	By Sea	86	98	140
	By Land	79	66	192
	Sub-total	165	164	332
Total		3 974	3 063	2 375

Reprovisioning of Government Secretariat

16. **MR LEE WING-TAT** (in Chinese): *President, will the Government inform this Council:*

- (a) *as the authorities intend to relocate its staff currently working in the Government Secretariat, which comprises the Main Wing, East Wing and West Wing of the Central Government Offices and the Murray Building, to the proposed new Central Government Complex at Tamar, of their plan to dispose of the current site of the Government Secretariat, and whether they will redevelop the site; and*
- (b) *when redeveloping the above site, whether the authorities will impose any restrictions on the land use, building height and development intensity of the site on the grounds of over-intensified development and excessive traffic load in Central at present, as well as the site having a unique cultural and historical value?*

CHIEF SECRETARY FOR ADMINISTRATION (in Chinese): President,

- (a) Subject to funding approval from the Finance Committee of the Legislative Council, the Tamar development project proposed to be relaunched is expected to commence in 2007 and complete in 2010 at the earliest. As there is considerable time before the relocation

of the Government Secretariat from the Central Government Offices and the Murray Building to Tamar, the Administration considers it inappropriate to decide on the future use of the present site of the Government Secretariat at this early stage.

- (b) According to the approved Central District Outline Zoning Plan No. S/H4/12, the site of the present Government Secretariat is zoned "Government, Institution or Community". Should there be any proposal for rezoning, the Administration will follow procedures as stipulated in the Town Planning Ordinance, and publish the rezoning proposal in the newspaper and the gazette notice for public inspection and comment. After considered thoroughly views expressed by the District Council, district organizations, professional bodies and individuals, the Town Planning Board will make recommendation to the Executive Council for a final decision on the proposed rezoning. In the process, the Administration will have to assess and provide justifications for the proposed development of the site, having regard to the proposal's planning and engineering feasibility; as well as the impacts on transport, environment and infrastructure. Special aspects of individual proposals, including cultural value considerations, would also be taken into account.

Controlling Unlicensed Hawkers

17. **MR ALBERT CHAN** (in Chinese): *President, in reply to my question at this Council meeting on 23 June last year, the Government said that arrest action with subsequent prosecution was the most effective way to deal with unlicensed hawking activities as this would bring such activities to an immediate halt, and the staff of the Food and Environmental Hygiene Department (FEHD) could also forfeit the equipment and commodities of the hawkers. However, I note that unlicensed hawking activities have shown no sign of declining in recent years. Regarding the cost-effectiveness of controlling unlicensed hawkers, will the Government inform this Council:*

- (a) *of the total public expenditure on controlling unlicensed hawkers, the number of prosecutions instituted against them and the average amount of public funds spent on each prosecution in the year 2004-05; and*

- (b) *whether it will reconsider using less costly ways in taking enforcement actions against unlicensed hawkers, such as issuing fixed penalty notices in place of summonses; if so, of the relevant details; if not, the reasons for that?*

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

- (a) In 2004-05, the total expenditure incurred by the FEHD on hawker control work (including managing licensed hawkers, patrolling hawker black spots and taking enforcement action against unlicensed hawkers) was \$789.9 million. During the same period, a total of 21 744 prosecutions were instituted against unlicensed hawkers. As hawker control expenditure covers not only prosecutions against unlicensed hawkers but also other types of work, the cost of each prosecution is not available.
- (b) For most cases, the FEHD officers take action in accordance with the Public Health and Municipal Services Ordinance (Cap. 132) to arrest unlicensed hawkers who will be taken to a police station where charges will be laid against them. The FEHD is also empowered under the law to seize the equipment and commodities of the unlicensed hawkers during arrest. Upon conviction of the offences, the Court may order the seized equipment and commodities to be forfeited.

Arrest action with subsequent prosecution will bring unlicensed hawking activities to an immediate halt and the equipment and commodities of the unlicensed hawkers may be forfeited. Therefore, we consider that this is a more effective way to deal with unlicensed hawking activities as compared to fixed penalty.

People Buying Drugs for Self-treatment

18. **MR ANDREW CHENG** (in Chinese): *President, according to a household health survey jointly conducted by the Department of Health (DH) and the Faculty of Medicine of the University of Hong Kong, around 40% of people will buy drugs at pharmacies for self-treatment when they feel unwell. In this connection, will the Government inform this Council:*

- (a) *of the existing channels through which the public can obtain information about diseases and drugs, as well as the manpower and financial resources deployed for providing such information in the last financial year;*
- (b) *whether it will allow drug dealers to advertise drugs with proven clinical efficacy, so that the public may know about the efficacy of the drugs;*
- (c) *of the current number of retail pharmacies where drugs are dispensed by registered pharmacists and its percentage in the total number of retail pharmacies and drug stores; whether it has assessed the supply and demand situation of registered pharmacists and formulated the relevant training programmes accordingly; and*
- (d) *whether it will strengthen public health education so that the public have a basic understanding of diseases, thus refraining from buying drugs at pharmacies for self-treatment when they have contracted highly infectious diseases, which may cause delay in treatment and lead to the spread of the disease in the community; if so, of the details of the relevant education work; if not, the reasons for that?*

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

(a) and (d)

The DH currently disseminates information about healthy lifestyles and diseases through the media and various channels, including public education on the mode of transmission, symptoms and prevention of common communicable and non-communicable diseases and the need to seek medical consultation when not feeling well, to the general public and people with special needs. The channels for information dissemination include television and radio announcements of public interests (APIs), press briefings, press releases and media interviews, displaying posters and distributing leaflets on public transport, border control points, public/private housing estates and medical institutions and clinics; organizing and

participating in large-scale exhibitions; assisting non-governmental organizations in arranging relevant talks and exhibitions; and uploading relevant information onto the websites of the DH and the Centre for Health Protection, the 24-hour Health Education Hotline, and so on.

Regarding drugs, the DH provides basic information about various drugs and general drug administration through its website, complemented by the production and distribution of leaflets. Topics ranging from the safe use of drugs to the proper use of antibiotics are covered.

To better prepare the public for the outbreak of influenza pandemic, the DH has been working with the Information Services Department (ISD) in recent months to step up relevant health education and to provide the public with timely and appropriate information for the prevention of seasonal and avian influenza, including public education on the need to seek medical consultation as soon as possible once influenza symptoms have developed.

The DH and the ISD will continue with their efforts in the promotion of public health education and enhance their publicity work on specific diseases and use of drugs which are of concern to the public. Preparatory work for publicity is also in hand to produce television and radio APIs and publications to promote information regarding prevention and treatment of diseases as well as healthy lifestyle.

As far as public hospitals are concerned, the Hospital Authority (HA) provides information about diseases and safe use of drugs directly to its patients mainly through the doctors and nurses. The HA and public hospitals from time to time organize educational and publicity activities such as the Patients Referral Scheme on Drug Compliance and Counselling Services, education talks on drugs, production of promotional posters and leaflets, as well as launching a drug education website.

The DH's efforts on public health education are primarily co-ordinated and taken care of by its Central Health Education Unit (CHEU). In the financial year 2004-05, CHEU, with a total of 65

staff, spent around \$18 million. In the same year, the ISD spent \$1.15 million on public health education. The HA is unable to single out the manpower and financial resources allocated for public health education as the work involves the participation of a large number of front-line health care personnel.

- (b) Drug advertisements are not prohibited under the existing legislation, but such advertisements must not be in contravention with the provisions of the Undesirable Medical Advertisements Ordinance, under which advertising of claims for any medicine with regard to its administration of high-risk diseases or bodily conditions is prohibited or restricted. The object of this Ordinance is to safeguard public health by preventing the public from self-treatment of high-risk diseases or bodily conditions, which may cause delay in seeking medical consultation.
- (c) Under the Pharmacy and Poisons Ordinance, all pharmacies are required to have a registered pharmacist under their employment while medicine companies are not subject to such a requirement. This is because medicine companies are not allowed to sell drugs that require the supervision of a registered pharmacist, including prescription drugs. At present, there are 463 pharmacies and 3 070 medicine companies in Hong Kong. The former account for 13% of the total number of both pharmacies and medicine companies. Hong Kong currently has 1 583 registered pharmacies. The Administration will review the demand and supply of pharmacists in Hong Kong from time to time, so that local universities can take it into account in planning their relevant academic programmes. Each year about 30 local graduates and 30 overseas graduates are registered as pharmacists in Hong Kong.

Total Maintenance Scheme

19. **MR LEUNG YIU-CHUNG** (in Chinese): *President, the Hong Kong Housing Authority (HA) plans to launch the Total Maintenance Scheme (the Scheme) in January next year to carry out inspections and repairs for more than 600 000 public rental housing (PRH) flats. The Housing Department (HD) will dispatch In-flat Inspection Ambassadors (IIAs) to tenants' flats to carry out in-flat inspections. It has been reported that tenants will be required to*

shoulder the expenses for repairing the fixtures inside their flats which they damaged and they will incur seven penalty points under the Marking Scheme for Tenancy Enforcement in Public Housing Estates if they refuse IIAs entry to their flats for inspections. In this connection, will the Government inform this Council:

- (a) whether clear guidelines have been drawn up for distinguishing the damage to the fixtures inside PRH flats caused by the tenants from that due to natural wear and tear; if so, of the details of the guidelines and whether they will be made public;*
- (b) of the mechanism for resolving the disagreements between the HD and tenants over the sharing of repair expenses, as well as the measures to assist those tenants who cannot afford such expenses;*
- (c) of the specific arrangements for IIAs' entry to PRH flats for inspections; and how it will be ensured that no undue inconvenience is caused to the tenants; and*
- (d) whether tenants of PRH flats will be consulted on the penalty clause for refusing IIAs entry to their flats for inspections; if not, of the reasons for that?*

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

President, my reply to the four-part question is as follows:

- (a) The sharing of responsibility over fixture damage inside public housing flats has been a well-established practice. The Scheme to be introduced in January 2006 will operate on the basis of this practice. Broadly speaking, the HA will shoulder the responsibility for repairing and maintaining the major provisions inside the flats, the water and power supply and drainage systems (including replacement of fresh water pipes, mending of leaking pipes and damaged wooden doors) as well as problems concerning building structure (such as concrete spalling). For damage caused by improper use or reasons other than natural wear-and-tear such as cracking of glass or breaking of kitchen fixtures, the responsibility for repairs rests with the tenants. To help tenants understand their responsibilities for maintenance and repairs, we have categorized

the various types of fixtures and clearly set out the maintenance and repair responsibility for each item. The relevant guidelines are posted in the main lobby of all public housing estates for tenants' information.

- (b) The Scheme aims at providing prompt and timely maintenance service through proactive and comprehensive inspection to ensure proper upkeep of the facilities of rental flats and the common areas in public housing estates. Should disagreements arise between the HD and tenants over the responsibility of individual repair items, we will, in the interests of tenants' safety and environmental hygiene, undertake the necessary repairs first and recover the costs afterwards. At the same time, we will assign senior technical officers to make professional judgement on the allocation of repair responsibility and discuss with the tenant concerned with a view to reaching a consensus.

For tenants who cannot afford the repair expenses, the HA will work out with them the most appropriate arrangements and assistance needed in the light of actual circumstances.

- (c) Before the inspections, the IIAs will liaise with the tenants on the appropriate date and time for them to enter the flats to carry out the checks and maintenance.
- (d) Refusing the entry of HD staff or representative for repairs within the HD's purview is a misdeed item under the Marking Scheme for Tenancy Enforcement in Public Housing Estates implemented since August 2003. Offenders will be allotted seven points. On the other hand, refusing the entry of IIAs for inspections is not a misdeed attracting penalty points at present. Through timely identification of the maintenance requirements of public housing flats, the Scheme will work to the mutual benefit of both the tenants and the HA. Thus, the vast majority of tenants should be willing to co-operate. Moreover, the HD will seek to accommodate the circumstances of individual tenants as far as possible when drawing up the inspection arrangements. After implementation of the Scheme next year, we will, if necessary, review the various arrangements in the light of actual circumstances and operational experience.

Disallowing Consumption of Shark's Fin Dishes

20. **MISS CHOY SO-YUK** (in Chinese): *President, it has been reported that the University of Hong Kong disallows serving shark's fin dishes in all on-campus restaurants, regardless of whether or not they have been outsourced. Moreover, should shark's fin dishes be offered at banquets held by the university, it will not pay for the consumption of the shark's fin. Similar practice has also been adopted by large enterprises such as Swire Properties Limited and The Hong Kong and Shanghai Banking Corporation Limited. In this connection, will the Government inform this Council whether the Government, as the largest organization in Hong Kong, will follow the above practice; if so, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Chinese): President, the Government of the Hong Kong Special Administrative Region (SAR) is committed to protecting endangered species. We spare no efforts in enforcing the requirements of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) by imposing strict control on the trade in endangered species through the Animals and Plants (Protection of Endangered Species) Ordinance (the Ordinance). Any regulated species listed by the Conference of the Parties to the CITES will be correspondingly brought under regulatory control of the local legislation. At present, three species of sharks are listed as endangered species (that is, the CITES Appendix II species) by the CITES, and their import and export are subject to strict control of the Ordinance. Persons who do not comply with the requirements of the Ordinance will be prosecuted.

For sharks not listed as regulated species by the CITES, their international trade and consumption are not subject to the control of the CITES. As such, the consumption of shark fins from such species in Hong Kong is also not regulated by the local legislation.

The SAR Government strictly follows the requirements of the CITES and the local legislation. We will not impose additional regulation to restrict the Government's internal consumption of certain legal products because of the views or opinions of individual organizations. As such, we have not drawn up guidelines to restrict the types of food to be served at official banquets. We also have no plan to promote against the consumption of shark fins that are not regulated by the CITES.

BILLS**First Reading of Bills**

PRESIDENT (in Cantonese): Bill: First Reading.

EMPLOYMENT (INCREASE IN PENALTY FOR OFFENCES UNDER SECTION 63C) BILL 2005

CLERK (in Cantonese): Employment (Increase in Penalty for Offences under Section 63C) Bill 2005.

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

Second Reading of Bills

PRESIDENT (in Cantonese): Bills: Second Reading.

EMPLOYMENT (INCREASE IN PENALTY FOR OFFENCES UNDER SECTION 63C) BILL 2005

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, I move the Second Reading of the Employment (Increase in Penalty for Offences under Section 63C) Bill 2005 (the Bill). The Bill proposes to raise the maximum penalty for wage offences under section 63C of the Employment Ordinance from the existing fine of \$200,000 and imprisonment for one year to a maximum fine of \$350,000 and imprisonment for three years, in order to enhance the deterrent effect and stem wage offences.

Under the existing provisions of the Employment Ordinance, wages shall become due on the expiry of the last day of the wage period. An employer should pay wages to an employee as soon as practicable but in any case not later than seven days after the end of the wage period. Under section 63C of the Employment Ordinance, any employer who wilfully and without reasonable

excuses contravenes such stipulation commits an offence and is liable to a fine of \$200,000 and imprisonment for one year upon conviction.

Despite the employees' right of wage payment being protected under current provisions, wage defaults still happen frequently. In recent years, wage defaults by employers have become a significant cause for labour disputes and claims handled by the Labour Department. While non-payment and under-payment of wages accounted for 27% of all labour cases in 2000, the proportion climbed to 34% in 2004 and 36% in the first 10 months of this year. The spate of catering establishments closing business and defaulting on payment of wages earlier this year has heightened public concern about the need for more effective sanctions under the Employment Ordinance against employers evading the liability of wage payment. In this regard, the Government will not turn a blind eye to the problem. We are determined to combat wage offences by taking a multi-pronged approach.

We have substantially reinforced law-enforcement and patrolling efforts. Ex-senior police officers experienced in criminal offence investigation have been recruited to strengthen our ability in collecting intelligence and investigation. We will make all-out efforts to combat problematic establishments, instruct employers to fulfil their liability to employees, and prosecute companies and directors who have breached the law. In addition, we will strengthen our efforts in promotion and education, with a view to urging employees to report wage defaults promptly and reminding employers of their wage payment obligations.

In tandem with the above law-enforcement initiatives, we propose to amend the Employment Ordinance to increase the penalty for wage defaults, with a view to enhancing the deterrent effect to unscrupulous employers. The proposed amendments have already been endorsed by the Labour Advisory Board and the Legislative Council Panel on Manpower. We hope that by raising the penalty, we can send a clear message to unscrupulous employers that the Government will make all-out efforts to combat wage offences so as to ensure that the basic rights of employees are protected.

Madam President, the Government takes a serious view on the issue of wage defaults. I urge Members for the early passage of the Bill.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Employment (Increase in Penalty for Offences under Section 63C) Bill 2005 be read the Second time.

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

Resumption of Second Reading Debate on Bills

PRESIDENT (in Cantonese): We will resume the Second Reading debate on the Revenue (Personalized Vehicle Registration Marks) Bill 2005.

REVENUE (PERSONALIZED VEHICLE REGISTRATION MARKS) BILL 2005

Resumption of debate on Second Reading which was moved on 4 May 2005

PRESIDENT (in Cantonese): Mr CHAN Kam-lam, Chairman of the Bills Committee on the above Bill, will now address the Council on the Committee's report on the Bill.

MR CHAN KAM-LAM (in Cantonese): Madam President, as Chairman of the Bills Committee on Revenue (Personalized Vehicle Registration Marks) Bill 2005 (the Bills Committee), I would like to submit the report to the Council and explain to Members the deliberations of the Bills Committee on some important points.

First of all, the purpose of the Revenue (Personalized Vehicle Registration Marks) Bill 2005 (the Bill) is to amend the Road Traffic Ordinance and the Road Traffic (Registration and Licensing of Vehicles) Regulations in order to implement the Personalized Vehicle Registration Marks (PVRMs) Scheme proposed by the Financial Secretary in the 2004-05 Budget.

The Bills Committee have held in-depth discussions on the various arrangements for the Scheme at a number of meetings. Some members have expressed great concern about the enforcement problems and safety implications

for road users brought about by a combination of up to eight characters consisting of letters of the alphabet and numerals intermingled in a PVRM. The Bills Committee has also discussed with the Administration the proposed provision which will empower the Commissioner for Transport to recall a PVRM after allocation under certain circumstances. The Administration has then accepted the Bills Committee's suggestion that if a recalled PVRM is revived for sale again in future, the previous owner will be given priority with regard to the allocation of the PVRM. The Administration will also move a Committee stage amendment in order to stipulate such an arrangement in the Bill. The Bills Committee has also actively exchanged views with the Administration on the proposed arrangements concerning the proposal in the Bill to reserve certain registration marks.

Besides, the Bills Committee has also discussed with the Administration whether the implementation of the PVRMs Scheme will impact on the auctions of ordinary vehicle registration marks and special vehicle registration marks, thereby reducing the income of the Lotteries Fund. In the light of members' concerns and proposals, the Administration has agreed to use the proceeds from the Scheme for poverty alleviation purpose and will annually set aside an amount equivalent to the estimated net proceeds from the sale of PVRMs in the Draft Estimates in the next five years.

In response to the Bills Committee's request, the Administration has promised to state in the resumption of the Second Reading debate that a review will be conducted one year after implementation and it will also follow up with other major concerns raised by members. The Bills Committee has noted and agreed to the Committee stage amendments proposed by the Administration.

Madam President, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) supports the Bill and its amendments. We agree that this Scheme is innovative and attractive to the public. Besides, we are glad to see that the Government has promised to set aside an amount equivalent to the estimated net proceeds from the sale of PVRMs in the next five years to fund poverty alleviation initiatives. However, I also expressed concerns about possible infringement on trade marks when the Bill was being scrutinized by the Bills Committee. According to the Government, the possibility of this happening was very small. But we still think that we should sound a note of caution. Meanwhile, we are also of the view that due to the various combinations in PVRMs, new issues concerning law enforcement may arise.

So, we propose that the Government pay attention to possible enforcement problems after implementation of the Scheme and step up its education efforts, such as advising the police officers on how to identify non-compliant vehicles when taking law-enforcement actions. Besides, public education in relation to identification of vehicles, apart from relying on the vehicle registration marks, should be promoted as there are many other ways. We should inform the public what to do in order to help the police trace non-compliant vehicles so as to minimize the impact on law enforcement by the Scheme. I hope the Government can, from time to time, take note of the views expressed in the community in connection with the matter. Thank you, Madam President.

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

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

(No Member indicated a wish to speak)

DEPUTY PRESIDENT (in Cantonese): If not, I now call upon the Secretary for Financial Services and the Treasury to reply. This debate will come to a close after the Secretary for Financial Services and the Treasury has replied.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Deputy President, the Revenue (Personalized Vehicle Registration Marks) Bill 2005 (the Bill) seeks to give effect to the Personalized Vehicle Registration Marks (PVRMs) Scheme announced by the Financial Secretary in the 2004-05 Budget. The Bill shall amend the Road Traffic Ordinance and the Road Traffic (Registration and Licensing of Vehicles) Regulations, so as to, in addition to the existing arrangements for allocating and auctioning vehicle registration marks (VRMs), introduce the PVRMs Scheme, thus enabling vehicle owners to design the combinations of numbers for their own VRMs.

Since the tabling of the Bill, the Chairman and many members of the Bills Committee have carefully scrutinized the Bill during the past few months and put forward many valuable suggestions. I would like to take this opportunity to thank Mr CHAN and other members.

In order to provide vehicle owners with more diversified choices of VRMs and add to the attraction of VRMs, the Transport Department (TD) will relax the restrictions on the format of VRMs for vehicle owners who participate in the PVRMs Scheme. In other words, subject to approval by the Commissioner for Transport and going through the auction process, vehicle owners may use the VRMs chosen by themselves, and such PVRM combinations may comprise up to eight letters of the alphabet, numerals and blank spaces.

(THE PRESIDENT resumed the Chair)

Under the proposed scheme, after the applicants have submitted applications for PVRMs, the TD will make arrangements for examining the applications and holding ballots. After applicants whose applications are successfully balloted have paid a deposit of \$5,000, approved PVRMs will be auctioned, and such PVRMs will be allocated to the highest bidders in the auctions. The upset price is \$5,000. If the applicant cannot secure the relevant PVRM, he will be refunded the deposit paid previously. A PVRM will be transferable together with the vehicle to which it is assigned.

We stipulate that PVRM combinations must comply with all the specified conditions, and such combinations

- (1) must not cause law-enforcement problems;
- (2) must not cause a reasonable person to believe that the vehicles bearing them belong to or the persons using the vehicles represent the Government of the Hong Kong Special Administrative Region (SAR), any country or the government of any country, an international organization in which the SAR Government participates, the offices of the Central People's Government in the SAR, or any public body in the SAR;
- (3) must not be offensive to good taste or decency, offensive to a reasonable person, refer to a triad title or nomenclature or have a

triad connotation, or be confusing for law enforcement, or detrimental to road safety; and

- (4) must not duplicate existing VRMs or be of a similar pattern to existing forms of VRMs or permit/licence numbers and they must not duplicate the marks reserved for certain types of vehicles, such as marks with the prefix or suffix "AM".

The Commissioner for Transport will examine the PVRM applications with the assistance of the Hong Kong Police Force, the Home Affairs Bureau, other relevant departments and persons from non-government organizations.

After a PVRM has been allocated, the TD may recall a VRM should it be found afterwards to have violated the situations specified in the Bill such as certain restrictions mentioned by me just now, such that it is not appropriate or no longer appropriate for use as a VRM. However, the vehicle owner may appeal to the Administrative Appeals Board in relation to the decision.

Madam President, members have raised concern for certain issues during the scrutiny of the Bill. For example, a member had expressed the worry that the Scheme might cause law-enforcement problems or affect the safety of road users. I would like to take this opportunity to explain that, ever since the conceptual stage of this project (that is, the PVRMs Scheme), both the Hong Kong Police Force and the TD have already been involved to ensure that the Scheme can completely comply with law enforcement and road safety requirements. The Hong Kong Police Force have also explicitly said that the Scheme will not cause any enforcement problem. Their explanation is, in law enforcement, they do not solely refer to the VRM of a vehicle, but also other particulars of the vehicle, such as the type, make, model and colour, which will be cross-checked with the registration record of that vehicle as contained in the vehicle licensing computer system of the TD, in order to assist police officers in the detection of certain crime cases. The Hong Kong Police Force will also ensure that sufficient training is provided to front-line police officers, so as to enable them to handle the relevant matters adequately. The TD will also reject the applications of some PVRMs which may cause enforcement problems. We shall review the PVRMs Scheme after it has been implemented for one year, so as to ensure that it will not cause any road safety problems.

Some members thought that the recall of PVRMs in the light of certain circumstances could be both unfair and unreasonable to the holders. They also suggested that the authority of the Government to recall PVRMs should be subject to a time limit. Some members were of the opinion that if the circumstances under which a PVRM was recalled subsequently changed so that the authorities thought that the PVRM concerned could be "revived" for sale by auction, then the previous PVRM holder should be accorded the priority to buy it back.

We think that the Government must have the arrangement in place for recalling the PVRMs under certain circumstances, we also do not agree to setting a time limit for recalling PVRMs because certain PVRMs, which are acceptable at the time of allocation, may no longer be so over time. It is therefore necessary to empower the Commissioner for Transport to recall expeditiously those PVRMs which are no longer appropriate. The Commissioner for Transport will refund to the holder of the PVRM recalled an amount equivalent to the auction price of that PVRM. We have provided an appeal mechanism to holders of the PVRMs recalled so as to ensure that they would be accorded fair treatment.

With regard to the proposal on the priority for buying back the PVRM, the Government considers it reasonable. We shall suggest that, if the authorities consider that a certain recalled PVRM is suitable for sale again by auction, the Commissioner for Transport will inform the previous holder of that PVRM beforehand, so as to let him have the opportunity to decide whether he would like to buy back that PVRM. If he does not buy back the PVRM within a specified period of time, the PVRM will be put on sale by an open auction. I shall move a Committee stage amendment to make a proposal on the relevant arrangements.

Some members proposed that proceeds from the PVRMs Scheme should be paid into the Lotteries Fund or should be spent on measures implemented for assisting the needy. In this connection, the Financial Secretary had announced at the end of May this year that he would set aside an amount equivalent to the estimated net proceeds from the sale of PVRMs in the next five years to fund poverty alleviation initiatives.

Some members suggested that the TD should provide vehicle owners with a more convenient, one-stop notification mechanism to enable them to report changes in personal particulars to all relevant departments. In this connection, the TD will consider ways to streamline the existing procedures to provide vehicle owners with greater convenience in reporting changes in personal particulars. Some other members suggested that vehicle owners should be given more choices in the font types and sizes of letters and numerals to be displayed on vehicle licence plates. As this suggestion involves the regulatory matters of all VRMs, I have referred it to the Environment, Transport and Works Bureau for comprehensive consideration and examination to see whether there is any room for making changes.

Besides, some members suggested that, VRMs comprising the letters "ZG" and other related VRMs should be reserved for use by vehicles of the People's Liberation Army Military Force in Hong Kong Special Administrative Region. We agree to this suggestion and will propose amendments in this regard.

Madam President, the PVRMs Scheme introduced by the Government can open up new sources of income on the one hand, and can give vehicle owners on the other an opportunity to exercise their creativity, thereby tailor-making some VRMs with special meanings for their own vehicles. Similar schemes have been implemented in many parts of the world and they are all operating very smoothly.

If the Bill is passed, the TD and other relevant departments will proceed expeditiously with all the necessary preparatory work required for implementing the PVRMs Scheme, including upgrading the vehicle licensing computer system of the TD, formulating the work flow and details, and so on. The TD will announce shortly the details and points to note for PVRM applications, and will start receiving applications from members of the public in the second quarter of 2006.

Madam President, the Bills Committee has indicated its support for resumption of the Second Reading of the Bill. I hope Honourable Members will support the Bill.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Revenue (Personalized Vehicle Registration Marks) Bill 2005 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): Revenue (Personalized Vehicle Registration Marks) Bill 2005.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

REVENUE (PERSONALIZED VEHICLE REGISTRATION MARKS) BILL 2005

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Revenue (Personalized Vehicle Registration Marks) Bill 2005.

CLERK (in Cantonese): Clauses 1, 2, 5 to 8, 11 to 14, 16 to 29 and 31 to 42.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): Clauses 3, 4, 9, 10, 15 and 30.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam Chairman, I move the amendments to the clauses read out just now as printed in the paper circularized to Members.

With regard to the amendment to clause 9(b), as I pointed out earlier in moving the Second Reading of the Bill, the Government agreed with the proposal made by members of the Bills Committee of reserving vehicle registration marks consisting of "ZG" and the relevant specified vehicle registration marks for the Hong Kong Garrison of the People's Liberation Army. In this connection, relevant provisions will be incorporated into regulation 11 of the Road Traffic (Registration and Licensing of Vehicles) Regulations. Moreover, as I mentioned earlier in moving the Second Reading of the Bill, the Government will propose an amendment under paragraph (g) to clause 10 of the Bill to provide the right of first refusal to the previous owner of a recalled PVRM.

The amendments to clauses 3, 4, 10 and 15 are technical amendments providing for the right of first refusal. We will also introduce an amendment to clause 30 of the Bill to reserve PVRMs of three or four identical letters for sale by auction at the Commissioner for Transport's discretion.

These proposed amendments are introduced at the request of members of the Bills Committee. I hope Members will support the amendments proposed by the Government. Thank you, Madam Chairman.

Proposed amendments

Clause 3 (see Annex)

Clause 4 (see Annex)

Clause 9 (see Annex)

Clause 10 (see Annex)

Clause 15 (see Annex)

Clause 30 (see Annex)

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendments moved by the Secretary for Financial Services and the Treasury be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the amendments passed.

CLERK (in Cantonese): Clauses 3, 4, 9, 10, 15 and 30 as amended.

CHAIRMAN (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

CHAIRMAN (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CHAIRMAN (in Cantonese): Council now resumes.

Council then resumed.

Third Reading of Bills

PRESIDENT (in Cantonese): Bill: Third Reading.

REVENUE (PERSONALIZED VEHICLE REGISTRATION MARKS) BILL 2005

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

Revenue (Personalized Vehicle Registration Marks) Bill 2005

has passed through Committee with amendments. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Revenue (Personalized Vehicle Registration Marks) Bill 2005 be read the Third time and do pass.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

CLERK (in Cantonese): Revenue (Personalized Vehicle Registration Marks) Bill 2005.

MOTIONS

PRESIDENT (in Cantonese): Motion. Proposed resolution under the Dutiable Commodities Ordinance.

PROPOSED RESOLUTION UNDER THE DUTIABLE COMMODITIES ORDINANCE

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I move that the motion under my name, as printed on the Agenda, be passed to extend the existing concessionary duty rate of \$1.11 per litre for ultra low sulphur diesel (ULSD) to 31 December 2006, with a view to implementing the proposal announced by the Financial Secretary recently.

When ULSD was introduced in Hong Kong in 2000, the duty was set at a relatively low level of \$1.11 per litre for environmental reasons in order to facilitate drivers to switch from regular diesel to this cleaner, but more costly fuel. The concessionary duty rate was scheduled to revert to \$2.89 per litre on 1 January 2002. However, in order to relieve the pressure on the transport industry brought by the economic downturn, the Government has postponed the reversion of the duty rate to \$2.89 on six occasions.

According to the resolution passed by the Legislative Council in December last year, the duty rate for ULSD is scheduled to revert to \$2.89 per litre on 1 January 2006.

We understand the impact of a surge in global oil prices on various trades and industries, in particular the transport industry. Taking into account the various factors, including the pressure faced by the transport industry, the overall economic conditions of Hong Kong and our fiscal position, the Financial Secretary has decided to propose a further extension of the duty concession for ULSD for another year to the end of 2006, with a view to relieving the pressure on the transport industry.

Making further concession or even abolishing the duty on ULSD as requested by some Members and the industry is neither a feasible measure nor a solution to the problem of high oil prices. The existing concessionary duty rate of \$1.11 per litre is already some 60% lower than the regular rate. Any further reduction or even removal of this duty will bring pressure to bear on government revenue, which should not be taken lightly. We consider that there is currently no scope for a further reduction of the concessionary duty rate of \$1.11 per litre.

Based on the original rate of \$2.89 per litre, the revenue to be generated to government coffers from ULSD duty is about \$1.8 billion a year. However, given the current concessionary duty rate of \$1.11 per litre, the duty on ULSD can only generate a revenue of about \$700 million a year. An extension of the concessionary duty rate for one year will cost the Government about \$1.1 billion.

I hope Members will support the motion.

Thank you, Madam President.

The Secretary for Financial Services and the Treasury moved the following motion:

"RESOLVED that Schedule 1 to the Dutiable Commodities Ordinance (Cap. 109) be amended, in paragraph 1A of Part III –

- (a) in subparagraph (a), by repealing "31 December 2005" and substituting "31 December 2006";
- (b) in subparagraph (b), by repealing "1 January 2006" and substituting "1 January 2007"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Financial Services and the Treasury be passed.

MR CHAN KAM-LAM (in Cantonese): President, this is already the seventh extension of the validity period of the concessionary duty rate since the Government introduced the duty on ULSD in 2000. And I have also spoken on the question on several occasions. In view of the fact that the use of ULSD will help improve the air quality in Hong Kong, the DAB is in full support of the Government's continued provision of the concession. However, since there are more than 120 000 diesel vehicles being affected by the soaring oil prices, particularly the commercial vehicles which are the first to bear the brunt, the livelihood of the operators is affected directly due to the high oil prices which have led to high operating costs and a plunge in the profit margin. So, apart from extending the concession, the DAB opines that the duty rate on ULSD should be further reduced and measures helping the transport industry be implemented.

In the past two years, there has been a shortage of global oil supply. The price of ULSD has increased from \$6.03 per litre to almost \$8 per litre, reflecting a great surge in oil prices which have led to a substantial increase in the operating costs of the transport industry. Although the Government has offered a concessionary duty rate on ULSD, the expenses on diesel incurred by container truck drivers, according to the industry, have increased from \$11,000 a month last year to \$15,000 a month at present, representing an increase of more than 30%. As regards minibuses, routes with a small patronage have already

applied for fare increases in order to shift the operating costs onto the commuters. This will kickstart a chain effect, thus resulting in general price increases in society.

In response to a motion on ULSD by the Legislative Council on 6 November this year, the Secretary for the Environment, Transport and Works emphasized that the Government fully appreciated the impact of rising global oil prices on various trades and industries, particularly the transport industry. She also pointed out that a series of measures conducive to the transport industry had been put in place. For instance, franchised public buses, public light buses and taxis are allowed to put advertisements on their bodies and install mobile multimedia broadcast facilities. For ferry operators, display of advertisements is allowed inside the piers, on the external walls and roofs of the piers. Apart from that, the Lok Ma Chau crossing is open to taxis and minibuses so that they can get more business and increase their income.

In our opinion, these measures are good but not enough because they cannot help reduce the operating costs of the industry on a full scale. For example, the opening up of the Lok Ma Chau crossing to minibuses has only benefited a handful of routes but not other minibus operators. The permission of displaying advertisements and installation of media broadcast facilities could help generate income which is, however, very limited. On the contrary, the installation of television sets has also increased other burden in terms of technology and support in other areas.

So, in order to help the transport industry reduce the burden of fuel costs, we think the most direct way is to further reduce ULSD duty rate. We understand that a reduction in the duty rate means that a stable revenue for the Government will also decrease, thus directly affecting the revenue to be generated to the government coffers. But the move will help hundreds of thousands of people working in the transport industry. At the same time, it will also help the development of the transport industry and enhance its competitive edge. Relatively speaking, this will help the development of our logistics industry because recently we can see that our logistics industry is facing extremely keen competition. We believe, without any government support, we will be facing even more severe challenges.

On the switch to liquefied petroleum gas (LPG) by minibuses, a review should be conducted expeditiously in order to ameliorate the problem of

inadequate gas filling stations and uneven distribution of these stations. When the time required for queuing up for gas refill is reduced, minibus operators who have not yet switched to LPG will be confident in the supply of gas filling stations and will expeditiously switch to LPG which is cheaper than fuel oil by one-fold. Thus they will be better cushioned from the impact of a surge in oil prices.

As regards the problem pointed out by the transport industry that oil companies are swift to increase oil prices but slow to reduce them and there is a lack of competition among the oil companies, leading to a situation where the retail prices are almost the same across the board, it is necessary for the authorities to publish the relevant consultancy report as soon as possible so that the industry and the public can have a better understanding of the operation and situation of the oil companies in order to resolve the conflicts among different sectors in society in respect of these issues.

Thank you, President.

MS MIRIAM LAU (in Cantonese): Madam President, this is the seventh extension of the concessionary duty rate for ULSD by the Government. Once again, I feel helpless and disappointed. I feel helpless because I have to support today's resolution, otherwise the duty rate will automatically revert from \$1.11 per litre to \$2.89 per litre. This will be a catastrophe for the transport industry. I feel disappointed because the Government remains obstinate. It insists on not reducing the duty rate and insists on evading the important economic issue that high diesel price will impact adversely on the transport and logistics industries.

The motion moved by me on "Reducing and remitting the duty on ULSD" was passed by this Council on 16 November this year. We urged the Government to actively consider reducing and remitting the duty on ULSD for one year until the end of 2006, by which time the situation should be reviewed. However, one month has almost passed but no response has been heard from the Government so far. Today, the Secretary for Financial Services and the Treasury has given us a response. But in my understanding, the reply is "no". It is most disappointing to the industry that the Government has even refused to consider it. During the motion debate on 16 November, I put forward a lot of arguments for the Government's deliberation and consideration. But it seems

that the Government has turned a deaf ear and keeps saying how much revenue would be foregone, instead of actively considering how much our competitiveness can be enhanced should the duty rate for ULSD be reduced.

What Mr CHAN Kam-lam has just said is right and his arguments were mentioned in the last debate. If the Government did not hear them clearly, Mr CHAN Kam-lam has just repeated those points in the hope that the Government can listen to him clearly. If necessary, I can also send the Secretary a copy of my speech on that day in the hope that he can actively respond to the arguments in it.

Since 2000, I have urged the Government to conduct a comprehensive review of the duty rate for ULSD to see if there is room for reduction and how much the room is. If the Government has been willing to do this, it would not have to come back to this Council every several months. And this is the seventh time. Every time, it urges Members to support the resolution and this Council has to deal with this issue year after year.

As I have pointed out many times, instead of coming back every year or every several months to ask for Members' support for an extension of the duty concession, the Government should consider the actual circumstances in a pragmatic manner and amend the principle legislation so as to determine a reasonable duty rate. It should also discuss it with the industry. But unfortunately, the Government keeps saying that the concession will not be converted into a permanent arrangement and it does not rule out the possibility that the duty rate would be reverted to \$2.89 per litre when the economy rebounds. Every time the Government utters these words to threaten the industry, the faint-hearted will be scared to death.

Time and again, the Administration said that if the duty rate on ULSD is further reduced, it will not be possible to revise it upward again in future. In fact, the industry agrees that the Government can adjust the duty rate on ULSD when oil prices have dropped to a certain level. Recently, I have also written to the Government to convey the views of the industry on this matter. The industry is prepared to discuss the issue with the Government in order to come to an option and duty rate which are acceptable to both sides. I have also tried to arrange for a meeting with the Financial Secretary in order to discuss the matter with him. But unfortunately no response has been received so far. After

today, I hope the authorities can give me a response or discuss the matter with the industry so that we can understand our mutual positions and views which will help us arrive at a consensus.

The Government has let the industry down year after year. Despite that, I still hope that the Government will give us a positive response and will not procrastinate on the problem year after year.

Madam President, I so submit.

MR WONG KWOK-HING (in Cantonese): Madam President, the international crude oil prices have persistently remained high over the past year, and just as the two Honourable Members have said, this has dealt a serious blow to the transport sector. This Council has discussed this issue many times at its meetings and also at meetings of the panels, hoping that the operational difficulties currently encountered by the transport industry can be ameliorated. This Council has also repeatedly discussed motions suggesting the Government to reduce and remit the duty on ultra low sulphur diesel (ULSD). In this regard, the Hong Kong Federation of Trade Unions (FTU) has all along hoped that the Government can abolish the duty on ULSD across the board to create a better business environment for the industry. Unfortunately, the Government has turned a deaf ear to this.

Actually, in order to dovetail with the Government's policy of according priority to railway development, many railways have been completed or have commenced construction one after another in recent years. As a result of the rapid development of railway, the railway network now covers all parts of the territory, and this has virtually brought the transport sector under more intense competition. In order not to add to the heavy burden on the industry, the FTU hopes that the Government can further implement a full waiver of the duty on ULSD. This will not only alleviate the pressure on the industry in operation, but is also beneficial to the industry and favourable to the business environment. And above all, the general public will be spared from having to pay for the expensive transport costs. The savings in money will on the one hand achieve the objective of storing wealth among the people, while boosting the public's spending power, encouraging spending and achieving economic revival on the other.

The goods vehicle and container truck trades suffered greatly from the heavy diesel duty in recent years and have been dealt serious blows. According to the container truck industry, a container truck which operates 30 days a month, for instance, has to pay more than \$3,300 in fuel duty, which is a very heavy burden on container truck drivers.

Despite improvement in Hong Kong economy, the transport sector and the grassroots have not been able to share the fruits of economic improvement. On the contrary, layoffs and pay cuts are imposed everywhere. The grassroots and the wage earners are still living in straitened circumstances. To public light bus drivers and goods vehicle drivers who serve the general public, it is downright impossible for them to demand additional charges from their passengers and clients. But in order not to pass them onto passengers, the industry can only bear the pressure alone in times of substantial increases in oil prices, insurance premium and miscellaneous expenses. The Motor Transport Workers General Union, an affiliated organization of the FTU, has repeatedly advised the Government sometime ago that the high surcharges will add to the burden of the drivers.

Having looked up the information, we found that the Government has extended the reduced duty rate on ULSD six times since December 2000, reducing the duty from \$2.89 per litre to the present \$1.11 per litre. Together with this extension, the Government has extended the concessionary duty rate for diesel seven times altogether. Actually, does the Government consider such diesel duty that important? This duty only brings about \$700 million revenue for the Treasury. I think a full waiver of this duty can really help the drivers and the wage earners. And at least, no one thinks there is collusion between business and the Financial Secretary, as this kind of transfer of benefits is definitely most welcomed. Unfortunately, the Financial Secretary has not taken heed of these opinions.

Recently, it is highlighted in the government policy that the principle of consistency and fairness must be considered. In the past, we have reflected time and again the dissatisfaction of the industry, who queried why bus companies could enjoy duty-free concession, whereas public light buses, taxis and container trucks have to pay expensive duty. To these small and medium enterprises, the Government's policy appears to be biased in favour of big enterprises. Is this conducive to improving the business environment? It is precisely because of the high fuel duty that some drivers are forced to use illicit

fuel instead. As a result, the Government has to expend enormous manpower and resources to tackle and crack down on these activities. It is not reasonable for public coffers to be expended in such a way.

Furthermore, the Financial Secretary has begun extensive public consultation for formulating next year's budget. Sometime ago, some Members belonging to the FTU met with Financial Secretary Henry TANG and expressed their views to him direct, hoping that the Government will abolish the duty on ULSD next year and bring a piece of good news to the transport industry. However, the Government's reply today states that instead of abolishing the duty, the concessionary duty will continue. I think this is not the best news. But there is no choice but to support this motion though we find the concession will fail to assist the transport industry in a practical manner. Therefore, I hope the Government will take heed of the views of the wage earners and drivers, and abolish this duty with a view to obviating the need to move a relevant motion in the Legislative Council every year.

Furthermore, I wish to lodge a complaint with the Financial Secretary concerning public light bus drivers and taxi drivers who have converted their vehicles into using liquefied petroleum gas (LPG) in response to the call of the Government, for the purpose of reducing air pollution. However, as a result of ineffective government supervision, the LPG filling stations failed to comply with the guidelines issued by the Government. While each filling station should have 20 LPG nozzles, usually only a quarter of them are put into operation; whereas for filling stations having 10-odd LPG nozzles, only two or three of them are put into operation. This has resulted in long queues of taxis and public light buses. In fact, it was reported earlier that the drivers had been forced to stage a strike by circulating around a LPG filling station. After receiving the complaint, I personally went to four LPG filling stations in Kwun Tong, Yau Ma Tei and Sham Shui Po on Monday for a site visit. I find that this is in fact what had happened. Those LPG nozzles were neither out of service, nor in maintenance. Some of them were closed simply because the filling stations wanted to deprive the taxi drivers and public light bus drivers of their rights to refill with the cheaper LPG. Although complaint hotlines have been established, the complaints were made to no avail. We find that those LPG filling stations are overtly agreeing but covertly opposing. How can they incessantly agreeing overtly but opposing covertly? It is because the Government has not effected supervision conscientiously, or there is no supervision at all.

Having looked at the situation on Monday, I immediately called the Director of Electrical and Mechanical Services Department via my colleague, and even wrote to him, but so far there has been no response. Since the Government is very much concerned about the transport issue in the course of the Sixth Ministerial Conference of the World Trade Organization, I think it may not want to see taxi drivers and public light bus drivers staging a large-scale strike. Therefore, I am lodging a complaint with the Financial Secretary. It is Wednesday today, so let us see when the Administration will make a response. At present, the drivers are forced to queue up at the filling station for more than one hour for refilling every day. And yet, if they queue up in the streets, the police will issue summons to them and drive them away. What the police had done was actually driving them to rebel. Therefore, I am personally making a complaint to the Financial Secretary, hoping that he will expeditiously address the issue. Thank you, Madam President.

MR SIN CHUNG-KAI (in Cantonese): President, we have had a debate on this subject perhaps just about a month ago. However, our colleagues may possibly want to express their views on this subject more clearly. Mr WONG Kwok-hing has said earlier in his speech that diesel duty is a cause of worry. We all agree that oil price hikes are a worrying issue. Actually, in the last couple of years, there has not been any increase in diesel duty, only oil prices have increased. Certainly, we may examine in detail whether oil prices will drop and whether a waiver will be granted.

Certainly, last month, that is four weeks ago, we did support a continued request on the Government to freeze fuel prices. But we have been bothered by this issue all along. I share the worry of Ms Miriam LAU and believe that the impact brought about by oil prices will be more serious next year. The crude oil price today is around US\$61 per barrel, and Goldman Sachs estimates that it will increase to US\$68 per barrel next year, meaning there will at least be a 10% increase. As for the rate of increase in retail prices so brought, it is impossible for me to estimate; perhaps the Secretary has to examine the possible increase in retail prices next year. It is also predicted that in the next four to five years, oil prices will still remain at a relatively high level. This is a characteristic of the supply and demand relationship, and not much can be done with the logistics of oil refineries, that is, by increasing facilities and oil supply.

Therefore, the Government has to consider this issue. The amount involved is \$700 million; OK, if a waiver is provided, the greatest advantage is that this motion will not have to be proposed for debate again, for all that could be done would have been done. However, even if the Government does do so, that is to say, even if the Government does exempt this \$700 million on oil price, next year, the price of oil after tax exemption may be higher than the current diesel price. Hence, this problem which has been bothering the trade will persist and the situation may even deteriorate. However, if a waiver of the duty is granted, the only merit is that the Government can put an end to this issue, ending the repercussion so caused, so that the issue needs not to be tabled at the Legislative Council every year for debate. However, in the next four years, if the projections on oil prices are accurate — these estimates are not unreliable indeed, for instance, five months before the oil prices reached the level of US\$70 per barrel this year, the organization concerned had already predicted that oil prices would start to rise and remain at a high level — there will be a possibility that similar motions, such as the one proposed today, will continue to be proposed. Therefore, even if the Government does not grant a waiver on oil price, it should at least freeze the oil price for another four years until the supply of petroleum has been increased or until the price of crude oil has come down gradually; this does need a period of time to realize.

Nevertheless, Ms Miriam LAU has put forth a very good point; she said that the price of oil was subject to upward and downward adjustment. This makes me feel somewhat concerned. The case of oil prices is just the reverse of that of transport fares. In respect of transport fares, Mr Andrew CHENG has told me that, really, fares will only be increased but not decreased. Ms Miriam LAU surely considers this transport fare adjustment mechanism, which does not allow a decrease of only 10%, justified. Later, when we have a debate on this issue, she will again put forth the high prices of other related items and information of a similar nature, am I right? Then, will the waiver on diesel duty, if provided, be reversed? This is also a factor worrying me. At present, the Government reviews the diesel duty every year. A few years later, say five or six years later, we may no longer be Members of this Council, if the price of oil comes down and the Government intends to reinstate this tax, I cannot be sure whether or not the proposal will be passed by that time. This is also a problem.

Four weeks ago, we did support the Government to maintain the oil price at the current level. However, I think the Government should find room in the

budget for the next four years for providing further concession on diesel duty, in order to fulfil the aspiration of the community to the alleviation of their pressure in this respect. Though the Government may encounter difficulties in the course, I hope the Government will still examine the possibility of doing so. Since the price of oil in the next four years will remain at a high level, at least the estimates do indicate so, will the mere maintenance of oil price at the level of \$1.11 be able to address the request of the trade for alleviating their burden? Should the Government not consider offering more concessions; even if a waiver could not be granted, could a further reduction be made possible? Could the price of oil of \$1.11 be reduced considerably to alleviate the pressure faced by the trade?

Another part of the speech of Mr WONG Kwok-hing is on the relevant complaints, an issue related to nozzles. I very much agree with him on that. I think it is an egg-and-chicken issue. Every time this issue is debated, Secretary Dr Sarah LIAO is not in this Chamber. Under the existing scheme, some vehicles and minibuses have not yet made the fuel switch; the Government should indeed expand the coverage of the scheme, so that minibuses not yet made the fuel switch may also participate in the scheme. The Government should even advise operators of minibuses to join the scheme, so that demand in this respect can be boosted. Moreover, the Government should step up its effort in supervising and urging oil companies to provide better services in this respect. I, on the contrary, think that this is what the Government should do. This will not only enable operators of minibuses to receive the appropriate services, but will also achieve the purpose of improving air quality.

With these remarks, I support the motion. However, I very much hope that the Government will consider reducing the diesel duty slightly as appropriate.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): If not, Secretary for Financial Services and the Treasury, do you wish to reply?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Madam President, I wish to thank Members for their valuable opinions. As to Mr WONG Kwok-hing's complaint just now, I have already informed my colleague immediately of his complaint and opinion, which will be relayed to colleagues in the Environment, Transport and Works Bureau for follow-up. I thank him again for his opinion.

Ms Miriam LAU criticized us just now for turning a deaf ear to the issue. I think her criticism not fair, for everyone knows that the decision made today is good and balanced, in that it has taken account of the operation of the transport industry and the fact that in the past six years, the Government has lost a total of \$8.9 billion in the seven extensions — if Members pass this motion — of duty concession for ULSD. I believe every citizen will agree with me that \$8.9 billion is not a small amount. The Government has thus accommodated the industry's requests with great understanding.

Of course, Ms Miriam LAU and other Members may think that we have not done enough and that we should do more. In this regard, we have already heard their opinions. However, before making any decision, we have to make holistic considerations and we cannot consider just one single factor, which is the operation of the industry. I hope Members will understand that decisions are made by the Government after thorough consideration. I thus hope Members will support the motion. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by the Secretary for Financial Services and the Treasury be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of the Members present. I declare the motion passed.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Proposed resolution under the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China.

PROPOSED RESOLUTION UNDER THE BASIC LAW OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA

MR JASPER TSANG (in Cantonese): Madam President, I move that the resolution to amend the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region be passed.

The Committee on Rules of Procedure (the Committee) has studied the procedures for dealing with the proposed motion concerning the amendment to the methods for the selection of the Chief Executive and the formation of the Legislative Council.

The Committee has referred the legal issue concerning the draft motion to the subcommittee set up to deal with the proposal for clarification by the Administration. Having sought clarification by the Administration, the subcommittee has also discussed the issue.

The Committee, having considered the Administration's clarification and the relevant deliberation of the subcommittee, came to the view that the Rules of Procedure already contain provisions dealing with motions generally. But there is no specific provision to give effect to the requirements in Annexes I and II to the Basic Law that the endorsement of a two-thirds majority of all Members is required for passage of the proposed amendment to the methods of selection of the Chief Executive and the formation of the Legislative Council. Nor is there any specific provision stipulating that the interpretation by the Standing Committee of the National People Congress (NPCSC) in 2004 concerning the amendment to the methods of selection of the Chief Executive and the formation of the Legislative Council should be introduced by the Government only. However, the Committee is of the view that the two motions proposed by the Administration can be processed in the Council even in the absence of such

provisions in the Rules of Procedure provided that the existing procedure does not contravene the Basic Law and its Annexes, and the NPCSC's interpretation.

Madam President, Rule 46(1) of the Rules of Procedure provides for the exceptions to the general rules of requiring a majority vote for the passage of motion. In the relevant provision, different voting requirements are laid down, namely a majority vote of two-thirds of the Members present or of all Members. The Committee proposes to amend Rule 46(1) of the Rules of Procedure in order to include the requirements in Annexes I and II to the Basic Law in the exceptional provisions.

The Committee's proposed amendments to the Rules of Procedure, which are already contained in the resolution, have been endorsed by the House Committee. I urge Members to support the resolution.

Thank you, Madam President.

Mr Jasper TSANG moved the following motion:

"RESOLVED that Rule 46(1) of the Rules of Procedure of the Legislative Council of the Hong Kong Special Administrative Region be amended by adding "and Annex I and Annex II to" after "and 159 of". "

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

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

(No Members indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion passed.

PRESIDENT (in Cantonese): Two motions with no legislative effect.

First motion: Franchised bus fares.

FRANCHISED BUS FARES

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

Madam President, after several years of negotiation, the fare adjustment mechanism that allows fares to go upward and downward applicable to franchised bus companies is finally announced. This mechanism, if implemented, will help increase the transparency of the fare adjustment mechanism. The Democratic Party considers that the mechanism merits support given its price-cap concept.

This mechanism that allows fares to go upward and downward is reasonable. Regrettably, the measures adopted by franchised bus companies to reduce fares in tandem with the introduction of this mechanism cannot meet the demands of the general public, thus arousing criticisms from all sectors of the community. The feedback on these measures has far overshadowed the concern for the mechanism.

According to the fare reduction measures proposed by franchised bus companies, fares above \$15 will be reduced by 15%, and those between \$10 and \$14.9 will be reduced by 5%. On the surface, this proposal seems to be a big

favour to passengers, but passengers must prepay the return journey fares in the forward journey in order to enjoy the concession.

At present, the New World First Bus Services Limited (NWFB) and Citybus Limited (Citybus) have put in place an arrangement to provide concessions to their passengers when they prepay the fares for the return trip on the same day. According to information, about 47% of the passengers will avail themselves of this arrangement.

If all franchised bus companies will make such arrangement in future, and using 47% as a basis for calculation, only about 280 000 passengers will make use of this arrangement.

In other words, of the total daily ridership of 3.85 million of franchised buses, only 7% of the passengers can benefit from this fare reduction arrangement. Over 90% of the passengers will not enjoy even a single cent of reduction.

The Managing Director of the Kowloon Motor Bus Company (1933) Limited (KMB), Mr John CHAN, said that offering fare reduction to passengers making advance payment of their return journey fares is already the biggest concession that the KMB can provide within its ability. He also used the analogy of putting butter on bread, saying that if the butter is to be shared by everybody, each person will have a very tiny share. He used this analogy to explain that the bread that needs to be buttered is very large.

I wish to give some response to Mr John CHAN's analogy. His analogy seemed to have beautified the sincerity of the KMB and belittled the expectations of the passengers. Under the proposed arrangement for advance payment, if a passenger cannot make a return trip for some reasons, the \$10 or \$20 paid will be forfeited. In that case, the passenger cannot enjoy the concession and worse still, he is even made to pay the fare for an additional journey to the bus company. I think the butter that can be offered by the KMB should not be as little as such; and after giving a tiny piece of butter to its passengers, the KMB has eventually taken away from the passengers the whole piece of bread with butter on it.

According to the statistics obtained in our surveys, over 85% of the interviewees are worried that the prepaid bus fares would be wasted as a result of

they not being able to make a return trip. Last week, the Government provided a written reply to the Legislative Council on the riderships of franchised bus companies. I have made some calculations according to those statistics. After the arrangements for advance payment are implemented across the board, there will be 280 000 medium- and long-haul passengers making use of this arrangement. If 5% of the passengers making use of this arrangement are eventually unable to make a return trip each day, which means that they are unable to enjoy the concession, then these passengers who have prepaid the return journey fares but cannot make a return trip will be paying extra bus fares to the tune of \$140,000 every day, which means that they will be contributing over \$36 million to the bus companies per annum for no reason at all. Therefore, the advance payment system must be abolished.

I am in no position to judge whether it is the intention of the bus companies to rip off the passengers. But objective data show that this cumbersome arrangement made by bus companies of offering a rebate for return journey fares indeed makes passengers feel that they are being "ripped off".

Madam President, if the bus companies wish to enable more passengers to benefit from the fare reduction arrangement, they should adopt simple, easy-to-understand and convenient measures.

Therefore, the Democratic Party considers that the bus companies should reduce the single journey fares. The senior management of bus companies have pointed out that there will be difficulties in reducing fares across the board, especially for short-distance routes of which the fares are below \$9.9, because the profit of these routes is meagre. We have great misgivings about these remarks. If the profit of short-distance routes is small, why are 70% of the bus routes short-distance routes? Why do passengers of short-distance routes constitute 84% of the daily ridership? I think some of the short-distance routes can generate substantial profits for the bus companies. An example is the cross-harbour tunnel routes, many of which belong to the fare group of below \$9.9. But as far as I can see, the bus companies have not considered closing down the cross-harbour routes. On the contrary, all bus companies are competing with each other for the right to operate these routes. The frequency of these routes is very high, and the main roads on both sides of the Victoria Harbour are full of cross-harbour tunnel buses. Even if passengers only travel for an extremely short distance which takes just a few minutes, that is, boarding

the bus at the station just before the bus enters the Cross-Harbour Tunnel and alighting right after the bus comes out of the Tunnel, they still have to pay the full fare of \$8.9. Therefore, these so-called short-distance routes basically constitute a very important source of profit for bus companies.

Madam President, over the past eight years, deflation has exceeded 15% calculated on the basis of the Composite Consumer Price Index. In the interim, the bus companies had adopted some short-term measures to reduce their fares, but these measures had lasted for only a year or so, and afterwards, the concessions provided by the bus companies had continuously been reduced gradually. The first step taken was to reduce the fare concession for routes which charge above \$15. Then, the concession provided for fares between \$10 and \$14.9 was also reduced. In June this year, even the concession provided to the elderly of charging them a fare of \$1 on holidays ceased. All these show that franchised bus companies seem to be not at all sincere in shouldering their social responsibilities by providing fare concessions.

Madam President, Mr John CHAN once said that when a deflation prevailed, the cost of bus companies had not been reduced accordingly. He said that the staff cost had not been reduced. Nor had the fuel cost been reduced. What he had said might be the truth, just that he did not tell the whole truth. Although such costs had not been reduced by a wide margin, there had not been much increase in them either. These costs have remained stable, but the revenue from fares has increased significantly. As the increases in costs have been offset by the boost in fare revenue, the bus companies have made profits amounting to hundreds of millions of dollars, and their profit is also on the increase.

Between 1997 and 2004, and if we take the KMB as an example, its revenue generated from bus fares increased from \$4.8 billion to \$6.5 billion, representing an increase of 35%. Over the past few years, the number of KMB routes has remained at about 400. The considerable increase in the revenue from fares is due to several reasons: first, an increase in the number of passengers; second, no reduction in bus fares; and third, increased frequency. As a result of these factors, coupled with the fact that there have not been great changes in the cost, no wonder the after-tax profit of the KMB has consistently remained at between \$800 million and \$1.5 billion since 2000. Madam President, I stress that it is after-tax profit, and it has remained at between \$800

million and \$1.5 billion. With such outstanding performance in its operation, the KMB, being a listed company, can sufficiently meet the expectation of its shareholders. But how is it going to meet the expectation of the public?

Over the past few years, Madam President, the passengers have faced deflation year after year, but the bus fares, which constitute a major living expense to the lower middle class, have not been reduced substantively. As the Government will be introducing the fare adjustment mechanism that allows fares to go upward and downward, I think before the mechanism is implemented, bus companies should, as a starting point, reduce the fares at a rate that is substantive, fair and acceptable to the public, so that the burden of bus fares on all passengers could be eased. This should be done to welcome the commencement of the new mechanism. If the fares of short-distance routes are not reduced and in times of inflation in future, the burden of bus fares on short-haul passengers will not be eased but will become even heavier after the mechanism has come into operation.

Madam President, in the original motion, we proposed to reduce the single journey fares by a specific rate. Colleagues from the Liberal Party may not agree that fare concessions be provided to all single journey passengers and so, they proposed an amendment to the motion. We consider that Ms Miriam LAU's amendment has room for further amendment, and in order to enable the public to benefit from the concession and to pre-empt a situation where the motion and all the amendments are negated, we settled for something less by proposing that passengers taking both the forward and return journeys should benefit from fare concessions. Mr LEE Wing-tat will further explain this later.

Madam President, with regard to the other parts of the motion, including sectional fares, one-day travel pass and monthly ticket, the relevant wording and contents were also included in a relevant motion proposed by me back in 2003. Two years have lapsed, but the bus companies have not taken any initiative to implement such measures. I am greatly disappointed with this.

The existing fare system of buses is extremely unfair to some passengers, especially those who do not ride the whole trip, for they have to pay the full fare or a fare which is higher than that paid by other passengers.

The most obvious example is passengers who board a bus at the terminal or the early sections of the bus journey. They have no choice but to pay the full

fare even if they alight in the middle of the entire journey. Moreover, even if passengers get on a bus in the middle of the journey, it does not follow that they can pay sectional fares. For example, in the cross-harbour routes, irrespective of passengers getting on a bus at the bus stop at the Hung Hom cross-harbour tunnel or the stop at Canal Road East on the Hong Kong side, even if they get off at the first stop at the other side of the harbour and short though the distance travelled may be, they still have to pay the full fare.

In such cities as London, Singapore and Sydney in Australia, bus fares are charged according to the distance travelled. We consider it necessary to simplify the existing mechanism for determining fares for each bus route and use the distance travelled as a major criterion for fare determination, so that the fares will be determined in a transparent manner. The public will hence understand the process and the bus fares paid by each passenger will be proportional to the distance travelled.

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

Mr Andrew CHENG moved the following motion: (Translation)

"That, in anticipation of the implementation of the fare adjustment mechanism that allows fares to go upward and downward in January 2006, which will apply to franchised bus companies, this Council urges the Government to discuss with various franchised bus companies:

- (a) cancelling the proposed arrangements for advance payment of the return journey fares, and providing fare reduction initiatives that are more reasonable, including reducing the single journey fares by at least 10% so as to benefit all passengers;
- (b) offering more comprehensive bus-bus interchange concessions;
- (c) improving the existing fare structures, expeditiously revising the scale of fares under the Public Bus Services Ordinance as well as the route groupings under the scale, reformulating the existing guidelines on the setting of fares, and determining the full and sectional fares of each bus route according to the distance of the journey on condition that the burden on long-haul passengers will

not be increased, so that the fare structures become more transparent and reasonable and the fares paid by each passenger are as fair as possible; and

- (d) introducing one-day and one-week travel pass as well as monthly ticket schemes for buses, so as to allow choices for local passengers and tourists;

and to expeditiously reach a consensus with them on these fare arrangements to facilitate the implementation of the fare adjustment mechanism that allows fares to go upward and downward."

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

PRESIDENT (in Cantonese): Ms Miriam LAU and Mr WONG Kwok-hing will move amendments to this motion respectively. Mr LEE Wing-tat will move an amendment to Ms Miriam LAU's amendment. The motion and the amendments will now be debated together in a joint debate.

I now call upon Ms Miriam LAU to speak first, to be followed by Mr WONG Kwok-hing and Mr LEE Wing-tat; but no amendments are to be moved at this stage.

MS MIRIAM LAU (in Cantonese): Madam President, the fare adjustment mechanism that allows fares to go upward and downward, which members of the public have hoped for for years, was officially announced sometime ago. The new mechanism has introduced a formula consisting of three indexes, namely, the Consumer Price Index, wages and productivity, providing an objective basis for the starting point of fare adjustment. This is fair to the bus companies. When considering bus fare increases, the Government will take into account the profitability of bus companies, and it will assess public affordability using the median household income. This is reasonable to members of the public, for this can ensure the quality of bus service while safeguarding public interest. While expecting the new mechanism, many passengers, especially long-haul passengers, also hope that bus companies can introduce some fare reduction

measures. The bus companies have, in fact, actively responded to these aspirations. Regrettably, the proposed measures, especially the arrangements for the advance payment of return journey fares, cannot meet the wish of the public.

Under the current proposal, passengers can enjoy the concession only if they prepay the return journey fares. But in reality, many commuters may not be able to take the same mode of public transport when they go to work and go home after work. They may not be able to take the same route because of some unexpected engagements, or they may not wish to prepay the fares as they may have other engagements after work. This arrangement indeed lacks flexibility and benefits less passengers. Therefore, I hope that the Government can negotiate with the bus companies on abolishing the arrangement for advance payment and designing a reasonable form of fare reduction with the resources spared for fare reduction initiatives by the bus companies as far as possible, in order to benefit more passengers.

The original motion proposes to reduce single journey fares by at least 10%. The Liberal Party all along has reservations about this "broad-brush" approach. With regard to the consensus reached by the eight-party coalition as early as in 2001, it sought only to encourage various public transport operators to reduce their fares or provide concessions to passengers in the light of their operating conditions. Certainly, from the passengers' viewpoint, the more concessions provided to them the better. This, I understand. But if the rate of concession demanded is beyond the affordability of the bus companies in the light of their operating conditions, the demand would become unrealistic. We, therefore, consider that the bus companies should provide concessions as far as possible taking into account their operating conditions. What we ask for should be a practicable and reasonable rate of reduction.

According to the information released by the bus companies, the Kowloon Motor Bus Company (1933) Limited (KMB) generated a revenue of about \$6 billion from fares last year and made a profit of \$740 million. With a 10% reduction in the fares across the board as suggested by Mr Andrew CHENG, the revenue from fares would drop at least \$600 million, which would basically offset most of the KMB's profit last year. The NWS Holdings Limited generated a revenue of HK\$1.1 billion from public transport services and made a profit of \$65.7 million. With an across-the-board fare reduction of 10%, the Citybus Limited and the New World First Bus Services Limited would receive

about \$100 million less in revenue from fares, which would instantly turn the companies' profits into deficits. As for the Long Win Bus Company Limited and New Lantao Bus Company (1973) Limited, they are still suffering a loss. A 10% reduction across the board will cause these companies to suffer an even greater loss. On the other hand, under the new mechanism, the rate of return will be reduced from 13% to 9.7%. To companies which are making a profit, the resources available for effecting fare reduction will be further reduced, let alone companies that are not making any profit.

However, I very much appreciate that the burden of transport expenses on the public is by no means light. For example, a person who lives in Yuen Long and works in Central has to pay more than \$40 daily in transport fares. If we use 25 days as the basis for calculation, the transport expenses will exceed \$1,000 monthly. This is a heavy burden indeed, and the Liberal Party does understand this point. So, we hope that various bus companies should review their actual operating conditions and spare more resources for providing a reasonable rate of reduction or concession to the largest number of passengers. In fact, from June this year to February next year, the KMB will offer to passengers travelling on routes whose fare is \$15 or above a 20% discount on "same-day" return journey fare, which is equivalent to a 10% discount for single journey fares.

We certainly hope that more passengers can enjoy this concession. But in the meantime, we understand that the bus companies do not have unlimited resources after all and the bus companies, being commercial organizations, do need to take profit into consideration. So, if these limited resources should be distributed equally among all passengers, the concession that can be given to each passenger will naturally be very small. In fact, the burden on medium-haul and long-haul passengers is definitely heavier than that on short-haul passengers. That is why bus companies have provided more concessions to these passengers, which is reasonable.

Mr LEE Wing-tat has proposed a further amendment to my amendment, mainly asking for a reduction of not less than 10% in the return journey for both the forward and return journey fares. I do not know if this proposal of Mr LEE Wing-tat is applicable to all routes or journeys across the board. I hope that Mr LEE will clearly explain this point in his speech later. If Mr LEE's proposal is not a broad-brush approach, but allows bus companies flexibility to implement the measure as far as possible taking account of the companies' ability and allows

the bus companies to provide the concessions as suggested by Mr LEE to certain routes only, the Liberal Party can consider Mr LEE's further amendment, for we are also asking bus companies to provide fare concessions as far as possible. We also hope that passengers, especially long-haul passengers, can enjoy more concessions.

Certainly, it is necessary for the bus companies to continuously provide a bigger piece of butter to the benefit of more passengers. For instance, continuous efforts should be made to control costs, reorganize bus routes to reduce overlapping of routes, reduce the service of routes with a lower patronage, and so on, thereby making available more resources and hence making more room for fare reduction.

The fourth point of the original motion, which urges the Government to discuss with the bus companies introducing travel passes for different number of days, is worthy of our consideration. In fact, the New Lantau Bus Company also provides one-day travel voucher for the convenience of tourists. These measures indeed merit support.

Meanwhile, I hope that the Government can study with the bus companies the feasibility of providing more free-ride days for the elderly, such as whether the Free-ride Day, which is currently provided to the elderly by various public transport operators once a year, can be provided once a month. We understand that if this concession is provided on a monthly rather than yearly basis, the resources available for the bus companies to reduce their fares may be further thinned out. But in any case, we still encourage bus companies to offer more concessions to the elderly taking into account their own operating conditions.

With regard to travel concessions for people with disabilities, this Council has, in fact, reached a consensus that it is necessary to help people with disabilities to integrate into society. This issue involves the welfare policy and also the question of where the resources will come from. A Subcommittee has been set up under the House Committee to study this issue. I hope that the bus companies can actively participate in the study, with a view to identifying ways to provide support to the Government and hence expeditiously providing travel concessions for people with disabilities.

Finally, on the question of sectional fares, the bus companies have paid visits to Singapore to study the way sectional fares are implemented there.

Passengers will swipe the travel card once when they board the bus and swipe it again when they alight for sectional fares to be calculated. But according to the experience of Singapore, the bus companies found that some passengers who boarded the bus swiped the card again before they actually alighted, in order to pay less fares. According to the bus companies in Singapore, the resultant loss is as much as about 10% of their revenue and so, this scheme has not been further implemented. In spite of this, I still hope that the local bus companies will continue to look into this issue and consider whether the technical problems involved in the introduction of sectional fares can be overcome.

Madam President, the new mechanism proposed by the Government has, in fact, provided an objective and highly transparent method of fare adjustment. The public generally do not oppose this mechanism. While the fare reduction measures and the mechanism are proposed at the same time and they are originally intended to be implemented at the same time, they actually do not check on each other. The public hope that they can enjoy fare concessions as soon as possible and so, we hope that the Government and the bus companies can reach a consensus on the relevant fare arrangements expeditiously, so that the fare concessions can be implemented along with the new mechanism in January next year.

Madam President, I so submit.

MR WONG KWOK-HING (in Cantonese): Madam President, the adjustment mechanism that allows bus fares to go upward and downward has finally been announced after three years of preparation. Here, I must first thank Secretary Dr Sarah LIAO for her diligence and hard work. However, since the mechanism was introduced a month or so ago, there have been many discussions and criticisms in the community, and to the general public, in particular, the new mechanism will have a major impact on them. For this reason, I support the Secretary making use of the Government's "ultimate weapon" and exerting the utmost effort to negotiate with the bus companies, with a view to putting in place a better mechanism to uphold public interest. In relation to my amendment, I would like to make six suggestions as follows:

Firstly, abolishing the arrangements for advance payment of the return journey fares and establishing a reasonable fare adjustment mechanism. Since

the new fare mechanism was announced, the extensive discussion in the community has focused on the concession provided to passengers who pay their return journey fares in advance. Originally, such a prepayment arrangement aims to reward loyal passengers. But in Hong Kong where citizens' living and work are highly versatile and mobile, it is unrealistic to assume that people only go to work and then go home after work day in day out. Such concession is suitable only for leisure or business trips involving inter-city mobility. It is strange indeed that this is implemented for bus routes within the city! With regard to fare concessions, it is currently proposed that fares above \$15 will be reduced by 15%; fares between \$10 and \$14.9 will be adjusted downward by 10% only, and not even a single cent will be reduced for fares below \$10. Let us take Yat Tung Estate, an estate in the new town of Tung Chung which is the farthest away from the urban area, as an example. There are only two bus routes which directly go to and from Tsuen Wan and Mong Kok. These two routes, whose fares are \$10 and \$14 respectively, cannot enjoy the 15% reduction. If these new towns situated in the remote parts of the territory, such as Tung Chung, cannot enjoy the biggest fare concession, is it too few in number that fare concessions are provided to only 98 routes in the entire territory? Moreover, the fares of most cross-harbour routes are above \$9 and they are nevertheless defined as short-distance journeys charging a fare of below \$10. Is this fair? So, this adjustment mechanism that allows fares to go upward and downward cannot benefit the 3 million short-haul passengers at all. We must point out that many of these short-haul passengers, so to speak, are actually long-haul passengers, for they need to interchange many times daily when they go to work. Yat Tung Estate in Tung Chung is the best example.

Secondly, we hope that more comprehensive interchange concessions can be provided. In recent years, various bus-bus interchange concessions have been introduced by the bus companies one after another. The Hong Kong Federation of Trade Unions (FTU) welcomes this. But at present, the bus-bus interchange concessions are provided by the bus companies purely on a voluntary basis, and the coverage of these concessions is far from comprehensive. Therefore, I hope that the bus companies can further broaden the existing coverage of interchange concessions which include only 167 interchange schemes among nearly 500 bus routes now. Moreover, to address the need of residents of new towns in the New Territories in travelling to the urban area to work, the bus companies should extend the coverage of the concessions and introduce inter-company interchange concessions, because basically, no arrangement has been made for inter-company concessions now.

Inter-company interchange concessions can attract a greater patronage and also alleviate the pressure on roads. So, why do we not work for it? I, therefore, very much hope that the Government can facilitate the provision of interchange concessions applicable to different modes of transport, so that various means of public transport can bring their carrying capacity into full play and hence achieve the objective of fully utilizing public resources.

Thirdly, I suggest that the interchange concessions for students be extended. At present, only the MTR offers half-fare concession for all students in Hong Kong, whereas the bus companies generally provide concession to students up to the age of 11 only. But in the present-day era when importance is attached to a knowledge-based economy, the training of talents, unlike what was the case in Hong Kong in the early stage of development, does not stop at the primary or junior secondary level. Given that in recent years, the number of students going to tertiary institutions has increased year after year, we should consider providing half-fare concession to all full-time students in Hong Kong. Full-time students do not have the ability to work, and they should not be made to shoulder expensive transport fares. Although a travel subsidy is provided to students by the Student Financial Assistance Agency, we must bear in mind that not every student can apply for this subsidy. I would suggest the Secretary to consider enabling more students to benefit from the concession, so that they can concentrate on their studies without having to worry about increasing transport fares, which will otherwise affect their attention in pursuing studies.

Fourthly, I suggest that concessions be provided to people with disabilities. This Council approved the establishment of a Subcommittee early this month to study the transport needs of and fare concessions for people with disabilities, and to take follow-up actions to strive for the early provision of travel concessions to people with disabilities. I hope that various public transport operators will assume their corporate social responsibilities and take the lead to provide fare concessions to people with disabilities. In the past when we asked public transport operators to provide concessions, they would reject us on the pretext that they had already provided facilities to facilitate access by people with disabilities, such as introducing low-floor buses, and so on. But these facilities are, in fact, only the most basic requirement and the most elementary corporate social responsibilities. I think in today's Hong Kong, we must progress with the times. Apart from installing facilities to provide convenience, the bus companies should also provide support in terms of their fares, in order to create a barrier-free and harmonious home for society.

Fifthly, I suggest that the concessions for the elderly be restored. I remember that various bus companies provided fare concessions to the elderly on holidays before. For instance, the elderly could take a bus ride at a concessionary fare of \$1 on holidays and Sundays. To the elderly, this is greatly beneficial to them indeed, as it can encourage them to communicate and come into contact with the outside world and at the same time, it shows that our society is compassionate and caring, and that we do show respect to the elderly. So, in tandem with the introduction of the fare adjustment mechanism, I think the original \$1 flat fare holiday concession for the elderly should be restored, and the concessionary fare should not be doubled.

My sixth suggestion is that I hope that studies can be actively conducted on day pass, weekly pass and monthly pass. At present, monthly pass schemes are introduced for the West Rail and the Ma On Shan Rail of the Kowloon-Canton Railway Corporation. Passengers only need to buy a one-off monthly pass at a concessionary price and they can travel on the relevant rail link for an unlimited number of times within the month. It is eventually found that the patronage has grown quite substantially after the implementation of the monthly pass schemes of the West Rail and the Ma On Shan Rail. It is noteworthy that the West Rail and the Ma On Shan Rail are major rail links serving the New Territories and the new towns. To residents who must travel between new towns and the urban area for work every day, these rail links are indeed an expedient means of transport. Apart from being expedient, they are also inexpensive and speedy. From this we can see that monthly pass is a practicable option of fare concession. Therefore, I hope that the Government can further promote it and also introduce weekly pass and day pass to provide concessions, so that the concessions will be provided not only to local residents, because weekly or day pass can attract more patronage from tourists and hence facilitate the development of the tourism industry.

To sum up, I hope that the Secretary and the Government can consider in detail these six proposals put forward by me. Even though this Council may not pass the original motion and all the amendments today, it is not my wish to see that the motion and all the amendments will be negated. Therefore, I will support the original motion and the various amendments to it, in the hope that the Government will make an effort to fight for better fare concessions for us, so as to enable members of the public to benefit from the concessions early. Thank you, Madam President.

MR LEE WING-TAT (in Cantonese): President, Mr WONG Kwok-hing has made a remark which I found most agreeable and that is, we do not wish that this motion today together with the three amendments will all be negated. That is why Ms Miriam LAU put a specific question to me earlier. As for my amendment, it is basically suggesting a broad-brush approach and yet, it still allows flexibility. To me, there should not be a distinction between long-haul and short-haul passengers, for they all have to pay a fare. But in order for this Council to have a strong and unanimous voice, so as to urge various public utilities companies to answer the reasonable aspirations of the people, we will accept the view put forth by Ms Miriam LAU earlier. We hope that the bus companies will exert their utmost, utmost, utmost, so that all passengers, whether they are long-haul, medium-haul or short-haul passengers, will be provided with concessions and discounts. They certainly have to do everything they can. Otherwise, they will owe the public an explanation. This is the answer to the question.

Concerning my view, Mr Andrew CHENG has actually explained it very clearly. My view is that over the past few years, bus companies still managed to make a profit in their operation despite the prevalence of deflation. We expect them to return part of the profit to the public. Recently, we have received the replying letter from public utilities companies saying that a fare reduction would cause the rate of return to reduce from 13% to 9.7%. Frankly speaking, if a company can make a return of 9.7% from its investment, such a return should not be considered as low. I had once asked a fund manager (who is a friend of mine) jokingly that if I had a small sum of money, say, \$10,000, would it be possible to obtain a return of 6% per annum from investing the money? He said that nobody in the world will give me such a guarantee. If a public utility company can obtain a return of 9.7% from its investment annually and if such a return is very stable, then it should be considered as a very good rate of return. So, I think the public utilities companies cannot say that the current proposal of asking them to reduce their fares is forcing them to turn from making a profit into making a loss.

Second, I would like to criticize the Secretary. I very much support the remarks made by Mr WONG Kwok-hing. Secretary, in fact, I also support you, but while giving you support, I still have to take you to task. I think when the Secretary accepted the proposal put forward by the relevant companies of requiring passengers to pay in advance the return journey fares, she had not

considered the proposal adequately. I also told the Secretary's team at the Panel on Transport that we had many statistics to prove that many members of the public do not take the same route when they make a return trip on the same day. I think insofar as this proposal is concerned, the Government has not been doing thoroughly enough and as a result, the public are disappointed with the mechanism proposed now. I hope that the Secretary can do better on this issue in future. I believe that at this stage, bus companies will not insist on this arrangement of requiring the advance payment of fares; and even if they insist on it, members of the public will not accept it.

The third point that I wish to make is about the review of bus franchise. It seems that the bus companies are not quite willing to come up with a fare level acceptable to the public in their fare reduction measures. As we all know, the bus routes operated by Citybus and KMB will expire one after another in 2006 and 2007. The Democratic Party has consistently held the view that the Government will get only half the result with twice the effort if it handles these issues invariably by way of regulation. It is because if bus routes and fares are regulated by senior government officials, while it appears superficially that this may bring the greatest benefits to the public, we hold that buses should operate in a suitably competitive environment before public interest can be best protected. I remember that between 1990 and 1991 after the former China Motor Bus Company Limited had ceased operation, other bus companies joined the market and provided bus services on Hong Kong Island. I remember that residents of Hong Kong Island South discussed this with me at that time. They said that they had never had such a good time before, for they could enjoy very good bus services. That was when two bus companies were competing with each other in the provision of bus service, and owing to the overlapping of bus routes, the fares were pitched at reasonable levels.

As the Democratic Party has said to the Secretary time and again, it may not be possible for Hong Kong to open up all the bus routes in a short time, but what we have been asking for is to introduce competition for bus routes on a regional basis. This is very important. For example, competition should be introduced for bus companies in districts such as Tung Chung, Tin Shui Wai, Tseung Kwan O, and even in the more remote parts of the territory, such as Tai Po, New Territories North, and so on. If this can be done, I think the Secretary would not have to spend such a great deal of effort on this, as the Secretary has to rack her brain every time when bus fares increase and every time when new bus

routes are introduced. Why do we not allow bus companies to set up extensive networks of bus routes in a fair competition environment, so as to enable members of the public to enjoy quality bus services for reasonable fares? As at today, I think the Bureau certainly has done something, just that it has not done enough and work has been carried out very sluggishly. I hope that at our future meetings of the Panel on Transport, the Bureau can put forward more creative and forward-looking views, so that we will know how the bus companies will operate in a competitive environment.

Here, I would like to make another point. Insofar as bus services in Hong Kong are concerned, I actually have a hidden worry. I am worried that there will be less and less bus companies in Hong Kong. We used to have three bus companies and now, there are only two left. This is what the Democratic Party always feels most unhappy with. The operation of bus services in Hong Kong cannot provide sufficient incentives for the creation of an environment with fair competition. I do not wish to see that the bus services will be like supermarkets in that they can still increase their fares in times of a deflation. Certainly, the situation may be different after this mechanism is put in place. However, there is also this situation in many services relating to the people's livelihood in Hong Kong. That is, when far too few services are provided, how can we create an environment that gives the people choices?

I would always have a question in my mind when I talked to officials of the Transport Department. Why are they always in favour of large-scale bus companies? They would call these companies "good boys", because if they have not been doing well enough, they will make improvement promptly. When the frequency of bus services is inadequate, they can rearrange their routes. Yet, they have a shortcoming and that is, their dominance in the market will keep on increasing, which means that there will not be new competitors in the market. They do not have creativity; even for such a "low-tech" issue as sectional fares, they would describe it as a very complicated technology. Why is it so complicated? Ask Mr SIN Chung-kai. He said that space shuttles have already been launched to explore the outer space nowadays. Why are sectional fares still said to be a complicated technology? Secretary, the reason is that there is no competition.

So, I still have to say this: If our Government truly believes that competition can upgrade services, I would urge the Bureau to create the

environment conducive to bringing in creative and more enterprising competitors to the bus services in various districts, with a view to ensuring the provision of good services to the public by the bus companies. Thank you, President.

MR LAU CHIN-SHEK (in Cantonese): President, I thought I am the only one who would say something fair to Secretary Dr Sarah LIAO, but it has turned out that Mr WONG Kwok-hing and Mr LEE Wing-tat have also made fair remarks. Yet, I still wish to point out that I appreciate Secretary Dr LIAO's work attitude in actively negotiating with the bus companies over fare reduction, fare concessions and the establishment of a fare adjustment mechanism that allows fares to go upward and downward. I think no matter what major problems there are with the fare concessions proposed recently and how much improvement has to be made, the efforts made by Secretary Dr LIAO and other officials still cannot be wiped off entirely. I believe it is not an easy task to conduct these negotiations. I believe Secretary Dr LIAO's dedication to work is applauded by Hong Kong people.

However, as the Secretary has said, the response of the public is "unexpected". In fact, the proposed fare reduction and fare adjustment mechanism that allows fares to go upward or downward announced about a month ago have indeed aroused considerable discontent and reactions from the public, and this absolutely must not be ignored by the Government and the bus companies. I think members of the public have expressed such strong discontent with this new fare proposal mainly because there is a fairly large gap between the proposal put forward now and the "reasonable expectations" of the general public. It can also be said that the Government has not adequately assessed the sentiments of the people.

President, as deflation has persisted for more than five years, and the unemployment rate has been consistently on the high side, the salary of "wage earners" in general has dropped rather than increased. It is agreed by all that the transport fares are exorbitantly high. The first "reasonable expectation" of the public is a reduction of public transport fares across the board. In the meantime, the rate of reduction should be commensurate with the persistent rate of deflation. Obviously, a reduction of 10% across the board is the second "reasonable expectation" of the public. This shows that the biggest inadequacy of the fare reduction proposals put forward by the Government and the bus companies this time round is that obviously, the rate of reduction proposed by the

bus companies is very low and the scope of applicability is very limited. The proposed rate of reduction is acceptable to passengers of long-distance routes (charging \$15 or more), but the rate of reduction for medium-distance and short-distance routes are too low, whereas for short-distance routes charging less than \$10, the fares are not even reduced at all and hence, the level of fares does not reflect the persistent deflation over the past five years. Certainly, the system of advance payment has aroused even more criticisms from the public. Such a system will force passengers to take a particular route for both the forward and return journeys on the same day before passengers can enjoy the fare concession. This is apparently restricting the scope of fare reduction, not genuinely reducing the fares across the board. This has even given the impression that the bus companies are ripping off members of the public.

President, two days ago, I received the replying letter from Mr Lyndon REES, the Managing Director of the Citybus Limited (Citybus) and the New World First Bus Services Limited (NWFB), explaining their operational difficulties. He even stated that the concession now offered is already the most that can be provided within the affordability of the Citybus and the NWFB. However, I found it most regrettable that the Government and the bus companies have never provided specific statistics to Members of the Legislative Council and the public to prove that the bus companies have no more capacity to make arrangements for more reasonable fare reductions. So, this is hardly convincing. Certainly, I understand that the financial position of each bus company is different. But with regard to the Kowloon Motor Bus Company (1933) Limited (KMB) which is financially very sound and which made a net profit of close to \$1 billion in each of the past few years, I entirely cannot accept that there is no room for it to extend both the rate and scope of fare reduction.

In this connection, I hope that the Secretary will continue to actively discuss with various bus companies, particularly the KMB, on ways to improve the entire proposal on fare reduction, in order to implement the fare adjustment mechanism that allows fares to go upward and downward early and not to mark time.

President, when it comes to the fare adjustment mechanism that allows fares to go upward and downward, I welcome in principle that efforts be made to encourage franchised bus companies to set up a more objective trigger mechanism, so that bus companies and the Government can initiate fare adjustments in the light of changes in such factors as the economic conditions and

public affordability. This can particularly address the problem that downward adjustment of fares is not initiated even in times of deflation or when the salary of "wage earners" has dropped. I also welcome and support that the Executive Council shall retain the final power of determining bus fares conferred on the Government by the Public Bus Services Ordinance, so that the final rate of adjustment to bus fares will be determined in accordance with a range of factors. In fact, a better approach is to table the fare adjustment proposal for scrutiny by the Legislative Council by way of subsidiary legislation after the approval of the Executive Council is sought, so that the Legislative Council, which has the people's mandate, can act as the final gatekeeper.

Honestly, the implementation of this fare adjustment mechanism that allows fares to go upward and downward is long overdue indeed. It is already very late to implement this mechanism now. So, there is every reason for it to be implemented expeditiously without delay.

As regards the fare adjustment mechanism that allows fares to go upward and downward, I only wish to add one point. While putting in place a trigger mechanism to initiate fare adjustments, the Government should also pay attention to the stability of bus fares. In this connection, it is indeed necessary for the Government to consider adopting another criterion, such as allowing fares to be adjusted once a year at most, and also shorten the time required from initiating fare adjustment to determining the rate of adjustment, so that in future, the fare adjustment mechanism will become more reasonable, and fares will not be increased quickly but reduced slowly.

Finally, I wish to reiterate that the proposed fare reduction and fare adjustment mechanism that allows fares to go upward and downward should also be applicable to other public transport operators, especially the MTR Corporation Limited and the Kowloon-Canton Railway Corporation. Again, I urge the Government, being the major shareholder of the two railway corporations, and especially Secretary Dr Sarah LIAO, to put forward this proposal in the Boards of the two railway corporations, in order to reduce public transport fares across the board and establish a trigger mechanism to initiate fare adjustments, with a view to substantively alleviating the burden of transport expenses on the public at large.

President, I so submit. Thank you.

MS LI FUNG-YING (in Cantonese): Madam President, with regard to the public transport fare adjustment mechanism that allows fares to go upward and downward, which is a major policy of the Secretary for the Environment, Transport and Works, Dr Sarah LIAO, the public consistently have very high expectation of it. Indeed, the grassroots have all along been paying expensive transport fares, and this has put a heavy burden on them in their living. But when the relevant measures were announced by Secretary Dr LIAO on the 17th of last month, there were both praises and criticisms in the community. Despite improvements made by the Government to the fare adjustment mechanism that allows fares to go upward and downward, the public are still very dissatisfied with the arrangement that passengers must pay fares in advance in order to enjoy fare concessions. In today's debate, I will not dismiss the efforts made by Secretary Dr Sarah LIAO over the fare adjustment mechanism that allows fares to go upward and downward. But as to how practicable improvements can be made to the concessionary fare scheme for buses, I believe the public still have high expectations of Secretary Dr LIAO.

The fare reduction measures as agreed between the Government and the bus companies last month include providing a 15% discount to passengers who prepaid the return journey fares on routes charging over \$15; a 5% discount will be provided to routes charging between \$10 and \$15; and fare concession is also provided to elderly passengers on holidays. These measures are actually seeking to withdraw the concessions, rather than new initiatives to the benefit of the public. Compared with the routes of the Kowloon Motor Bus Company (1933) Limited (KMB) charging over \$15, the hypocrisy of these new concessions is obvious. At present, passengers riding on KMB bus routes charging over \$15 can enjoy a 20% discount and hence save \$3 on the return journey fare if they pay by the Octopus Card, without having to pay in advance for the return journey on the same day. Under the new proposal, a passenger can save \$4.5 theoretically, but this additional savings of \$1.5 means that the passenger must bear the risk of paying \$15 in advance. If, in the return journey, the passenger does not take a bus of the same route, the \$15 prepaid will be thrown down the drain, in which case the passenger will turn out to be paying higher fares, though he originally wished to save on the fares. I believe that even if the number of passengers remains unchanged, the bus companies, when they close their accounts, will find that the fares received under the new arrangement will not be any less than the present amount. They are even more likely to exceed the present amount. Therefore, I think the new arrangement will cut rather than increase the concessions.

After the Secretary for the Environment, Transport and Works had announced the fare adjustment mechanism that allows fares to go upward and downward, she said that the bus companies could not be asked to reduce their fares indefinitely because the rate of return of the bus companies had dropped considerably in recent years. I do not think that it is the intention of the public or even this debate today to ask bus companies to reduce their fares indefinitely. In fact, the objective of setting up a fare adjustment mechanism that allows fares to go upward and downward is to ensure that the fares remain at a reasonable level. If we have confidence in this mechanism, we will believe that the fares, whether they be too high or too low, will still be adjusted accordingly and that the fares will be restored to a reasonable level. For this reason, it is unnecessary for the Secretary to worry about bus companies having to reduce their fares indefinitely.

Fortunately, the Secretary has undertaken that there is still room for discussion with the bus companies on fare reduction. I think this room for fare reduction can be achieved in several ways. First, abolishing the system of requiring advance payment of fares for passengers to enjoy fare concessions. I suggest that concession be provided to the second or return journey on the same day as long as the fares are the same, and the concession should not be confined only to the same route. The original motion proposes that single journey fares be adjusted downward by at least 10% to benefit all passengers. If there are difficulties in implementing an across-the-board reduction of 10%, bus companies can still consider easing the burden of fares on medium-haul or short-haul passengers in other ways. For instance, if short-haul passengers cannot enjoy fare concession in the second or return journey, can they enjoy concession in the third or fourth journey within two days? Such a concessionary policy can also benefit all bus passengers. I do not wish that the Government and bus companies rule out other measures that can benefit all bus passengers by just saying that an across-the-board reduction of 10% is impossible.

Moreover, on the question of interchange concession, the bus-bus interchange concession now provided to passengers is conditional, for there are restrictions on the routes taken by interchanging passengers. A genuine interchange concession should not have any restriction on the routes, and a passenger should be able to enjoy fare concessions as long as he has interchanged to another route. On the other hand, concessions should also be provided to passengers interchanging to different modes of public transport. However, we

still have not made any progress with regard to this form of interchange concession. In fact, allowing passengers to enjoy concessions when they interchange to different modes of public transport is the kind of interchange concession which is fairer to passengers.

Besides, I support the monthly ticket scheme. In fact, when I was young, a monthly ticket scheme was implemented for buses. I do not know why there is not such scheme now. As for travel concessions for the elderly and people with disabilities, it has been discussed time and again in this Council, and I do not wish to repeat the points here. However, I hope that the Government and public transport operators can listen to the strong voices of the people and this Council and actively give a response expeditiously. Thank you, Madam President.

MR JAMES TIEN (in Cantonese): President, Ms Miriam LAU has just presented our views and proposed an amendment on behalf of the Liberal Party. She then asked Mr LEE Wing-tat what his amendment to her amendment actually proposes. Perhaps let me repeat the question posed by Ms Miriam LAU just now. She wishes Mr LEE Wing-tat to clarify if, provided that his proposals are not sweeping in nature, bus companies will be given the flexibility to implement the proposals according to their abilities. If Mr LEE Wing-tat's suggestion is to offer concessions on some of the routes, the Liberal Party may consider it.

President, I think the way in which this motion is being dealt with today has set a good precedent. In the past, various political parties would know well in advance the amendments and wordings proposed by other people and they would decide before the debate whether they would vote in favour of or against them or if they would abstain. However, this time, we are willing to give Mr LEE Wing-tat the benefit of doubt and let him clarify before we make a decision.

Since Mr LEE Wing-tat agreed with what Ms Miriam LAU said, I will make a decision on behalf of the Liberal Party: We will support Mr LEE Wing-tat's amendment. In the amendment proposed by Mr LEE Wing-tat, there are two points which are not mentioned in Ms Miriam LAU's amendment and I hope Mr LEE Wing-tat will also take note of them. Parts (d) and (e) of Ms Miriam LAU's amendment propose that the introduction of a monthly Free-ride Day for the elderly and travel concessions for people with disabilities

be studied. Mr LEE Wing-tat has deleted the word "studying". That means no study is necessary and these measures should simply be introduced.

President, to look into this matter, I have met Mr John CHAN of the Kowloon Motor Bus Company (1933) Limited (KMB) to understand some aspects of its operation in detail. One of the issues he raised was the definition of people with disabilities. If we define them as wheel-chair bound people, there would not be any problem and the KMB would be able to comply. However, if people with impaired hearing or impaired vision are also considered people with disabilities, then the number will be in the order of hundreds of thousands. In that case, this matter would become thorny. Therefore, I believe studies should be conducted on the issue of offering concessions. It is possible for us to support studying the introduction of concessions and requesting that the concessions be implemented by all means, however, people with minor problems should not be included in the definition of people with disabilities.

President, after making comments that Mr LEE Wing-tat would love to hear, I will next say something that may not please him. I believe the three Members, that is, Mr Andrew CHENG, Mr WONG Kwok-hing and Mr LEE Wing-tat, probably have never had any experience in doing business. They think that by doing so, bus companies can increase their business turnover, that is, by offering more concessions, more customers will patronize them and if all elderly people can have free rides on Sundays, business turnover will also increase. Since they have asked bus companies to do so, they can also ask the MTR Corporation Limited, minibuses and taxis to do the same. If all of them offer concessions, which of them will see an increase in patronage? I believe the number of passengers is finite, unless elderly people usually do not go out on Sundays but given the free-ride concessions, they all turn out in force. I believe that even if they choose to go out, they still have to have meals. Does anyone mean that they do not have to have meals if they go to Central? The food sold in the eating establishments in Central is just as expensive. The pie can only be that large. Do you think that by fiddling with things, more business can be generated?

President, the most controversial part of the motion is part (a), which is about a reasonable method of fare reduction, including offering, in the return journey, a reduction of not less than 10% of the fares for both the forward and return journeys taken. On this point, the Liberal Party is of the view that it is necessary to strike a balance between a reasonable principle in business

operation, namely, that of getting returns, and the interests of the public. Take the KMB as an example, I have made detailed enquiries with the company and it also stated in its annual report last year that the turnover of the KMB — and by that I mean its bus service operation only and its other investments are excluded — was some \$5 billion to \$6 billion last year. How much profit did it make? Some \$500 million to \$600 million. Put simply, if we request that its fares be reduced by 10%, it seems this is not much on the face of it. If the fare is \$20, to reduce it by 10% is to reduce it by \$2 and it is still necessary to pay \$18. If the fare is \$10 and \$1 is taken off it, this is only a trivial amount, so why would anyone object to this and why does the Liberal Party also have reservations about this proposal? This is because if the fare is reduced by 10%, although it appears that only \$1 or \$2 are involved, if a turnover of \$5 billion or \$6 billion is reduced by 10%, that means \$500 million or \$600 million is taken off automatically. A company that originally makes \$600 million in profit will immediately become unprofitable.

I also noticed that several Members who spoke just now attach great importance to workers' rights. They often demand that bus companies treat their employees well and hope that bus drivers and the employees of bus companies can be given a pay rise and more fringe benefits. They want the best of both worlds. What should be the course of action then? If an across-the-board reduction is really made, the turnover of \$5 billion to \$6 billion would be reduced by \$500 million to \$600 million and the profit of \$600 million will be reduced to naught. If bus companies are only requested to forego only \$50 million or \$60 million of their profit of \$500 million to \$600 million, rather than to reduce all fares across the board by 10% such that it will lose \$500 million to \$600 million all of a sudden, which is tantamount to wiping out nearly all the profits made originally, I believe it is possible to consider this suggestion and the Liberal Party will also support the suggestion that bus companies put this into practice as far as possible. On the face of it, the proposal may sound marvellous, however, in reality, this is in fact impractical and it is also impossible for bus companies to do so.

The KMB also said that the proposal on which they are trying to reach an agreement with the Government involves the use of about \$50 million or \$60 million to offer concessions. They think that since they have made a profit of \$500 million to \$600 million, they can shell out \$50 million or \$60 million to offer concessions. As regards in what way the concessions should be offered, of course, we in this Council and the Government can also play a part by

expressing views. Our suggestion is to do so as far as possible. How should this amount of \$50 million or \$60 million be allocated? Should it be allocated to people with disabilities, elderly people, long-haul passengers, short-haul passengers or passengers interchanging to other bus routes? Of course, it is necessary for the Panel on Transport to work this out with the Government and bus companies.

In sum, in order to enable the passage of the motion, the Liberal Party supports the further amendment made by Mr LEE Wing-tat to the amendment proposed by Ms Miriam LAU to Mr Andrew CHENG's motion. However, on the four words "studying the introduction of" in parts (d) and (e), although we do not wish to oppose Mr LEE Wing-tat's view again after deliberating this matter here, at the same time as we support his amendment, we wish to point out that concerning the offer of concessions, it would be better if they can consider conducting studies before offering concessions. Thank you, President.

MISS TAM HEUNG-MAN (in Cantonese): Madam President, the modes of transport most frequently utilized by the people of Hong Kong in their daily lives are buses and railways. Each day, they pick up millions of passengers and ply between Hong Kong Island, Kowloon and the New Territories. Since the overwhelming majority of members of the public do not live near their workplaces, they have to rely on public transport services. Being fully aware of this, public transport operators, in their mentality of "if passengers do not take our vehicles, they have no other means of transport", always look for chances to increase their fares and seek a higher rate of return. Moreover, since operators of franchised bus services, just like power companies, are entitled to the so-called "permitted rate of return", which virtually guarantees that they will always make a profit, they can increase the fares if they do not make enough profit and this situation has made transport fares in Hong Kong remain at a high level.

When our Secretary Dr Sarah LIAO took office more than three years ago, she was already very concerned about the problem of high transport fares in Hong Kong. Back then, Secretary Dr LIAO actively promoted the discussion on a fare adjustment mechanism that would allow fares to go upward and downward, thus bringing a glimmer of hope to ordinary members of the public who have to endure the heavy pressure exerted by transport fares. The public have been waiting and waiting for more than three years before they eventually

saw a fare adjustment mechanism that allows fares to go upward and downward come onstage. Once the fare adjustment mechanism that allows fares to go upward and downward had been unveiled, it caused a public outcry, however, that was not because the public were jubilant in having a wish they had been waiting for three years granted, but because they had been given a half-baked mechanism that they know not whether to bemoan or to deride.

This fare adjustment mechanism that allows fares to go upward and downward is neither fair nor practical, so it is really unacceptable. Unfortunately, the Legislative Council has no power to make changes to this fare adjustment mechanism that allows fares to go upward and downward, so we can only resign ourselves to holding a discussion here. I really hope that Secretary Dr Sarah LIAO can hear Members' voices and insist on further revising this fare adjustment mechanism that allows fares to go upward and downward.

Madam President, why do we think that this fare adjustment mechanism that allows fares to go upward and downward is neither fair nor practical? One of the main reasons is that bus companies have activated this fare adjustment mechanism that allows fares to go upward and downward on the basis of the present fare level, without making any scientific adjustment. Under this fare adjustment mechanism that allows fares to go upward and downward, bus fares will change according to price movements. However, since the last bus fare adjustment, Hong Kong has been on a deflationary trend, yet we have never seen bus fares being adjusted downwards. Nowadays, with the resurgence of the economy and the recurrence of inflation, it is likely that bus fares will rise. To passengers, if this is not being unfair, then what is it?

Bus companies are commercial organizations, so it is inevitable that profit is their prime consideration. But what about the Government? Should the Government not face this problem squarely? The motion requests that bus companies reduce their fares by 10% before the fare adjustment mechanism that allows fares to go upward and downward is activated and this is desirable insofar as passengers are concerned. However, I think that an even better, fairer and more scientific method is to adopt the time of the last fare adjustment made by various bus companies as the starting point, then use the proposed fare adjustment mechanism that allows fares to go upward and downward to calculate the fares as they should be nowadays and use the fares so computed as the starting point when activating this fare adjustment mechanism that allows fares to go upward and downward. Is this not a fairer method?

Even if we concede on this point and accept the offer of concessions by bus companies as a substitute for fare reduction, why are the concessions offered only to passengers on long-distance routes? Do they mean that short-haul passengers do not contribute to the revenue of bus companies? In view of this, bus companies should treat all passengers on an equal basis and offer concessions to all of them.

It is an absolutely impractical tactic verging on toying with passengers in requiring them to pay in advance for the return journey in order to be entitled to a concession. When every passenger boards a vehicle, they have to decide whether they will take the same bus route on their return journey on the same day. If they cannot be sure about this, they cannot benefit from this concession in any way. Recently, the term "bundling" has been mentioned frequently in the discussion on constitutional reform. This is a veritable type of bundling in consumption. What is the result? The concession exists only in name. In that case, is it not true that bus companies do not have to offer genuine concessions on the one hand, and they can also increase their fares with the full blessing of the mechanism on the other?

Madam President, the permitted rate of return will also be adjusted downwards when the fare adjustment mechanism that allows fares to go upward and downward is implemented, however, just as in the case of the two power companies, on what basis are we going to determine such a permitted rate of return, and for that matter, to allow a permitted rate of return? Each time we demanded that the Government provide more data for our study, it would always employ the excuse of commercial secret as the shield in its refusal to provide the detailed figures. It is true that to safeguard commercial secrets is a protection for investors, however, did the authorities ever protect us passengers or safeguard the interests of ordinary members of the public? Can the authorities provide more information to convince us that the present fare adjustment mechanism that allows fares to go upward and downward is fair, reasonable and practical?

It is reported that the authorities are now holding discussions with bus companies in order to make changes to the fare adjustment mechanism that allows fares to go upward and downward. I hope that next time, when the Secretary reports to us the progress in this regard, she will not encounter any reaction that is totally unexpected. I hope that the public can ultimately see the

arrival of a widely accepted mechanism, so that a proper foundation can be laid for the formulation of a fare adjustment mechanism that allows fares to go upward for railway fares in future.

Madam President, the exorbitant transport expenses in Hong Kong have tormented members of the public for a long time and hopefully, there will be a satisfactory resolution to this problem nowadays. The efforts made by Secretary Dr LIAO and the authorities in the past three years are obvious to all. I hope the authorities will seize this opportunity to improve the fare adjustment mechanism that allows fares to go upward and downward, so that people-based governance can really be achieved.

I so submit. Thank you, Madam President.

MR ALAN LEONG (in Cantonese): Madam President, the Secretary for the Environment, Transport and Works, Dr Sarah LIAO, announced the details of the fare adjustment mechanism that allows fares to go upward and downward last month, however, the attention in society has focused almost entirely on the fare reduction measures to be implemented before putting in place the mechanism. In society, there has always been a consensus calling for bus fares to be adjusted significantly downwards before implementing the mechanism, however, the so-called proposal to reduce the fares has in the end turned out to be a requirement of paying for the return journey in advance in order to get a discount. This has definitely fallen far short of the wishes of the public.

The Government said that the reduction will be applicable to 98 medium-distance and long-distance routes only and the reduction will range from 5% to 15%. It is estimated that 900 000 people will be benefited. I have tried to make observations in my constituency, Kowloon East, to see if it is some small sweetener or substantial benefit that the public will get.

For example, the fare of route number 671, which serves Diamond Hill, Kwun Tong, the Eastern Harbour Crossing, North Point and Southern District, is at present \$10.6 per trip and under the new fare arrangement, the fare will first be reduced by 5% first to \$10.1. However, under this arrangement, passengers have to pay the discounted return fare at one go on the first leg of the trip, that is, \$20.2. Take route number 268C, which plies between Kwun Tong and Yuen

Long, as another example, at present, the single journey fare is \$16.5 and the new fare is \$14.1. To qualify for the concession, it is necessary to pay \$28.2 in advance on the first leg.

This arrangement is such that while the single-journey fare originally amounts to \$10-odd, it will be necessary to pay more than \$20 at one go. How can such a fare system be considered fair? What is most astonishing is that Secretary Dr Sarah LIAO found the reaction of the public to be totally unexpected. Does she mean that it is unimaginable or extremely unreasonable not to take the same route back home due to the need to attend to some urgent business, do overtime work or to socialize? As a result, it is necessary to pay an extra \$10-odd each day for no reason and the fare will not be reduced but increased, so how can members of the public be convinced? One cannot help but doubt if the people who conceived such a fare system have ever taken any long-distance bus journey in Hong Kong.

Madam President, the upside is not evident but the downside is already apparent. This originally well-intentioned fare adjustment mechanism that allows fares to go upward and downward has all of a sudden become a thorn on the public's back. Judging from the motion and amendments proposed by various Honourable colleagues, all Members will be happy to see the introduction of a fare adjustment mechanism that allows fares to go upward and downward, however, we cannot overlook the likelihood that bus companies will try to exact highly favourable terms from the Government in view of the pressure exerted by the Government to change the mechanism, so as to seize this opportunity to secure a final helping of goodies. I believe it is no longer possible for the Government to say that it does not know what has drawn the wrath of the public. The Government must enjoin the bus companies to propose fare reduction measures characterized by greater sincerity.

Madam President, this Council has earlier on passed a motion demanding that the Government and franchised public transport companies solve the problem of transport concessions for people with disabilities as soon as possible. I think the Government should also give an account on how it will address the fact that the fares of public transport are out of touch with social expectations. We are not demanding that bus companies must never increase their fares, but when franchised bus companies make hundreds of million of dollars in pre-tax profit and did not have to reduce their fares in any way throughout the long years of deflation, when they lack adequate commitment to the welfare of the

underprivileged and have now proposed a so-called fare-reduction arrangement that draws the ire of the public, the Government must by no means say to the public that it has done all it can and then close the matter.

The contents of the motion and the amendments proposed by various Honourable colleagues today are in fact fairly comprehensive, so instead of grappling with bus companies on each issue, the Government had better review the strategy for managing public transport services comprehensively. If companies providing public services can always get what they want but perform poorly in fulfilling their corporate responsibilities, this will no longer be acceptable to society. The task of the Government and franchised transport companies can no longer be limited to regulating the profits that these companies earn, rather, they should consider how these companies can truly become corporate citizens accountable to the public.

Madam President, perhaps it is now time that we let the heads of these companies providing public services know that their rights are commensurate with their duties. If they enjoy franchises, they cannot cite commercial reasons to stave off demands. If the companies feel that the pressure from society is indeed too unreasonable and it is difficult to operate profitably, then it is time the Government considered whether it should put an end to the franchises and let the services be provided under the market mechanism, so that they can better meet the needs of society.

Madam President, in fact, the motion and amendments proposed today all have one point in common, that is, all of them support the Secretary in proposing changes to the current mechanism regulating the profits of bus companies. In order to avoid the scenario of all of them being negated, the several Members from the Article 45 Concern Group will vote in favour of the motion and all the amendments. Thank you, Madam President.

MR TAM YIU-CHUNG (in Cantonese): President, last month, the Government announced a fare adjustment mechanism that allows fares to go upward and downward and as a complementary measure, the Government also requested franchised bus companies to introduce fare concessions for some routes of longer distances. However, the whole scheme has become a flop and not only has it fallen far short of the demand of the public for a comprehensive fare reduction, the arrangement for the advance payment of fares is also a big failure.

The fare-reduction concessions proposed by the franchised bus companies cannot really relieve the burden of travel expenses borne by members of the public. To many residents in New Territories West, this measure is of no help whatsoever to them. Why do I say so? I will next cite some figures and examples. It is said that careful calculations are the antidote to lies. Of the districts with the highest number of low-income households, the ranking of the Kwai Tsing District is only second to Yuen Long and Tuen Mun, however, the bus services from the Kwai Tsing District to Kowloon, Yuen Long, Tuen Mun or New Territories East all charge fares that are no higher than \$10. Therefore, under the new scheme, residents in the Kwai Tsing District are not entitled to any concession, just as was the case in the past. For example, bus route number 69M, which runs from Kwai Fong to Tin Shui in Tin Shui Wai and bus route number 269M, which runs from Cho Yiu to the town centre of Tin Shui Wai, both charge \$9.1. The bus services provided by these routes are the only option of transport for commuting residents, however, they are not entitled to the discount concessions that they deserve.

This scheme for bus fare concessions has employed some delusive tricks. One instance is that if it is necessary for residents to make a transfer, they are not entitled to any concession even if the total fare is way above \$10. Take a trip from Tin Hang in Tin Shui Wai north to Tsim Sha Tsui as an example, residents have to first take route number 265M to the interchange at Tai Lam Tunnel and this half-leg costs \$9.1. They then have to transfer to route number 269B in order to go to Tsim Sha Tsui and another \$7.4 is charged for this half-leg. A total fare of \$16.5 is charged for the whole trip and it is only justified that a 15% discount should be given, however, since two separate payments are made for the fares, as a result, residents are not entitled to any discount. One would find the second instance even more unreasonable. If passengers choose to take up the concession offered for making a round trip on the same day, the fare paid will be even higher than the current fare. Why? The following example will illustrate where the problem lies. If residents living in Yat Tung Estate in Tung Chung have to travel to Hong Kong Island for work, they have to take route number E21A to the Lantau Link and then transfer to route number E11. The present fare for a round trip is \$42 and according to the concession for same-day round trips and the mechanism under the new scheme, passengers are no longer entitled to the present concession on making transfers and consequently, they have to pay \$63.7. In that event, the fare will increase by half. If the present transfer arrangement is retained, in practice, residents will not get any discount. The new scheme is not fair to residents who are not served by direct bus services

and have to make transfers midway. Therefore, bus companies must extend the concessionary measures to cover all routes, including bus-to-bus interchange.

To relieve the burden of bus fares borne by the public, apart from a comprehensive reduction of fares, there is also a need to rectify some existing unreasonable charging practices, so that members of the public do not have to waste money for no good reason. A survey conducted by the DAB shows that the fare per km charged by cross-harbour bus routes is 50% higher than that of non-cross-harbour bus routes. Take the KMB as an example, at present, the average fare per km charged by the 253 air-conditioned non-cross-harbour routes is \$0.38, however, the average fare per km charged by the 45 cross-harbour routes is \$0.57, which is 50% higher than that of non-cross-harbour routes. Some of the routes even charge an average fare per km that is 130% higher than that of non-cross-harbour ones. The difference between cross-harbour routes and non-cross-harbour routes lies only in whether tunnel tolls are payable. This surely is not the justification for raising the actual fares so substantially. Moreover, according to the existing legislation on the fares of public buses, if the distance covered by a bus route is less than 9 km, the maximum fare for non-air-conditioned buses is \$3 and that for air-conditioned buses is \$7 and the difference is 130%. Such a yardstick is indeed too loose and it has indirectly encouraged bus companies to make even greater profits through the use of air-conditioned buses, so there is little wonder bus companies insist on the use of air-conditioned buses even in winter. These arrangements have increased the burden borne by the public in transport expenses, so we hope the Government can tighten things up in this regard.

With regard to the concessions for elderly people, the DAB believes that the Government should do its utmost to encourage bus companies to offer fare concessions to elderly people during holidays, so that elderly people at the grass-roots level can enjoy family life during holidays. Elderly people are at present already entitled to half-fare concessions on ordinary days and the scheme this time has set the holiday fare concession at \$2 or half-fare, whichever is the lower. I believe this is rather mean. In the past, when the concession was set at \$1, all elderly people could benefit from it. Now that the concessionary fare has been increased to \$2, some elderly people taking short-distance routes will not benefit in any way because the half-fare concession for elderly people can be even lower than \$2. Therefore, we hope that the Government can urge bus companies to offer free rides to elderly people each month by designating a day

in each month as the elderly day on which concession is offered, so as to promote a culture of caring for elderly people.

In order to tie in with the Government's policy on helping the poor, the DAB suggests that the Government should target on different districts, such as Tin Shui Wai, and launch district-based schemes to reduce transport fares comprehensively. At present, the Government has adopted a district-based mode in helping the poor by proposing different measures that take into consideration the characteristics of different districts, so as to promote equal opportunities in employment and study for residents in these districts. On the reduction of transport fares, we hope the Bureau concerned can break its mental strait-jacket and offer greater assistance to grass-roots members of the public to relieve their onerous burden of transport expenses.

I so submit.

DR KWOK KA-KI (in Cantonese): Madam President, last month, the Government announced a fare adjustment mechanism that allows fares to go upward and downward and just like me, many members of the Hong Kong public have high expectations for the proposal. Members will remember that soon after taking office, Secretary Dr Sarah LIAO undertook to work out a fare adjustment mechanism that would allow fares to go upward and downward. In no time, her public support surged and the public pinned a great deal of hope on her, hoping that she could really identify a fare adjustment mechanism that would allow fares to go upward and downward. Unfortunately, I believe that after this mechanism had been announced, the majority public were disappointed because despite protracted discussions, the proposal put forward only offers small sweeteners to a small number of long-haul passengers who have to pay their fares in advance, whereas the majority of passengers, that is, over 70% of the passengers taking short-distance routes, do not enjoy any concession whatsoever.

In fact, all of us know the reason for the bus companies choosing to compromise with the Government at such a time and work out a fare adjustment mechanism that allows fares to go upward and downward. Firstly, everybody anticipates that the six years of deflation in Hong Kong is close to an end and many government officials and economists expect Hong Kong to gradually return to a period of inflation. If a fare adjustment mechanism that allows fares to go

upward and downward is introduced now, an excuse, or an opportunity, can be created so that franchised bus companies can have strong justifications in taking actions that will make fares go up but not down.

Secondly, all of us know that the negotiations on bus service franchises have begun. In order to renew their franchises, it is understandable that bus companies will make some gestures at this time in the hope of gaining support from the Government or the public. However, I find it most incomprehensible that when the majority of members of the public have expressed their disappointment with this scheme, the Secretary's reaction is to say that such a reaction is puzzling and incomprehensible. Maybe the Secretary is far removed from worldly concerns. I do not know how often the Secretary normally travels on long-distance buses and what is more, if she has ever come across any arrangement requiring the payment of fares in advance. However, many members of the public, including my acquaintances, have all tried the arrangement for the so-called advance payment of fares and they all found that ultimately, it was bus companies that got the better of them.

How many people are 100% sure when boarding the bus that they will definitely take the same route on their return trip? Will they have other business to attend to or other unforeseen business, such as family affairs and overtime work to deal with, so that they have to change the planned travel schedule? I believe there are many such instances. In addition, the concession offered is also selective in nature, for example, long-haul passengers are given the concession of a 15% reduction but medium-haul passengers are given only a 5% reduction. To draw such a line in offering the concession is totally unfair. When passengers pay their fares, everyone pays the same amount, however, when it comes to getting this so-called concession — such a concession is actually offered at the public's expense — it turns out that passengers travelling on long-distance routes will be entitled to a more substantial concession, whereas those travelling on short-distance routes will be entitled to less of it.

We all know that this mechanism is just another game to compete in the market. What bus companies are most eager to net are long-haul passengers, so they make use of this arrangement that allows both upward and downward adjustment to compete with the several railway lines and to capture a greater market share. In fact, they are not really sincere in returning a favour to the public. It is strange that the Secretary even finds this proposal acceptable and

believes that this proposal can help her deliver on the undertaking that she made initially. I really find the Secretary's response incomprehensible.

I also find it unacceptable that bus companies have been unwilling to introduce sectional fares for a long time. I believe that in a lot of major cities, in particular, in some so-called advanced cities, sectional fares are already commonplace. Furthermore, we can say that Hong Kong is even more advanced than other cities because the great majority of Hong Kong people are using electronic payment methods nowadays to pay fares through the computer and with Octopus cards. May I ask what difficulty there can possibly be in charging sectional fares? Bus companies always cite technical problems as the excuse to sidestep the issue, so how possibly can we find this acceptable? How can government officials go along with consortia in engaging in such undesirable practices?

The proposals on the new franchises include reducing the permitted rate of return to 9.7%, however, this is in fact also a delusive ploy. Firstly, the bases for the rate of 13.5% in the past and the 9.7% now are different; secondly, these franchised bus companies can always obtain a greater return by various means, including increasing their so-called capital investment. I have no reason to consider officials as so low in intelligence as to accept such delusive ploys. In the face of consortia, including these several franchised bus companies, the majority of ordinary members of the public are just like dwarfs confronted by giants and they do not have any bargaining power whatsoever.

What we hope for is that those in their official capacities and the Government can play the role of an intermediary, so that the public can receive fairer treatment. What we hope for now is that the concessions offered can offset the additional fares paid in the past several years as a result of deflation and we have never demanded that bus companies shell out more money. When we demand that bus companies offer concessions that they should rightly offer to the public, it looks as though we have to go down on our knees and prostrate ourselves to implore them. I find this very objectionable, moreover, this involves a reversal of the roles. I believe the Government should continue to strive for concessionary arrangements for elderly people and disabled passengers. However, of course, we do not have high expectations because even though our mouths are already dry from speaking, the Secretary has still not succeeded in making the two railway corporations, which are wholly owned by

the Government or in which the Government holds a major stake, introduce arrangements to offer concessions to elderly people and people with disabilities, so how can we possibly hope that the Government can secure any major concession for other passengers?

We hope that the Government will continue to engage in negotiations with the bus companies and rectify an unfair situation, so that members of the public can enjoy the rebates to which they are justifiably entitled. I support the original motion. Thank you, Madam President.

MR FREDERICK FUNG (in Cantonese): President, when it comes to bus fares, I have to point out that the policies implemented by the SAR Government are, on the whole, skewed in favour of the interests of the business sector and overlook the needs of the public at large and that of the lower strata of society.

At present, the WTO Ministerial Conference is being held and a lot of people are only concerned about the issue of demonstration, or the one-sided publicity wheeled by the Government on free trade, more choices, cheap goods, and so on. However, the greatest controversy in the conference is none other than whether the interests of poor countries will be undermined and whether they will be treated unfairly, whereas rich countries will offer huge amounts of domestic and export subsidies on their agricultural produces. Together with their high tariff barriers, it will be all but impossible for the agricultural produces of poor countries to compete in the market, eventually leading to a situation of the poor getting poorer and the rich, richer.

PRESIDENT (in Cantonese): Mr FUNG, I have to interrupt you. What we are debating now is the motion concerning the fares of franchised bus services, however, so far, you have been talking about the WTO Conference. I hope you will speak to the question.

MR FREDERICK FUNG (in Cantonese): This is a comparison. I want to compare these two matters.

PRESIDENT (in Cantonese): Alright.

MR FREDERICK FUNG (in Cantonese): This is because I think the Government is just like the WTO in that it has not done a good job insofar as transport fares are concerned, so similarly, this has led to the problem of the poor getting poorer and the rich, richer.

If we look at the economic order in Hong Kong, it will not be difficult to find a lot of similarly unfair instances. In each term of the Legislative Council, I would insist on proposing a motion on the disparity of wealth. Why? This is because the situation regarding the disparity of wealth has always remained unresolved and is even worsening. What are the reasons? Apart from the lack of any active measure from the Government, another reason is that the policy directions and policies implemented in the past were often biased in favour of the interests of businessmen. Not to mention the biases in the land policy, we only have to look at how the Government reviewed the fare mechanism with bus companies and the outcome so derived to realize this. The profits of bus companies are more important than public interests. The public have gone through eight years of hardship and even as wages dropped substantially, transport fares still remained high. When the economy was poor, all transport companies still managed to amass very handsome profits. What on earth is the rationale for this? I believe it is only in such a distorted economy as Hong Kong that such a situation will occur.

To give the matter its fair deal, the factors included in the calculation method for the fare adjustment mechanism that allows fare to go upwards and downwards, which was announced in mid-November, are fairer and more transparent. These factors include the Composite Consumer Price Index, the wage index in the transport sector and the increase in productivity. However, it is obvious that the shortcoming does not lie in the formula but in not taking into account the decreases in price indices and wages over the past eight years when considering the starting point of the fares. The fare concessions proposed by the bus companies are in fact just a ploy. Not only is the reduction small, passengers are also required to pay in advance for the return trip and the number of passengers who will benefit is very limited. In fact, the dent in the profits of bus companies may be less than 5%. According to the latest estimates made by some academics, less than 210 000 people will benefit each day and this is a far cry from the overstatement of 900 000 people made by bus companies and the Government. Moreover, this 210 000 people account for only 5.3% of the 3.95 million passenger-trips. As we all know, Secretary Dr Sarah LIAO said

that the reaction of the public had been totally unexpected. What the public is saying is that, apart from the brazenness of bus companies in proposing such a discount arrangement that cannot even be considered as a petty favour, even worse, the Government even aids and abets the wrongdoer. Does the Government not know that doing so is of no help whatsoever to the public?

President, I also oppose the Government's exclusion of the two railway corporations from the fare adjustment mechanism that allows fares to go upward and downward. Due to the competition that they pose, the two railway corporations play an active role in regulating transport fares in general. The increase or decrease in their fares will make other modes of transport follow. Of course, the people who will benefit even more directly are the millions of people who use the two railways every day. Therefore, the Hong Kong Association for Democracy and People's Livelihood (ADPL) proposes that the Government must include the two railway corporations in the fare adjustment mechanism that allows fares to go upward and downward.

President, the ADPL believes that the starting point of bus fares must take into consideration the cumulative deflation of about 13% over the past eight years and the fact that the median of monthly average household income having fallen from \$18,000 in 1998 to \$15,600 in the second quarter of 2005, representing a drop of also 13%. The excess profits made by bus companies over the past seven years should also be factored into this. Therefore, the ADPL suggests that bus companies should slash the single journey fares for all bus routes by at least 10%. In addition, the increases and decreases made under the future mechanism must also be uniformly applied and be it long-distance or short-distance routes, the rate of increase or decrease should be identical to pre-empt the employment of financial skills by bus companies as they often did in the past, that is, the fare increases for bus routes with fewer passengers were lower but the fare increases for routes with more passengers were higher, so as to make the average rate of fare increase lower and create the false impression that the rate of increase was small.

President, Secretary Dr Sarah LIAO said that when she negotiated the fare adjustment mechanism with bus companies, she even shed tears. It is of course difficult to ask the tiger for its hide. However, I hope the Secretary will know that the trump card in the Government's hands is, apart from public interests and public support, the opportune moment offered by the renewal of bus service

franchises. I believe that in a free economy, no one will engage in any unprofitable business. So long as there is profit to make, there will always be people prepared to do the business, the more so in the case of bus service operation which is highly profitable. Since bus companies are yearning for the lucrative goal of making a deal on their franchises, the Government should take this opportunity to review the agreements. Apart from putting into practice the proposals of this motion and the foregoing suggestions made by the ADPL, the Government also has to include other conditions, including converting all sealed windows on board air-conditioned buses to windows that can be opened. While doing so will ensure hygiene and good air flow, energy can also be saved and emissions from buses reduced.

With these remarks, President, I support Mr Andrew CHENG's original motion and Mr WONG Kwok-hing's amendment. However, I will oppose Ms Miriam LAU's amendment because she has deleted the part in the original motion requesting that the fares should be reduced by at least 10%. We do not find this acceptable. Thank you, President.

DR FERNANDO CHEUNG (in Cantonese): President, transport fares in Hong Kong are high and all members of the public have fallen victim to this. Hong Kong is characterized by the comparatively high concentration of its population in a small area. Compared with overseas countries, with their populations dispersed over a large area, the operating costs of our public transport services can already be considered low. Often, the public transport services in overseas countries are in fact subsidized by the Government, or are in fact *de facto* public services. In Hong Kong, however, such public services have been transferred to the private sector. This is obviously a profitable business. Nevertheless, public transport services ultimately have a fairly direct bearing on the welfare and livelihood of the people.

In the past few years, Hong Kong has experienced a period of deflation but transport fares have held their ground throughout this period and it seems they have done so even better than we in the pro-democracy camp. After negotiations for a number of years, a fare adjustment mechanism that allows fares to go upward and downward has eventually been worked out, however, the advance payment of fares has caused a public outcry. I believe there is no need for me to repeat the comments made by a number of Honourable colleagues concerning the discontent of the public over the present mechanism.

Expensive transport expenses have a serious impact on grass-roots members of the public. Some members of the public whom I come into contact with live in rather remote areas. High transport expenses have deterred them from looking for jobs or taking part in normal social life. I have come into contact with some young people living in New Territories North. They work in the urban area and earn some \$4,000 monthly, however, transport expenses have basically accounted for more than half of their wages. Together with the expenses on clothing and lunch, as well as their long working hours, the wage left in their pocket is not much. These young people asked me if they should stay in their jobs since their jobs offered no prospects. I did not know how to answer. I have also come across a case in Tung Chung, in which a young person with mental disorder — although he is young, he has mental disorder — had to go to Princess Margaret Hospital for follow-up treatment. However, because of the high transport costs, he decided against doing so.

We can see that the impact of transport expenses on grass-roots members of the public has now affected all aspects of their lives. However, at the same time, I find that the two bus companies have surpluses of hundreds of millions of dollars each year. This time, we are grateful to Mr Andrew CHENG for moving this motion and to the several Members who proposed amendments to include the demand that bus companies offer fare concessions to the disabled and the elderly. In fact, the situation in Hong Kong is really bizarre. The fare concession for the elderly is intermittent. In all advanced countries, as well as some not so advanced ones such as our Motherland, the elderly and the disabled can take the underground and other modes of public transport free of charge. The MTR Corporation Limited in Hong Kong jointly operates a line in Shenzhen with the people over there, however, our elderly people and disabled people in Hong Kong are not entitled to fare concessions like those in Shenzhen.

Mr James TIEN commented just now on the difficulties in offering such concessions, in particular, on why it would be difficult to offer concessions to people with disabilities. He said that he had had discussions with John CHAN and the concern was over the number of people. In this regard, in fact, we have had discussions with the Government many times. It is not true that the problem lies in the number of people, rather, the problem lies in the principle. Why is it that throughout the world, fare concessions can be offered to people with disabilities and the elderly but it is not possible to do so only in Hong Kong?

In Hong Kong, definitions of disabilities have been given in many domains. We have the disability allowance and according to the present definition, eligible recipients must be totally disabled. If we look at this group of people only, at present, there are about 110 000 such persons in Hong Kong. In addition, there are about 40 000 persons who can be defined as disabled or temporarily disabled under the CSSA system. If the people in these two groups are added together, there are about 150 000 such persons in the population. Based on the estimate made by the Health, Welfare and Food Bureau earlier on, how many people will benefit from the policy on fare concessions? The number is in fact very clear. The estimate they submitted to the Legislative Council this year is about 215 000 persons and the detailed definitions for various types of disabilities were also set out. Therefore, we should no longer say that the number is unclear or that we are worried if such a concession is offered, a heavy burden will be imposed on public transport companies.

In fact, in many countries, fare concessions are offered not just to people with disabilities but also to those people who accompany them because often, disabled people cannot go out alone and they have to be accompanied by other people. Take I myself as an example, if my daughter wants to go out, my family will surely accompany her. If she takes a bus, then the two or three of us will have to take the bus together. What we ask for is not that all people be offered concessions in such circumstances, however, if concessions are offered to the elderly or people with disabilities, public transport companies may get more business. Even if, from a commercial point of view, we consider the turnovers and the corporate image, I still cannot understand why concessions cannot be offered directly to the elderly and people with disabilities. Therefore, I hope that the authorities will not just pay lip service. The Government must take the lead in establishing a working group to formally study how to offer fare concessions to people with disabilities, instead of just saying all the time that the number is unclear. In fact, all of us have a good idea of the number.

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

DR RAYMOND HO: Madam President, after three years of haggling, the Government finally announced last month the fare adjustment mechanism, allowing bus fares to move upward and downward. It will come into effect next month. In the past, there were only bus fare increases and no downward adjustments. Reductions in bus fares were rare even during the deflationary

period. This fare adjustment mechanism under discussion is obviously a better arrangement.

Nevertheless, bus passengers of short-distance routes will not enjoy any immediate benefit as proposed fare discounts will mainly apply to long-distance journeys. Rather, they are worried that the fare adjustment mechanism will cause them to pay higher fares amid the budding inflation before seeing full benefits of the new mechanism.

In this regard, the Government and the franchised bus operators must take more initiatives to convince the public that the fare adjustment mechanism is a fair one to all parties concerned, including passengers. As the first step, the bus companies should beef up their efforts to change their negative image of money-grabbing corporations as perceived by some members of the public.

It would help if a more acceptable arrangement could replace the proposed prepaid return-ride discount. Many passengers are worried with justification that they will end up paying higher fares if they miss the return trip on the same route as required under the payment of return journey fares. I trust that the bus companies can definitely come up with a better and fairer arrangement as allowed by the smart Octopus system. If the Octopus system permits, sectional fares according to the distance of bus journeys should also be introduced. Passengers taking short distance trips will therefore benefit from a more flexible fare structure.

As part of their image-building efforts and a demonstration of their commitment to corporate social responsibility, the franchised bus operators should seriously consider introducing concessionary fares for the elderly, people with disabilities and full-time students. Indeed, I have repeatedly called on bus companies to do so during past motion debates on related issues.

To bus passengers, the fare adjustment mechanism is no more than a window-dressing exercise on the part of both the Government and the franchised bus operators unless they actually benefit from it. In this regard, the Government and the franchised bus companies must strive to win the trust of the people. I must stress that the time we have spent on the issue is long enough and we must make a start on it. A bird in hand is better than two birds in the woods.

With these remarks, Madam President, I so submit. Thank you.

MR LI KWOK-YING (in Cantonese): Madam President, using public transport has become part of the life of Hong Kong people, though fares in Hong Kong are indisputably exorbitant. We are therefore greatly concerned about transport fare increases because transport fares directly affect the affordability and quality of life of the people. The inclusion of public affordability as one of the considerations in fare adjustments under the fare adjustment mechanism that allows fares to go upward and downward, to be introduced early next year, has somewhat responded to the public aspiration over the years for lowering transport fares. However, the adjustment mechanism will benefit only a handful, but not all, of the passengers.

At present, there is a popular trend among public transport operators to introduce a wide range of concessions, including the interchange concessions offered by bus companies, the ticket redemption rewards offered by the Mass Transit Railway (MTR), and so on. These gimmicks appear to be quite attractive. For instance, some passengers have chosen to redeem the cartoon tickets designed by the MTR. However, are all these so-called immensely popular petty favours the only concessions possibly offered to the people who simply have no other choices? Think about this more carefully. These concessions might merely be the tools used by the public transport operators for the purpose of evading the requests for fare reductions and avoiding the offer of more concessions to the people.

If the public transport operators are really willing to offer rebates to the people wholeheartedly, they will do definitely more than merely introducing these short-term and temporary concession initiatives. At present, the people simply have no idea whether these concessions will continue tomorrow because there is no way they can find out whether new arrangements will follow after the expiry of the concessions, not to mention the fact that enjoying the concessions incurs a lot of trouble. In order to obtain the MTR concessionary tickets, for instance, passengers have to first register as members online and then accumulate the required points and, within a specified period, complete the confirmation formalities at the terminals installed in certain stations before collecting the tickets. As a result, those passengers who are not well versed in computer operation or do not want to take the trouble cannot enjoy these concessions.

Actually, the most practical and the best method that meets the people's needs is to offer more travel concessions to the most needy disadvantaged groups in society, including students, elderly people and people with disabilities. At

present, only elderly people are offered half-price concessions by most public transport operators. Relatively speaking, students and people with disabilities receive fewer concessions.

Some people may probably think that worse-off students and people with disabilities may apply to the Government for transport subsidy. However, the transport subsidy offered by the Government has simply failed to take into consideration the actual needs of the applicants. Insofar as students are concerned, the Government will offer subsidy to the needy students to cover their expenses on travelling to school only. Many families with limited financial means have very often failed to pass the means tests. More importantly, the subsidy is meant to be used solely for the purpose of covering the expenses for travelling to school. The Government has actually overlooked the frequent needs for students to participate in extra-curricular activities after school in offering them only the most fundamental travel expenses. As for people with disabilities, we have to understand that they tend to pay more in transport expenses than the able-bodied because they often need to be accompanied by their friends or relatives. Moreover, they cannot make full use of public transport for the facilities provided by the public transport operators to them are inadequate and warrant further improvement.

Some public transport operators may probably think that offering too many concessions to the students and people with disabilities will give them enormous financial pressure. However, quite a large number of big and small enterprises have followed the international trend of shouldering their corporate social responsibilities. While some of them actively participate in charity activities and make donations to needy social organizations, others strive to minimize their impact on the environment during the production process. Should public transport operators, being public service providers, be more committed to society, apart from operating their business?

It is absolutely worthwhile for us to support enterprises which are willing to shoulder their social responsibilities, for this symbolizes the marching of society towards civilization too. However, it must be understood that the donation of enormous sums of money or replacement of old buses with a few green buses annually by bus companies does not necessarily mean that their social responsibilities have been fulfilled. Should public transport operators turn a blind eye to the actual needs of the disadvantaged groups and refuse to offer travel concessions to students without income or people with disabilities

with heavy financial burdens, they will still be, I believe, unqualified and too ashamed to claim that they have shouldered their social responsibilities even if they engage in more philanthropic acts.

To give the matter its fair deal, even if more travel concessions are offered to the needy in the community, it does not mean that the public transport operators have to incur losses because patronage will be stimulated as a result. Nowadays, students are encouraged to participate in extra-curricular activities and expose themselves to the world outside their classrooms. If offered travel concessions, students will make frequent use of public transport. As for people with disabilities, they might, joined by their relatives or friends, make more frequent use of public transport too. Given the rise in passenger trips and benefit enjoyed by the public, the offer of concessions to students and people with disabilities will definitely be a win-win proposal.

We can thus see that public transport operators should look further afield, instead of concluding in an insular perspective that offering concessions is tantamount to incurring losses. Only in doing so can they fulfil their social responsibilities in addition to making profits.

Madam President, I so submit.

MR JEFFREY LAM (in Cantonese): Madam President, an agreement has recently been reached between Secretary Dr Sarah LIAO and the bus companies to set up a fare adjustment mechanism that allows fares to go upward and downward. Although people should be pleased with the original intention of the mechanism, some find the mechanism useless because they have to make advance payment of the return journey fares before they can enjoy the discounts. In my opinion, turning this mechanism into a really acceptable one is not a difficult task. There is simply no need for the Secretary to make a pitiful plea to the bus operators for fare reductions.

Given that life in the city is constantly changing, coupled with the considerably wide choice of bus routes, some passengers might find the new arrangement inflexible if they are required to take the same bus route on the same day and make advance payment of their return journey fares when boarding the buses in order to enjoy fare concessions. For instance, an employee may leave his office for a meeting in the afternoon, and attend a class after work or have a

meal with his relatives or friends before going home. Because of similar circumstances, bus commuters might have to alter their planned routes, and the fares they have paid in advance will thus be wasted for no good reason.

Though I agree that medium- and long-haul commuters have a heavier burden in travelling expenses, I maintain that the scope of concessions should be widened to benefit more passengers. For this reason, the Government should discuss with the bus companies a fare reduction method that can better cater for the needs of passengers in order to answer the public aspirations.

However, I absolutely disapprove of requesting the bus companies for a 10% fare reduction across the board, as the mode of operation varies from one company to another. For instance, though the New World First Bus Services Limited and the Citybus Limited belong to the same parent company and their major routes run on Hong Kong Island, their financial conditions are different. A 10% across-the-board fare reduction is therefore not only impractical, but also inconsistent with the market economy principle. Neither is it possible for the Government to force the change on the bus operators. Most preferably, various public transport operators should be allowed to offer fare reductions or concessions in the light of their own circumstances.

Although various bus companies have introduced different combinations of interchange concessions, these concessions are nevertheless subject to certain constraints — passengers can only opt for certain designated bus route combinations. For this reason, I think the bus companies can consider expanding their interchange concessions schemes to make their concessions more comprehensive. This will serve a two-fold purpose of reducing passengers' expenses on fares while giving the bus companies an opportunity to re-align their bus routes for better utilization of road resources.

I certainly understand that inter-company interchange concessions involve the sharing of profits and amounts of concession, and the situation is relatively complicated. But still I hope the bus companies can actively explore this issue.

Another scheme worth exploring is the offer of daily, weekly and monthly ticket schemes. Under such schemes, the commuters will not encounter the problem of being confined to a certain bus route. Even if their routing is changed, they will not incur any losses. This brings about greater flexibility and, most importantly, reduced fare burdens. Actually, the bus companies have

studied the feasibility of one-day passenger passes for a very long period of time. Given the present Octopus technology, I believe it is possible for such passes to be launched.

When it comes to concessions, I must say a few words on the concessions for the elderly. After labouring for half of their lives, the elderly should preferably travel everywhere to enjoy themselves after retirement. I believe all Members will approve of the proposal of introducing concessions for the elderly as a token of our appreciation to encourage them to go out more often with a view to promoting their integration into the community. Furthermore, the concessions for the elderly might actually bring more profits as the children and grandchildren of the elderly will take pleasure in getting together during holidays by accompanying the elderly to restaurants or the countryside. Hence, they will definitely travel more on buses. As a result, the income of the bus companies will naturally be boosted. There is indeed no harm for the bus companies to give detailed consideration to the introduction of more travel concessions for the elderly.

I know that the bus companies are acting out of their social conscience in operating public utilities, and that they understand that bus fares must meet the needs of passengers. I very much hope that they can continue exploring various concessionary proposals to relieve the burden of transport expenses on passengers.

Madam President, I so submit.

MR RONNY TONG (in Cantonese): President, the subject of today's discussion is the fare adjustment mechanism that allows bus fares to go upward and downward. Rightly as Mr Jeffrey LAM asked just now, which is exactly what I am going to ask: Will the fares go up because of the reduction initiatives? Hong Kong people, particularly the grassroots, have been internationally known for working long hours. Owing to their long working hours, they have to leave home for work early in the morning. With reduced bus frequencies, and coupled with the fact that they must go home by bus as they will be required to make advance payment of their return journeys, the length of time they can spend with their family members at home will become even less. So, what are the pros and cons of this mechanism? Is it really necessary for the people to linger in the urban areas for an even longer period for the sake of saving the money?

Actually, today's motion brings out an even more fundamental question: Should public services be publicly or privately run? Private operation definitely has the merit of being more efficient than public operation. However, we must bear in mind that the goal of commercial operation is entirely different from that of government operation. The goal of commercial operation is, as a matter of course, to make money, which is different from that of government operation, which seeks to serve the public. Given the entirely different goals of the two, it is impossible for us to achieve efficiency while at the same time serving the public. Actually, a great many issues discussed in this Council in the past were closely related to the fundamental question raised by me a moment ago. There are examples like The Link REIT issue, the earlier debate on toll increases in this Council, and the discussion on power supply to be held shortly. All these point to the difficulties in privatizing public services.

The elected governments of many countries help needy people or citizens by way of subsidy. During my recent trip to Britain, the local poverty alleviation groups with which I discussed admitted that the amount of subsidies for transport expenses every year was enormous. However, the local community fully supported the British Government doing this, and a more efficient transport operator was the result.

In Hong Kong, however, we do not have an elected government. It appears that the Government opts for privatization just because it wants to shirk certain burdens or reduce its operational resources. At the same time, however, the Government seems to have failed to consider in concrete terms how to deliver its goal of serving the public following privatization of public utilities. In this respect, there is actually a lot the Government can do. For instance, offering subsidy is a popular method adopted by the governments of many countries, particularly elected governments. The second method is to introduce as much competition as possible. The third method is for the Government to retain some of its rights of involvement. In privatizing public utilities, the Government must consider retaining some of its rights of involvement so that it can directly influence the impact of public undertakings on the public.

For the public at large — especially the grassroots — transport expenses are a particularly important expenditure item. We have discussed a lot of topics in the Subcommittee on aiding the poor. For those people living in remote areas, the problems they encounter are very often related to transport expenses. The relatively exorbitant transport expenses have hindered them from going out

to look for jobs. Their income will also be offset by some rate because of the exorbitant transport expenses. Should the Government consider from the angle of the grassroots — particularly those living in remote areas — how to really implement a people-oriented mechanism?

I am very pleased to hear Mr TAM Yiu-chung's earlier remark that the DAB supports the proposal of requesting the Government to provide a special subsidy to people living in remote districts, which I greatly support. I hope colleagues can request the SAR Government, in one voice, regardless of whether or not the adjustment mechanism is feasible, to consider the offer of certain effective subsidies to residents living in remote areas, such as Tin Shui Wai and Yuen Long, to help people in genuine need.

President, I believe the majority of Members will support today's motion. Subsequent to the explanation made by Mr Alan LEONG earlier, we in the Article 45 Concern Group will support this motion as well. Thank you, President.

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

I was at the meeting when the Secretary announced in this Council weeks ago the long-awaited adjustment mechanism that allows fares to go upward and downward. President, you may probably remember that when the Secretary took office, she did mention that the transport expenses were much too high. This is why the community has been hoping that something can be done. Now that the mechanism is eventually launched, the people definitely hope that it can help. However, as remarked by the Secretary, the response of the people has been unexpected. I hope that the Secretary can, after listening to the views expressed by the public over the past weeks, strive to negotiate with the bus companies for a proposal which can benefit more people.

A number of Members have delivered their speeches earlier. While I greatly share their views, I also greatly support the fostering a business-friendly environment in Hong Kong. President, I have stated repeatedly that the bus company, being a commercial organization, definitely seeks to make profits. However, the KMB, posting a profit of \$336 million last year, has been making

lucrative profits over the years. I have very often seen buses in Hong Kong carrying full loads of passengers. Even without a passenger, the buses can still display a lot of advertisements. Therefore, during the discussion with the bus company on the franchise issue, the Secretary can surely adopt an all-embracing approach instead of making a pitiful plea, though I believe the Secretary will not behave in this manner. It is most important for the Secretary to adhere to a clear principle in fighting for the public a good package.

I very much agree with the views expressed by several colleagues earlier. For instance, as pointed out by Mr Ronny TONG at a meeting held by the Subcommittee to Study the Subject of Combating Poverty yesterday, we feel obliged to help those people living in remote areas. Just as the proposals raised by Mr TONG or Mr TAM Yiu-chung, I feel obliged to help these people. I remember I did mention in a meeting of this Council that I had been told by a member of the public that he could spend only a few dollars, instead of more than \$10, on his lunch. However, he could not spend less in transport expenses. Actually, it is already inappropriate to compare meals expenses with transport expenses. It is even worse that one can save more on meal expenses than transport expenses. I hope the Secretary can understand this. Though in some cases, the Bureau alone cannot necessarily resolve the matter as the concerted efforts by the entire Government are required, I still have to speak it out because I feel quite deeply about the plight of the residents in remote areas. While they are mostly jobless, those who managed to secure a job can earn some \$3,000 a month only. How can they meet the exorbitant transport expenses? I will therefore give my support should the Government be able to help.

As regards the elderly issue mentioned by Dr Fernando CHEUNG and other Members earlier, I very much agree that more concessions should be offered to the elderly. I also agree that the concessions should probably be offered for a number of days, instead of just one day, in a week. I think that this is what we should do. Even if the bus companies are reluctant to offer these concessions, I believe something must be done by the Government. Furthermore, regarding people with disabilities, the relevant panel, though having held a number of meetings, is still unable to convince the Administration. A caring society must provide assistance to the disadvantaged groups. Although certain matters might not fall into the Secretary's scope of work, I very much hope that she can, after listening to Members' speeches today, discuss with other Bureau Secretaries and the Chief Executive to examine if there are ways to

help people who deserve our assistance. I think most of the Members who have spoken will also agree that it is necessary to provide assistance to the elderly and people with disabilities in order to encourage them to make more use of public transport. I have never heard any disputes on this in this Council. I feel extremely sorry that the present dispute is merely between this Council and the Administration.

Actually, we earnestly hope to rationalize a lot of matters through more co-operation with the authorities to benefit the public more. These benefits are not trivial, but extremely important. I hope Secretary Dr Sarah LIAO can discuss with the Chief Executive in the Executive Council ways to benefit the public. President, I wonder if the mechanism will be endorsed in January for implementation. Although this was what the Secretary said, she stated afterwards that more discussion might be required. While we certainly do not want to see further delays, however, if the Secretary needs more time, say several weeks, for discussion, we will understand. I believe what the public expects is not the mechanism conceived at present, but a better arrangement wheeled by the Secretary after further discussions.

President, I have originally pinned high hopes on the adjustment mechanism that allows fares to go upward and downward, because I do not want to see groups opposing fare increases complaining to this Council frequently. It is my earnest hope that there will really be an arrangement considered extremely fair by everyone, so that we can act according to this arrangement in the future. In that case, the Council will be able to concentrate its energy on scrutinizing bills or other more complex policies. However, the mechanism conceived at present is an entirely different matter. I earnestly hope that the Secretary can continue her efforts in the coming weeks in striving to come up with a mechanism considered fair by the business sector, this Council as well as passengers so that it can be applied every year without causing public uproars. I also hope that the public can stay calm and give the Secretary several weeks' time. I hope that both the Secretary and the bus companies have heard all the views. What is more, I hope the Secretary can bring good news to this Council after the New Year. I so submit.

MS AUDREY EU (in Cantonese): President, the bus fare review proposed by Secretary Dr Sarah LIAO last month, in which the fare mechanism that allows

fares to go upward and downward was introduced, and a number of fare concession initiatives will be launched subsequent to the implementation of the mechanism.

A number of colleagues have expressed very strong views on the part concerning fare reductions. I very much agree that — as evident from public responses — requiring the advance payment of the return journey fares is impractical. Neither can the burdens on the public really be relieved. The bus operators are just using this fare reduction method as a marketing strategy to increase the frequency of the public in travelling on buses, or even profit from the advance payment of those who have made wrong estimations. I therefore hope that Secretary Dr Sarah LIAO can expeditiously discuss with the bus operators with a view to coming up with a fare reduction proposal that can really benefit more passengers.

Today, I will focus on discussing whether the adjustment mechanism proposed by the Government and bus operators can really benefit the public.

To start with, I agree that the weighted average cost of capital (WACC) should replace the average net fixed asset for the calculation of the average rate of return, for this will help stop the bus operators from boosting their profits by procuring new buses and plants. It is even more worthwhile for the Government to make reference to this approach in reviewing the profits of other public utilities.

However, it is imperative for the authorities to further explain to the public the concept of the WACC. The calculation method of WACC, as a financial accounting indicator, is not easily comprehensible to the public at large. It is even more puzzling that the authorities and bus operators have often repeated the point that the reasonable rate of return of the bus operators will fall substantially from 13% at present to 9.7%. On the face of it, the adjustment appears to be beneficial to the public. However, people will easily overlook the fact that the two figures were calculated on two different bases.

Earlier in a newspaper, Prof Francis CHEUNG Kwok-hung of the Institute of Economics of The Chinese University of Hong Kong questioned whether the reasonable rate of return would really fall substantially. He made this assumption in his article: "If the bus operators equate borrowing amounts with share values, and with the borrowing cost set at 7% and weighted average

above the level of 9.7%, the corresponding rate of return of the share capital will be roughly equivalent to 12.4%, which is not far from the original 13%."

We can actually see from the example cited by Prof CHEUNG that the rates of return of the bus operators will not necessarily drop significantly subsequent to the adjustment. In this connection, I hope the authorities can, in further explaining the new proposal to us, start by providing us with some concrete data to let us know whether the reasonable rate of return will really be lowered, and how this is going to be done. Secondly, the authorities should stop simply making a direct comparison between the figures obtained from the two different calculation methods for this will create the impression that the authorities and bus operators are using the figures to mislead the public into believing that the profit of the bus operators will fall directly by 3.3%.

Furthermore, I have taken note of the formula proposed in the adjustment proposal. The formula comprises three elements: the nominal wage index for the transport sector, Composite Consumer Price Index and productivity increases. The first two elements are closely linked with inflation and deflation.

Actually, except for the fall in prices and real wages by 13.31% and 5.8% respectively during the six years of deflation from 1999 to 2004, Hong Kong was hit by inflation for the rest of the time. It is therefore not hard to understand why the Secretary has been begging in tears during the past three years and it was only until today that the bus operators have finally accepted the mechanism that allows fares to go upward and downward. I suspect it was not because the bus operators were moved by the Secretary's sincerity, but because the formula, which matches the present circumstances in which inflation is approaching, can give the bus operators justifications for fare increases.

Although the fare adjustment mechanism is not determined solely by the formula, for such indicators as public acceptability, median household income, and so on, will be considered by the Chief Executive in Council, these indicators, which directly reflect the public's income levels and affordability, are not included in this formula that seeks to provide an objective quantitative standard. It can thus be imagined that if the bus operators are allowed to operate according to the formula, their requests for fare increases will eventually be rationalized, and their bargaining power for fare increases will be enhanced as well.

Lastly, I wish to say a few words on the concessions mentioned by Ms Emily LAU earlier for the elderly and people with disabilities. She stated that Members should support the concessions and that these concessions should not be controversial. Perhaps Ms LAU has not heard the doubt raised in the speech delivered by Mr James TIEN earlier, that people requesting the bus operators to offer these concessions must be lacking experience in business operation. He raised such doubt because he thought that offering concessions to the elderly would not necessarily bring higher profits. However, I can tell Members that, though I do not necessarily know the art of doing business, I can say as a person with elderly family members that the elderly greatly appreciate the \$1 fare concession which was terminated sometime ago. The concession can really encourage the elderly to go out to take part in activities. This is also beneficial to their health.

Therefore, I greatly support the part of the motion concerning the revival of the offer of the \$1 fare concession to the elderly. Of course, I greatly support the offer of travelling concessions to people with disabilities too.

I so submit. Thank you, President.

MR LEUNG KWOK-HUNG (in Cantonese): President, when Secretary Dr Sarah LIAO stated that an agreement had been reached, she should mean that some concessions had already been secured. Actually, the so-called fare reductions offered by the bus companies are entirely a different matter, as concessions might be offered too if the bus companies are prepared to engage in competition. I wonder why the Secretary described such concessions as fare reductions. At a time when competition is keen, certain groups, such as 7-Eleven, Circle K, and so on, often introduce new gimmicks too. Actually, this has become a universal practice.

The prices of newspapers are getting cheaper and cheaper nowadays. This is definitely not because the operators are determined to provide Hong Kong people with cheaper newspapers because they find the people in a terrible plight.

Mr John CHAN sounded very much like handing out alms. Other competitive trades act in the same way too. For instance, a newspaper costs \$5 only in Circle K, and a pack of tissue will be offered as a free gift as well. How much does the newspaper cost if it is bought somewhere else? The shop located

on the ground floor of my block has closed down for failing to stand competition. The present problem is that it is absolutely, or to a large extent, unnecessary for the Kowloon Motor Bus Company (1933) Limited (KMB) to compete. Therefore, when the Secretary stated, after taking office, that she had to examine these issues, the bus company just gave her some causal responses in order to put the matter to an end. Now all people in the community and even the Government believe that these offers are concessions.

I feel that I can say with a clear conscience that if the modes of transport in Hong Kong are more competitive, this situation would have arisen a long time ago. The termination of the concessions for the elderly in disguise should all the more be seen as an act of robbing Peter to help John.

Actually, I have already acted extremely politely to use "rich and yet cruel" to describe the KMB, which has always boasted itself to be serving the people but has actually been enjoying franchise on a long-term basis. This proves that the adjustment mechanism proposed by the Secretary is capable of restricting its profits. In my opinion, it is unnecessary to consider so many things. Come to think about this. The KMB has been so reluctant to spend, even offer trivial concessions, on good causes. Will it be so stupid as to forego the 3.3% profit because it is fairer to do so? I am sure it will not be willing to do so.

Actually, it was absolutely ridiculous to use assets value as the yardstick for raising fares. This was the same as allowing the bus company to raise fares even if it had made a wrong investment decision — even if 300 buses had been purchased and left idle, the bus company could still raise fares. This should certainly not be permitted, but the present situation is exactly like this. Even before complaining of the pain in his leg, Mr TUNG, though not wholeheartedly, stated that the accountability system had to be implemented. So, can the bus company still act in such an unaccountable manner? Definitely not. This is why it has now come up with a so-called "weighted average cost of capital". Honourable Members, after all is said and done, these are but the financial skills being played by the company. Its objective is simply to recover the amount of money lost through fare reductions. It is because the bus company is not operated by us.

In the end, the Government should "guard the pass". Actually, we have told by the Government repeatedly that "guarding the pass" is an arduous task.

While the Government has to cater for the public's transport needs, it might be unable to find an operator who is willing to run these businesses. And yet the Government has no wish to run bus services as a public undertaking. So, what can it do? In the end, it can only let the bus companies gain extra advantages by unfair means. This is very simple to understand.

There are only two solutions for the Government to really resolve this issue at root: The first solution is, as suggested by Mr Ronny TONG, to use public money to offer subsidies. I do not entirely agree with this proposal. Why should subsidies be offered? The second solution is to run the business by the Government, with which I agree. When the Government negotiates with the bus company about the franchise, the former should make it clear that the latter might as well surrender the business to the Government if it is reluctant to continue the business. There is no point in going on if the business is run in such a hard way. Similarly, if the Secretary complains of great hardship, he or she might as well resign. We should treat the bus company in the same way too. I have never believed in what businessmen say. Though complaining of great hardships, they have always said that they are willing to go on with their businesses, despite all the hardships, because they have to serve Hong Kong people. However, they will cease operating should the Government continue suppressing them.

Are they joking? Even if the Government requires all public bodies, such as the CLP Power Hong Kong Limited, the Hongkong Electric Company Limited, and so on, to cease operating, they will definitely object because they are merely cheating the Government and Members. They will even tell us that they are indispensable because they are making contribution to us. Actually, all public utilities or facilities must maintain a steady supply, which means that they should be publicly run, or the Government should at least have a say. Businessmen who do not like this idea may even invest in the United States by speculating in stocks and futures. There are plenty of business opportunities and they simply do not have to confine themselves to Hong Kong for profit-making.

Hong Kong has learned its lessons through a long period of time and rid itself of colonial rule, which was characterized by the lack of long-term goals because Hong Kong could be liberalized by the Chinese Government at any time and they would have to leave should that happen. How would they invest here?

They knew it all too well that they could not possibly recover the funds invested. Subsequent to the reunification, Hong Kong has now become a Special Administrative Region (SAR) Government of the People's Republic of China. What else will the SAR Government fear? A sovereignty transfer?

Honourable Members, what needs to be changed can be changed now. The question remains whether the Government is going to change. In my opinion, the Government is not going to do so. It has even chosen to go in the opposite direction by privatizing public utilities or facilities so that they all go to the pockets of the rich. Therefore, the present problem has absolutely nothing to do with technical details. It is rather a political issue. In other words, should the Government retain its initiative in the public utilities or facilities which are monopolized by consortia or indispensable to the ordinary people, and have the profits of these public utilities or facilities channelled to the government coffers for development or other purposes? This issue of governance is also the crux of the matter.

The Government is at present practising the so-called neoliberalism — "small government, big market". My view is very simple. Why should the Government be retained if it cannot even run public facilities? Should the Government be outsourced to let it monitored by 1 600 people? Should 1 600 people be allowed to participate in the election of the Chief Executive and monitor the Government?

Therefore, my conclusion is very simple. In order to tackle this issue, privately-run public utilities should be returned to the Government for government operation when negotiations on the relevant franchises are held.

MRS SELINA CHOW (in Cantonese): President, with respect to this long-awaited fare adjustment mechanism that allows fares to go upward and downward, there is indeed a gap between our original expectation and the situation we see now. I believe many share Ms Emily LAU's earlier remark that when the mechanism was launched, the formula was thought to be simple and that there should be no cause for so many disputes in the future. However, things have not turned out to be that simple. If it is purely a formula, then I believe the fares can really go upward and downward. What we see now is the inclusion of additional considerations, particularly the affordability of passengers, should mean extra protection for the public to a certain extent. In

other words, this mechanism has to be guarded. Therefore, I believe Members will eventually support the proposal of allowing the Government, that is, the Chief Executive in Council, to make the final decision, for this is nonetheless a desirable solution. Furthermore, having regard to other factors, I think allowing the Government to be the gatekeeper can better solicit the community's support for the mechanism.

In delivering their speeches earlier, a number of Members seemed to give the bus services in Hong Kong a very poor rating. Is this actually the case? I have very often heard people from outside Hong Kong talk about the territory and found that many tourists who have visited Hong Kong highly praise our public transport system and bus services. In their opinion, public transport in Hong Kong is excellent and yet inexpensive. Our public transport has become not only one of the territory's brand names, but also a significant attraction to be promoted overseas.

Some colleagues made a comparison between our public transport services with those of overseas places earlier in the debate. Mr Ronny TONG has particularly compared Hong Kong with Britain such that we are even more convinced that ours is better. In Britain, it costs £2 to travel just one stop by subway. The lowest bus fare is £1.2. Though all the public transport in Britain is subsidized by the government, fares are still very high, and services are poor. The railway companies in Britain have even received 1 million complaints a year. I have had the experience of waiting for buses in Britain. I was almost frozen, and yet I still could not see the next bus. In comparison, it might be the case that we were not aware that we are in paradise.

Having listened to the speeches delivered by a number of Members earlier, I feel that we probably have to clarify one basic principle. For years, public transport operators in Hong Kong have actually not been given any significant subsidies. The target of government subsidy is users, not companies. People in need of subsidy will be means-tested. We in the Liberal Party fully support this approach. For instance, we approve of determining whether certain students require travel subsidy by means tests. However, we disapprove of the suggestion made by Mr WONG Kwok-hing that all full-time students should receive subsidy. Why? This is because we adhere to the principle that society is obliged to support and help the unfortunate and the poor because they cannot help themselves. However, not all the people require government subsidy.

Probably only 10% or 20% of the people in the community require government assistance. If everyone in the community receives government assistance, the burden on the Government will become enormous. The amount of money required to be paid by taxpayers will be a lot more too. While the community has to bear social obligations, commercial organizations have to be accountable to their shareholders. Public transport operators must therefore fulfil their fundamental commercial obligations.

We have often heard the public criticize profit-making commercial organizations for being unscrupulous. In my opinion, making reasonable profits is not unscrupulous. Those enterprises are merely assuming their commercial obligations. However, the Government is obliged to offer assistance to the unfortunate, such as some elderly people and the needy students mentioned earlier. The Subcommittee to Study the Subject of Combating Poverty, set up under this Council, has even considered whether the community should consider ways to help the employed, if their wages are too low, to attain a reasonable standard of living. The assistance offered will definitely include public transport expenses.

We will support public transport operators making adjustments to their routes on condition that their commercial obligations are fulfilled. For instance, regarding the extra long-distance routes discussed earlier, we do understand that the people have some special needs. As Members are aware, the residents of Tin Shui Wai generally earn less than those in other districts. The number of unemployed persons in Tin Shui Wai might be higher too. It is definitely worth supporting if public transport operators can lower their fares by adjusting their routes. However, we must ascertain who should be responsible for assuming the social responsibilities and commercial obligations at the end of the day. Thank you, President.

MR LAU KONG-WAH (in Cantonese): President, the long-awaited fare adjustment mechanism that allows bus fares to go upward and downward has finally been launched. The current calculation method has seen a marked improvement, compared with the one proposed in 2003, for the local economic situation will be taken into account, and public affordability will be included as a major factor as well. Therefore, generally speaking, the DAB will support the Government introducing the mechanism expeditiously.

The Government's proposed formula for the mechanism will be adjusted in the light of price, wage and productivity indexes. In times of a worsening economic situation, the Government may, in accordance with the formula, request the bus companies to reduce fares, thus ending the previous unreasonable phenomenon whereby the bus companies took the lead and fares could only go up.

The rate of return for bus companies has also been adjusted downward from 13% to 9.7%. The new calculation method, the basis of which having changed from the average net fixed assets to the weighted average cost of capital, will be better able to reflect the actual operational situation of the bus companies. Furthermore, the policy of offering the profit excess as a rebate to passengers will also ensure that the bus companies fulfil their corporate social responsibilities.

The fare reduction arrangements proposed by the bus companies are very disappointing indeed. In addition to reducing fares, they have come up with the advance fare payment system, which is absolutely unnecessary. The result is like a starving baby demanding milk being forcibly fed a dish of rice with roasted pork. This is absolutely impossible to swallow. Why is the adjustment mechanism introduced by the authorities criticized for deceiving the people instead of being applauded by them? Even the Secretary has ridiculed herself and described the reaction as "totally unexpected" because the people cannot actually enjoy the fare reductions.

Most of Hong Kong people are not leading a stereotyped lifestyle. Very often, they go to work by bus and return home by other means of public after visiting other places after work. In the light of this lifestyle, the arrangements for advance payment for the return journey fares seem to be quite rigid. This is an enormous constraint for the versatile public.

Furthermore, the bus companies have proposed that only bus routes for which the fare is \$10 or above can offer fare concessions. While the daily average passenger trips of these bus routes are only 600 000 or so, the passenger trips of bus routes charging a fare of \$10 or below are more than 3 million. In other words, most of the bus patrons cannot be benefited. While 47% of the passengers of the New World First Bus Services Limited and the Citybus Limited use same day return passes, only 35% of the passengers of the Kowloon Motor Bus Company (1933) Limited use the passes. In other words, only some

280 000 at most of the 600 000 passengers can really enjoy fare concessions. The remaining 300 000 or so passengers will be unable to enjoy the benefits for various reasons. As for the daily average of close to 4 million passengers, they will not be able to enjoy any concessions at all. Therefore, we hope the bus companies can expeditiously revise their proposals to enable all passengers to be benefited expeditiously.

Furthermore, I also hope that the bus companies can better understand the plight of the needy in the community, such as people with disabilities, students, elderly people, and so on. The DAB will support all the initiatives proposed in the motion.

Thank you, President.

MR ALBERT CHAN (in Cantonese): Earlier in the debate, President, Mrs Selina CHOW used the term "long-awaited" to describe the adjustment mechanism that allows fares to go upward and downward. To me, however, the proposal is still half-baked.

Basically, the proposal is far from comprehensive. I held very high expectation when the mechanism was mooted, and hoped that the two railway corporations could be included as well. To date, the proposal is confined to buses only. A number of Members have also expressed, on numerous occasions, their disappointment with the proposal. I hope public disappointment with the proposal can be reduced after it is adjusted. I personally still have great reservations about whether the proposal will be gladly received by the public. Basically, I believe the Government should be considered as having done its share if its homework manages to score 60 marks.

Our public transport services play a very unique role in the entire establishment of Hong Kong. Like other public utility operators (including the two power companies), public transport services have traditionally been operated in the mode of "collusion between business and the Government" and "transfer of benefits". By exercising its administrative authority, the Government confers certain interests or privileges of public services on some financial magnates or firms through legislation or administrative authority. With the Government's support or approval, the firms will in turn reap profits through service provision. In many circumstances, they manage to reap exorbitant

profits by manipulating a variety of financial skills. The two power companies are the most adept at using financial skills. Once property development opportunities arise, they will transfer the land originally earmarked for constructing generating units to another company for the purpose of reaping exorbitant profits. However, the profits from the land will not go into their own accounts. The same applies to the two bus operators. In particular, the KMB has, in a given year, reaped a profit of hundreds of millions of dollars from its land proceeds. However, the relevant profits were channelled elsewhere through other means so that they did not constitute the KMB's entitled proceeds. I think I need not mention the circumstances of other public services because examples simply abound in which the actual profits are concealed by financial skills.

There is a bizarre, but real, phenomenon in the bus services provided in Hong Kong and that is, consumers have no choice. Only the Government can exercise its administrative authority to decide which district will be served by which type of buses. Tin Shui Wai and Tung Chung are the most prominent examples. The situation in Tsuen Wan is better as the district is a transport hub. The residents there can therefore choose either the Mass Transit Railway, minibuses (including green and red minibuses) or buses. However, the residents in some districts are given no choice at all. They can only choose between buses and taxis. I find this practice, constituting oligopoly, absolutely unacceptable. In my opinion, our transport system should be diversified to provide more choices to the public. For instance, green minibuses should be allowed to expand to all areas; likewise, red minibuses and non-franchised buses should be given opportunities to expand to other areas to provide the public with a diversity of choices. This will prevent the franchised bus companies from engaging in oligopolistic practices, thus forcing the public to pay exorbitant fares with no other alternatives.

As the simplest example, overnight bus passengers have to pay more than \$30 for a trip from Causeway Bay to Tung Chung. Let us do a simple computation. An ordinary security guard or food establishment waiter has to pay more than \$30 for a single trip home, and the interchange fares have yet to be included. This is indeed unacceptable to members of the lower strata. Mrs Selina CHOW has just left the Chamber. In an example she quoted earlier, she said that the tourists found bus fares in Hong Kong reasonable. I think she seldom comes into contact with members of the lower strata, probably because she belongs to the rich-man's party and she therefore talks with the well-off

tourists only. These people definitely find our services inexpensive. Why did Mrs CHOW not consult the low-income earners? They are infuriated.

I was unable to attend the meeting held in connection with The Link REIT because I had to meet with a group of women in Tung Chung at 9 am this morning. The people — especially the women — living in Tung Chung got extremely frustrated when bus services were mentioned. They feel that they have basically severed all of their ties with their relatives and friends after moving to the new town. This argument has actually been repeated again and again in this Council. It is not because they are reluctant to keep in touch with their relatives and friends, but because of the exceedingly high transport expenses. As a result, they dare not go out. Nor can they afford to do so. Their relatives will not travel to Tung Chung to visit them too. Such a bizarre situation in Hong Kong is precisely attributed to the emergence of oligopoly in bus services. As a result, members of the public have to pay exorbitant fares and their social lives are thus affected.

Owing to the scarcity of transport services, the number of family tragedies in new towns is particularly high. Even the suicide (including elderly suicide) problem is particularly serious there. It is simply impossible for low-income earners, particularly those receiving Comprehensive Social Security Assistance (CSSA) of a mere \$1,000 or so a month, to meet the transport expenses. It is even harder for them to travel out of their own districts by road transport. It is therefore imperative for us to offer concessionary fares to the elderly and CSSA recipients for the sake of minimizing social tragedies.

I hope the major property developers or financial magnates, who have often been criticized by me as unscrupulous, will, after earning more than billions of dollars, offer some small concessions to members of the lower strata to prevent their daily lives from being affected because of transport expenses.

President, what worries me most is the manipulation of financial skills by financial magnates. Even our very smart former Secretary for Economic Services, Mrs Anson CHAN, played right into the hands of the former China Light and Power Company years ago. After the company had spent billions of dollars on undertaking some projects, consumers were made to pay more in electricity tariffs. Although I have absolutely no doubt about the Secretary's sincerity, she is facing the tall challenge of preventing the extremely cunning financial magnates from succeeding. I definitely do not hope to see a repeat of

government officials being manipulated by financial magnates, thereby victimizing the ordinary people. Thank you, President.

MR ALBERT CHENG (in Cantonese): President, Mr Albert CHAN referred to the remarks of Mrs Selina CHOW just now. I totally agree to what Mrs Selina CHOW said. What is it that I agree to? I agree with her that the public transport system in Hong Kong is the best in the whole world. This is a fact. But when it comes to fares..... Although Mr Albert CHAN does not have a calculator, it does not matter because he is very good at arithmetic. According to Mrs Selina CHOW, one wishing to take a bus in Britain must pay a fare of at least £1. This sounds rather expensive. But we must realize that sectional fares are charged in Britain. Having paid £1, one can already travel to very distant places and a round trip (including interchange concessions) will cost just £2. How much is £2 in Hong Kong dollar? The answer is \$28. In Hong Kong nowadays, the fare for a round trip between Tin Shui Wai and the urban areas is \$40, that is, £3. Who says that bus fares in Hong Kong are not at all expensive? \$40 will be £3 after currency conversion. Let us look at people's incomes. For the sake of fairness, I shall adopt the most conservative estimation. The monthly income of a British citizen belonging to the lowest social stratum is estimated to be £1,000. I suppose no one will possibly say that this is an overestimation. I am sure that the average monthly income of a Briton should be more than £1,000 because no one will be willing to take a job with such a salary. A daily transport expense of £2 will mean 0.2% of the monthly income. In Hong Kong, the monthly income is about \$4,000. If one lives in Tin Shui Wai, one will have to spend \$40 on transport every day and this will mean 1% of one's income. Who still dares to say transport costs in Hong Kong are inexpensive?

I have said many times that the simple tax regime in Hong Kong ranks first in the world. When campaigning for Republican nomination in the American Presidential Election, my good friend Steve FORBES, editor-in-chief of the magazine *Forbes*, once remarked that the United States should follow the simple tax regime of Hong Kong, fixing the tax rate at 15% and allowing taxpayers to fill out just one single tax return. Yes, ours is a simple tax regime but we must not forget that there are many indirect taxes in Hong Kong. Some examples, as I have pointed out, are in the form of property prices and rents. Another form of indirect tax is transport expenses.

If one lives in Tin Shui Wai and works as a cleaning worker of the Legislative Council, one will have to spend \$40 on transport every day. This can explain why it is so difficult to ask people to come over for a protest these days — Members can ask Mr Albert CHAN and "Long Hair" because they know this most clearly. If one wants to come over to the Legislative Council, one will have to spend at least \$50 a day. Who will be willing to come? One will have to spend \$40 on transport and \$10 on a lunchbox. This is just the minimum expense and the money for buying drinking water is not included.

It cannot be denied that transport fares in Hong Kong are really exorbitant. Nowadays in Hong Kong, the expenses on clothing, food, accommodation and transport are no longer ranked in this very order. The order in terms of expenses has now become accommodation, transportation, clothing and food or accommodation, transportation, food and clothing because clothing and food in Hong Kong are really very cheap. Regarding accommodation, people all have a shelter now because the Housing Authority (HA) will sell off its assets cheaply — the listing of The Link REIT was a step taken by the HA to sell off its assets cheaply, a step that makes the Government lose 10 housing estates. If not, 20 000 people could have been offered housing units immediately. Regarding transport, Tin Shui Wai residents each has to spend \$40 on transport every day. At the meetings of the Panel on Transport, we also held discussions on the advance payment of bus fares. At that time, Mr John CHAN of the KMB remarked that this practice had been adopted in many places all over the world. This is true, but it must be added that this practice is adopted largely as a marketing gimmick, as a kind of concession to attract passengers. Passengers who select the same route for both the outbound and return journeys will be offered concessions. This is similar to the mechanism of "mileage plus" adopted by airlines, whereby passengers can accumulate mileage. This is just a form of concessions instead of any fare reduction mechanism. Its aim is just to attract passengers.

Some Members or members of the public remarked during some phone-in radio programmes that they might be unable to take the same bus routes on return because they might go to other districts for entertainment after work in the evening. Let us not talk about personal entertainment for the time being because it is only reasonable for one to pay transport costs if one wants to have any entertainment. But I have told the Secretary that those who are going to be affected are not people seeking entertainment. Rather, this will affect those who live in Tin Shui Wai and work in Central, but who cannot feed their families

without working part-time in Mong Kok after work. Having to return to Tin Shui Wai after working part-time in Mong Kok, how can they enjoy any fare concessions for the return journey? They will be even more miserable if they must pay their fares in advance because having paid \$40 in advance in the morning, they must still pay additional fares in the evening. I do not think that anyone will be so stupid. Therefore, I firmly oppose the advance payment of bus fares because it is neither a form of fare reduction nor an adjustment mechanism that will allow fares to go upward and downward. Since Mr John CHAN made a comparison with other countries, I told him right away on that day that in other countries, this was adopted largely as a means of attracting passengers instead of any form of fare reduction.

Now, at this stage of the debate today, the Secretary can surely put her mind at ease because the motion does not accept the advance payment of bus fares and even Ms Miriam LAU opposes the idea. The package of proposals is certainly more radical than the adjustment mechanism put forward by the Secretary. This is a fact. But the Secretary is going to hold discussions with the franchised bus companies on licence renewal, right? This is an opportunity that must not be missed. This is quite similar to the Chief Executive's interview with the 25 Members of the pan-democratic camp today. The interview suddenly turns us into worthies because the Government wants to lobby us for votes. In very much the same way, the Secretary is going to hold negotiations with the bus companies on licence renewal, so this is the only time that she can have bargaining power. The Secretary must fight for a truly beneficial scheme for the general public.

Besides, I also want to talk about the provision of fare concessions to people with disabilities. I notice that very often, there are not many bus passengers and buses are just like mobile billboards. I have raised this point many times and I really do not want to dwell on it. That being the case, what are the difficulties in providing fare concessions to people with disabilities during off-peak hours? It may sound a bit crude, but in the case of airlines, there are also "beggars' tickets". These refer to stand-by tickets for passengers waiting at the airport. In the United States, passengers need only to pay US\$100 for a "beggars' ticket" from New York City to San Francisco. Since there are room on buses, why then is it impossible to offer fare concessions to people with disabilities and the needy in society? If even this request cannot be entertained, how can we support the proposed package? Therefore, as a Member in the opposition camp, I may oppose the entire package. Thank you, President.

MR HOWARD YOUNG (in Cantonese): Madam President, today's motion is originally about members of the public as the major patrons of bus services, however, the speeches given by many Members have related this topic to tourists. Mr Albert CHENG and Mrs Selina CHOW have both talked about the perceptions of tourists just now, so it is incumbent on me to first discuss this matter from such a viewpoint.

The advance payment of return journey fares to qualify for a concession has aroused strong reactions in society. However, being a member of the tourism industry, when I heard about this, I did not think that was anything new because that was not a new invention. There are also concessions for the advance payment of return journey fares in other sectors such as airline companies. Everybody knows that it is cheaper to buy a round-trip ticket. However, can this be equated with bus fares? Not really, since they belong to two different sectors. Bus passengers, and wage earners in particular, have to travel to work by public transport every day but tourists can choose whether they will take the plane. Besides, most of the latter have to make the return journey, therefore, there is no problem if they return by taking the flights of the same airline company and they can put up with such an arrangement somehow. I believe it may not be possible to apply the concessions on the advance payment of return journey fares in one sector to another and that is the reason for the strong reactions in society.

Mrs Selina CHOW pointed out just now that many tourists consider the public transport fares in Hong Kong very cheap. They are really very cheap in absolute terms. Take buses as an example, the bus fare for a single journey on Hong Kong Island is only about \$3 to \$5. Throughout the world, even at many places in Southeast Asia, it is not possible to find such low fares. However, what about fares for long-distance journeys? When some Members refer to the Liberal Party, they always dub us the "rich party", as if we never take any bus or public transport. Yesterday, I took the tram twice and the MTR twice. To use a bus ride to Tung Chung as an example, I also know that the bus fare for bus route number E11 is \$20-odd. Also, I frequently take some short-distance routes serving Hong Kong Island and the bus fares are from about \$3 to \$5.

If we want bus companies to reduce their fares so that consumers who travel by bus every day can really be benefited, we should focus on the fares for

some long-distance routes, especially on the concession for the advance payment of the return journey fare. This will be more practical for long-haul passengers. For instance, if one wants to go from Central to the airport area, there are not many other choices apart from route number E11. For the return journey, unless a passenger chooses not to take the bus and goes to Tung Chung to take the MTR, otherwise, if he takes the same route, the bus fare at \$40-odd for the round trip will be reduced by \$4, that is, by 10%. The amount will be more substantial and passengers will benefit more.

However, on Hong Kong Island, if one goes to Causeway Bay, one can take bus route numbers 5A, 5B, 5 or 10 and the fares are more or less the same. Such a short trip costs just a few dollars. Will a passenger wait for the right bus route in order to save 50 cents? In fact, things may really turn out in the way suggested by Mr Ronny TONG, that is, people will have to spend more time and have a harder time waiting for the buses of a certain route number in order to get the concession.

Regarding medium-distance routes, for instance, in the Southern District in which I live, bus route numbers 6, 6X, 60 and 66 are operated by different companies. It is really not worthwhile if it is necessary to spend an extra half an hour to wait for the bus in order to get a saving of 10% or a few dollars. Therefore, I think that if the Government intends to introduce reductions for the return journey, it should focus on the long-distance routes. Greater fare reductions should be offered for long-distance routes to benefit those truly in need, particularly the residents in some remote areas or people who have to commute longer distances to work, as Mr TAM Yiu-chung has pointed out.

There has been a deflationary trend with regard to clothing, food, accommodation and the cost of transport in recent years. Food is now really cheaper in Hong Kong. For example, I believe that the cost of dining in restaurants is much cheaper than it was five years ago. As for accommodation or clothing, the prices of garments and shoes have generally become cheaper. If one spends and shops in Shenzhen, things are even cheaper. On accommodation, the rents of private housing have dropped in the past few years. Although the rents of public housing have not been reduced, the rents of private housing have indeed decreased and rates have also gone down in the past few years.

However, of all aspects of daily living, there has really been no reduction in the cost of transport in the past few years, save for the reduction in air ticket fares. However, we do not go to work by plane every day. Therefore, I believe if the Government can make some effort in this area, a lot of people will be benefited. I hope that passengers with the greatest need will be able to benefit the most on the one hand; and on the other, bus companies can continue to operate with financial viability and their staff can also get a pay rise. We are all expecting a pay rise next year because the wages of a lot of people have been reduced over the past few years. Only in this way can a win-win situation be achieved. I so submit.

MR LEE CHEUK-YAN (in Cantonese): President, in the last sentence of her speech just now, Mrs Selina CHOW said that we must distinguish between those who should discharge social responsibilities and those others who are just supposed to discharge commercial obligations. This is in fact the topic of many repeated discussions. Asking commercial organizations to discharge social responsibilities is indeed somewhat like negotiating with a tiger for its hide. Our Government, in particular, has failed to set a good example.

For instance, the Government is the largest shareholder of the two railway corporations, but in spite of this, it still finds it very difficult to discharge social responsibilities. If the Government still finds it so difficult to persuade the KCR, the MTR and the West Rail to reduce their fares despite the fact that it is supposed to have the final say, then it will be even more difficult for it to ask others to reduce their fares. Indeed the Government has failed to set a good example, so it has to negotiate the whole policy with commercial organizations. And, ultimately, the Government is to be held responsible.

Once the Government started to proceed with privatization, this situation was destined to arise because profit-making is the primary objective of all commercial organizations. Even if the Government tries to impose some clauses that require commercial organizations to discharge certain social responsibilities while earning profits, it is often difficult to strike a balance between the two. And, in the end, the Government will still have to give way to these large businesses. As a result, nothing can be achieved. Therefore, if the Government had never started any privatization, such a situation would never have occurred.

However, privatization has existed for several decades — Members can probably remember the year "1933" in the name of "Kowloon Motor Bus Company (1933) Limited. And, privatization is still with us now. Over all these years, we have come to realize that the Government's supervision has simply been inadequate and it is very difficult to ensure that bus services and fares can really satisfy people's need in life. The Secretary is held responsible for the whole thing, but I must say that this is not quite so fair to her because we are asking her to negotiate with a tiger for its hide.

However, I can still remember that the Secretary was once very ambitious. Shortly after her assumption of office in 2002, she hastened to say that she wanted to introduce a fare adjustment mechanism that would allow fares to go upward and downward. At that time, everybody admired her courage and commended her. Unfortunately, however, we have seen how she has been "withering". She is now so miserably "withered". I believe that Hong Kong people are all very saddened by this. But whether she has really "withered", she must eventually solve this problem. The Secretary has announced such a mechanism only recently, but all the discussions actually started during the times of deflation and have dragged on until now, the time of inflation again. Why was an adjustment mechanism that allows fares to go upward and downward brought up for discussions at the very beginning? The most important reason was that society as a whole was experiencing deflation then. At a time when prices and wages were all dropping, how could transport fares be an exception? This explained why people exerted such heavy pressure on the Government, commercial organizations and bus companies — it was hoped that an upward-and-downward adjustment mechanism could be introduced and bus fares could be reduced as soon as possible.

However, the Secretary has allowed the negotiations to drag on from the period of deflation to the present time of inflation. Now, with inflation again, the bus companies may have different thoughts. Even if they reduce their fares now, they will soon be able to raise them again. I wonder if the Secretary can tell us clearly what they think now. The Secretary may of course reply that they have not expressed any intention of increasing their fares. But I must say that according to the formula of the Secretary, fare increases may be introduced at any time when there is inflation. As a result, there will not be too much room for fare reductions and they may not last too long as well. Members of the public have been put in a disadvantageous position in all these negotiations because it is already too late to talk about an adjustment mechanism that will allow fares to go upward and downward during the time of inflation.

Besides, Members have also criticized that the fare reductions presently proposed are all for long-distance journeys, and that there will be no reductions for short trips. Another criticism is about the most infuriating aspect of the proposed mechanism — advance payment of fares. The Government frequently says that the democratic camp should not bundle up a timetable for universal suffrage and the Fifth Report. If the Government does not want us to do so, it should first set a good example. Why should the Government bundle up passengers and any particular bus routes? People must take the same bus route to and from work, must be bundled with the same bus route, before they can enjoy any fare reductions. Why does the Government not give up such a "bundle" tactic?

I wonder if the Secretary can give us any information on this today. All of us think that the proposal is entirely unrealistic and "deceptive". What is the progress of the Secretary's negotiations with the bus companies on this? Are they going to keep on bundling all things up? The system of advance payment of fare is not a form of fare reductions. It is just a sales promotion tactic. Forcing passengers to take the same bus route for the return journey is not a form of fare reduction but just a sales promotion tactic.

I hope that when holding further negotiations with the Secretary, the bus companies can refrain from being so miserly as to insist on this sales promotion tactic. I hope that they can instead offer genuine fare reductions, particularly for residents in such remote areas as Tin Shui Wai and Tung Chung. These people have to spend almost \$40 on transport every day. If one can earn only \$5,000 a month but has to spend some \$1,000 on transport, how can there be any incentive for one to go outside for work? Therefore, transport expenses are also one very significant problem affecting the problem of employment. If there are no bus fare reductions this time around, there will be less incentive for residents in remote areas to go outside for work. Even if people are willing to do so, their burden will still be very heavy.

The public still have one more demand, the demand for sectional fares. Why is it impossible to introduce sectional fares? Why must short-haul passengers be forced to pay such high fares? Can the Secretary do something more for the people in this respect? It is hoped that the Secretary can show more "bite" when negotiating with the two bus companies. Thank you, President.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): If not, I now call upon Mr Andrew CHENG to speak on the amendments. He has up to five minutes.

MR ANDREW CHENG (in Cantonese): Madam President, regarding the several amendments, I must first respond to Ms Miriam LAU's remarks, because right at the beginning of her speech, she already hastened to raise questions about Mr LEE Wing-tat's amendment and also because she is now in this Chamber.

The sole intention of the Democratic Party in moving this motion is to focus on the fares of franchised buses. That is why we have tried as much as possible to avoid some complex issues, such as the formulas adopted under the mechanism and a similar upward-and-downward fare adjustment mechanism for the two railway corporations. We have tried as much as possible to focus on bus fares and the room for fare reductions before the implementation of the proposed mechanism. I notice the phrase "providing a reasonable form of fare reduction, so as to benefit more passengers" in Ms Miriam LAU's amendment to my motion. Basically, I simply cannot refuse to support this amendment because no one can possibly refuse to support a reasonable form of fare reduction. Nor can anyone refuse to support the idea of benefiting more passengers. But it is a pity that she also proposes to delete "reducing the single journey fares by at least 10%" from my motion. After long discussions, including our discussions with the Secretary, we have come to realize the painstaking efforts she has made over the past few years. Mr LEE Cheuk-yan remarked that the Secretary had "withered" as a result of all this work. But Mr Fred LI has advised me that when I speak, I must say that the Secretary is still as charming as ever.

For fear that the Secretary may fail to see the launch of the proposed mechanism in January, we have racked our brains and eventually come up with the phrase "including offering, in the return journey, a reduction of not less than 10% of the fares for both the forward and return journeys taken". The reference to "..... in the return journey for both the forward and return

journeys taken" is a bit complicated in wording. But Ms Miriam LAU needs not worry because there is the word "including". If we have turned the whole wording into "a reasonable form of fare reduction that must include offering, in the return journey, a reduction of not less than 10% of the fares for both the forward and return journeys taken", she will surely refuse to render her support because she is not talking about "all" passengers. But the Democratic Party of course hopes to benefit all passengers.

Actually, we can note from the statistics of the bus companies that their turnovers in 2004 were as much as \$6.5 billion. Even after tax, their profits were still as great as some \$740 million. Ms Miriam LAU may well argue that a 10% reduction for \$6.5 billion will mean \$600 million. Although there will still be a profit of some \$100 million, she may still frown because this level of profit is simply not good enough. We have now resorted to the second best option and asked for "a reduction of not less than 10% of the fares for both the forward and return journeys taken". If this rate is split into two halves, the reduction for each journey will just be 5%. Assuming that the reduction for enroute, short-haul and long-haul passengers per trip is just less than 5%, the turnover of the bus companies will just be reduced by less than \$300 million. And, they will still be able to earn a profit of \$400 million to \$500 million.

To sum up, whatever the basis of computations may be, the bus companies will still be able to earn hundreds of million a year. And, I must emphasize that the rate of reduction requested will just be one-off in nature. It will not be necessary to reduce fares every year. Fare reductions will only be backdated to 2004. I fail to understand why the Secretary has reacted so "strongly". I wonder if there was any misunderstanding in our previous communications with her. She may wish to offer an explanation later on. What we are asking for is just a fare reduction that can make up for the 15% deflation rate before the implementation of the proposed mechanism. After this reduction, when the mechanism is activated in 2005, fare adjustments will be left to it. To the bus companies, whatever the rates of reduction may be, all will just be, in the words of Mr John CHAN, a matter of how much bread and butter for breakfast. It has been a long time since I last had bread and butter for breakfast. But I very much hope that Mr John CHAN can realize that many poor people in Hong Kong have to rely on buses as a means of transport. I hope that he can be more sympathetic and allocate more butter from the business turnover to offer more benefit to the people. Thank you, Madam President.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, first of all, I would like to thank the many Members who have spoken today to support the fare adjustment mechanism that allows fares to go upward and downward, because I think this is the most important part in the entire discussion. I very much hope that we can address the bus fare issue once and for all by the adoption of a mechanism. On this issue, we should not be too short-sighted by focusing only on by how much we can reduce the bus fares in the short run. Instead, we should examine the issue to find out how we can provide the best bus services in the long run.

First of all, I would like to talk about the timing of introducing the fare adjustment mechanism that allows fares to go upward and downward. From newspapers and news media, we know many people are asking why the fare mechanism is introduced at this moment. Is it because the deflation period is over now, so that the fare mechanism is introduced in anticipation of the return of inflation and to pave the way for introducing fare increases in future? As I have said just now, the mechanism is introduced for the provision of a systematic method to address the fare determination issue in the long run. I had introduced this mechanism when the latest round of franchise negotiations was held. This is a fundamental change, and I believe there has been no similar arrangement so far in respect of regulation of public utilities in Hong Kong, including any initiatives taken by the Government in reducing service charges at the time of economic downturns.

A formula will be adopted in the fare mechanism. With the adoption of this formula, the calculation is based on the Composite Consumer Price Index, the wage index for the transport industry, and the rate of increase in productivity. All these three indexes shall have a high degree of transparency; the public can understand them well without any hidden elements. Basing on this formula, we can have a starting point, upon which we can determine whether the fares should go up or down in the prevailing economic circumstances. Insofar as fare reductions are concerned, the bus companies have never proposed any such reductions out of their own initiatives since they started operating in 1933. Deflation has persisted during the past three years, but every time when bus fare concessions were offered, it was all because the Government had urged the bus companies to do so. Today several Members have mentioned many different kinds of concessions, but I would like to stress that all the concessions are offered by the bus companies of their own accord, which they can withdraw any time they like. Therefore, do bear in mind that the 10% return journey fare

concession is not a permanent arrangement. It is just the unilateral decision made by the bus companies, but now our new mechanism is not quite the same.

In introducing fare increases or decreases, they must comply with the contracts. And from this starting point, when the Government decides whether the bus fares should go up or down, it must make another round of assessment, which has to include elements that are hard to quantify, such as the affordability of the people and the general business environment of the transport industry as a whole, and so on. Only after all these have been taken into consideration can the Government make the final decision on whether the fares should go up or down. Furthermore, the formula will take into account the rate of increase in productivity. Having reviewed the data of the past 10 years, we are of the opinion that the bus industry has the capability of reducing bus fares by 0.3% annually; in other words, whether the economy is picking up or going down, it is still possible for them to make a downward adjustment to bus fares by 0.3%. As far as members of the public are concerned, this gives them a safety valve, or a guarantee that they can get the benefits too if the bus companies are making money. We are of the opinion that the bus companies should be able to enhance their productivity and to share with the people the benefits so derived.

Regarding profit sharing, the rate of return will be downwardly adjusted from 13% to 9.7%. In this regard, I would like to clarify that the return rate of 13% is calculated on the basis of the net fixed assets value, whereas the return rate of 9.7% proposed by us now is calculated on the basis of weighted average cost of capital, which is calculated on the basis of the entire industry instead of a particular bus company. This is because if we just look at the situation of one particular bus company, the figures can easily be tampered with. The data is now calculated on the basis of the entire industry. We also undertake to review these figures three years later. In assessing the rate of return of the industry, we have done it with reference to the average cost of capital of that particular industry.

With regard to the substantive return (that is, the rate of return), we will continue to do the calculation with reference to the net fixed assets value. From the data of the past 10 years, we can see that the two set of figures are at similar levels. We do not have to worry that when net assets are used as the basis, the bus companies could casually purchase, say, another 300 buses. The procurement of each new bus requires the approval of the Transport Department.

Approval for the purchase of a new bus will only be granted when there is an actual need, such as when new routes are launched, or when existing old buses have fully depreciated in value. The bus companies will not be allowed to invest in redundant resources. Of course, there will also be a series of conditions in the new franchises, which require the companies to make investments in environmental protection.

With regard to sharing the rate of return, I would like to explain that the rate of return represents neither the upper limit nor the lower limit of profits. We do not say that they can share the profits with the people only after their profits have reached 9.7%. However, if their profit does reach 9.7%, then any profits in excess of 9.7% will have to be shared with the passengers. Under the new franchises, we require the bus companies to share with the public any profits in excess of the prescribed rate of return within a year, and this could take the form of fare concessions or fare reductions. Our idea is that fare fluctuations resulting from fare increases or fare reductions should be kept to the minimal; therefore, the bus companies cannot apply for fare increases or fare reductions every single month. We will review the relevant indexes on a quarterly basis. Depending on the movements of the indexes, we will determine if we should activate the bus fares review mechanism, which will determine if the fares should go up or down. If the fares should go up, we will not take the initiative to propose the increases. Any increase in fares will have to be proposed by the bus company itself, which will also take into account their conditions of operation and the level of competition. We have to understand that the public transport industry in Hong Kong is not monopolistic in nature. The people can choose to travel by different modes of public transport, including the railway systems. It is the Government's policy to use the railway systems as the backbone of our transport system, with buses providing feeders and circular routes services. Furthermore, there are also minibuses and residential coaches, all of which are competitors to the bus companies.

In considering the new mechanism, we had held many rounds of discussions on whether oil prices should be incorporated into the formula. Eventually, we agreed that the costs arising from oil prices should not be directly transferred to the public because in the operating process, the bus companies do have the duty to manage the problems brought about by the rises and falls of oil prices; and in doing so, they should make use of the market forces, instead of completely relying on government actions to assure their profits.

There is a special characteristic about our franchises. The present situation is substantially different from that in 1933. In other words, no matter which routes we are referring to, as long as there is public demand for them, we have the right to request the bus companies to operate them, even though such routes may be incurring deficits, or such routes may be serving remote parts of the territory, or such routes may be facing very keen competition with the railways. Yet, in spite of all these, as long as we think there is the need for the provision of services, and the people are pressing for the provision of them, we think that the bus companies still have to operate such routes. The bus companies have their rights, but they also have their obligations as well. They cannot choose only to serve where the best profits lie. This is the characteristic of a franchise.

Some Members have asked: Why do we not open up the market, so as to promote free competition? In fact, all the public transport systems in the world are not operating in markets with open competition. This is because our road space is limited, so the Government must exercise control over the use of our roads. If the market is opened up completely, such that our roads are congested with "*pak paai*" (cars for hire) and residential coaches, I do not believe this is beneficial to Hong Kong. Therefore, no country will do this. There must be control over this. When there is control, the Government must intervene. We have chosen to exercise control by granting franchises. During the past several decades, have we not witnessed that we have enjoyed quality services? Earlier on, both Mrs Selina CHOW and Mr Albert CHENG have said that our bus services are excellent — this is a fact evident to all. People from different parts of the world all say that the quality of our bus services is nearly the best in the world. Are there problems with our system? I do not think so. We do provide the people with convenient services at generally reasonable prices. Just now a Member said that the bus fares are unreasonable because the bus services are being run by the private sector without government subsidies. Since the Government has given up bus operations which are taken up by profit-making enterprises, the people are definitely at a disadvantage. I think that such an allegation is completely wrong. The best advantage of the market lies in its dynamic nature as well as its flexibility. In the overall operation of bus services in the territory, we can fully see the advantage of making good use of the dynamic nature of the market. So be they popularly elected governments or autocratic governments, all of them cannot rival us in terms of public transport facilities.

I have visited San Francisco and London to gain a first-hand understanding of the operation of their public transport systems. The fact that their public transport systems are given public subvention means they cannot make any upward adjustment to the fares. However, government subvention is always insufficient, and consequently the entire public transport system cannot be upgraded, and all they can do is just to maintain the minimal standard of service. We all know that the problem of unpunctuality with the London subway is far more serious than that of the MTR of Hong Kong. In San Francisco, it took 14 years of discussion to build a railway connecting the city to the airport. The subway of New York had scared many people away. The situation had been bad until major reforms were carried out by the former mayor. But it did take a rather long time for improvement to be made.

Our transport system has struck a right balance between government management and market forces, thus enabling us to enjoy quality services and is itself good value for money. If we already have a good transport system, why do we have to carry out any reform? And what is the purpose of introducing this fare adjustment mechanism? Just now some Members questioned whether heated argument is needed every single time when fare adjustment is proposed. Fare increases are never welcome, whereas fare reductions are never great enough. I have a very profound understanding of this point. The fare reductions this time are proposed after we have gone through a thorough study. Just now a Member pointed out that a single trip in London costs just £1, in fact, it costs £1.3, and for this fare the commuter is restricted to travel within Zone A, which covers only a very short distance, and not as long as what Mr CHENG has described. We have compared the situations of Hong Kong, Singapore, Sydney, Toronto, New York, Tokyo and London and we used purchasing power parity instead of direct comparison in prices as the basis of our calculation. As a result, we found that fares for a short trip in Hong Kong, at just between HK\$3 and HK\$5, are the lowest among the cities compared. We may say that for short trips, our fares are the lowest in the world, but fares for long-distance journeys remain at a higher level.

Earlier on, some Members mentioned the remoter districts such as Tin Shui Wai and New Territories North. So, in the process of adjusting fares, we think that we must make the best use of our limited resources. Of course, we can request the bus companies to allocate part of their profit to reduce the disparity (that is, the inequality involved), but the effect is limited. Since the

available resources are limited, we shall only focus our effort on reducing fares of long-distance routes. If the reductions are greater, it will be more favourable to the needy people, especially to those who have to work on a "cross-district" basis. If they only earn between \$3,000 and \$4,000 a month, but their transport expenses have already accounted for half of their incomes, then they will have lower incentives to work. Of course, I have not conducted any comprehensive studies in this regard because it is always difficult to conduct any survey on fare reductions. Most people would invariably support the proposal that offers the greatest reduction. Therefore, I have only conducted a study among long-haul passengers. They hope there can be greater reductions — even though it may not be so convenient, they are prepared to accept them. However, I understand that most people hold very strong views about the advance payment of the return journey fares. As such, we undertake to request the bus companies to cancel the proposal of advance payment concessions, and we shall negotiate with them in order to identify ways of adopting better methods of benefiting the people.

I am very glad that all Honourable Members understand that an across-the-board reduction of fares will directly affect the bottomlines of the bus companies. So it is impossible to introduce a 10% reduction of bus fares. However, we think that, in order to make the people enjoy the convenience, we must work harder to enable the people to enjoy the fare concessions on medium- and long-distance journeys in a convenient manner. I wish to point out that, all such so-called concessions are actually reductions because we had required the bus companies that, such reductions could not be cancelled within three years, no matter what might happen in the interim. So the bus companies must continue to provide the discounts even after the mechanism that allows the fares to go upward and downward has been activated or after the Executive Council has approved of either the increases or reductions of the fares. However, with regard to the extent of the discounts, we are still negotiating over it.

As for other projects, such as the introduction of travel passes with the validity of a day, a week or a month, we have conveyed them to the bus companies. As for the monthly ticket, it has already been implemented in the railways. Although it is welcomed by some people, there are not too many users making use of it. I hope Members can understand that, and do not make such comments as "since there are not too many users of it, why should you bother to launch it?". Hong Kong is a diversified society. Being the regulator, the Government will try its best to discharge its duties and hopes that the resources can be utilized in the best way. The fare concession for people

with disabilities, for example, has been discussed in the Legislative Council many times, and Members all know how great the sympathy I have for this issue, and I also believe we must work hard in this regard. However, what kind of methods should be used? How can we best utilize the scarce resources, so that the concessions can be enjoyed directly by those needy people? Who are the most needy people? These are all issues related to social welfare policies. I know there is a subcommittee in the Legislative Council responsible for addressing these issues. With regard to the Student Travel Subsidy Scheme, the Education and Manpower Bureau at the moment has already a mechanism in place to provide travel subsidies to students whose eligibility have been assessed and approved. The aggregate sum of student travel subsidies amounts to \$400 million annually — this is no small amount, and I also believe this is the best way of utilizing our resources.

I hope Members can support the new mechanism for adjusting the bus fares. The new franchises will be more beneficial to the passengers, and it can also check and balance the operations of the franchise bus companies, thus enabling us to maintain the excellent quality of bus services in Hong Kong. I also hope that the new system can be submitted to the Executive Council for deliberation as soon as possible, so that it can be implemented with effect from January next year. In the meantime, we have already requested the bus companies to improve their fare reduction proposals which require passengers to pay an advance return journey fare, so that it can eventually become a reasonable proposal that is in line of the operating capacity of the companies on the one hand and also provides convenience for the people on the other. After discussing with the bus companies, we shall explain the details to the Transport Panel of the Legislative Council, if such an opportunity should arise. We hope we can speed up the pace of our work and enable the people to enjoy the bus fare reduction initiatives as soon as possible.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon Ms Miriam LAU to move her amendment to the motion.

MS MIRIAM LAU (in Cantonese): President, I move that Mr Andrew CHENG's motion be amended.

Ms Miriam LAU moved the following amendment: (Translation)

"To delete ", in anticipation of the" after "That" and substitute with "this Council supports the expeditious"; to delete "this Council" after "apply to franchised bus companies," and substitute with "and"; to add "a reasonable form of" after "and providing"; to delete "initiatives that are more reasonable, including reducing the single journey fares by at least 10%" after "fare reduction"; to delete "all" after "so as to benefit" and substitute with "more"; to delete "(c) improving the existing fare structures, expeditiously revising the scale of fares under the Public Bus Services Ordinance as well as the route groupings under the scale, reformulating the existing guidelines on the setting of fares, and determining the full and sectional fares of each bus route according to the distance of the journey on condition that the burden on long-haul passengers will not be increased, so that the fare structures become more transparent and reasonable and the fares paid by each passenger are as fair as possible; and" after "bus-bus interchange concessions;"; to delete the original "(d)" and substitute with "(c)"; to delete "introducing" before "one-day and one-week travel pass" and substitute with "studying the introduction of"; to add "(d) studying the introduction of a monthly Free-ride Day for the elderly to encourage them to go out more often with a view to promoting their integration into the community; and (e) studying the introduction of travel concessions for people with disabilities;" after "local passengers and tourists;"; and to delete "these fare arrangements to facilitate the implementation of the fare adjustment mechanism that allows fares to go upward and downward" after "consensus with them on" and substitute with "the relevant fare arrangements in order that such arrangements can be implemented in January next year and that the public can enjoy fare reductions and concessions as early as possible; at the same time, this Council also urges the Government to actively explore with various franchised bus companies ways to solve the technical problems regarding the introduction of sectional fares for buses and, on condition that the burden on long-haul passengers will not be increased, to expeditiously introduce sectional fares for buses after identifying reasonable and feasible implementation methods". "

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

PRESIDENT (in Cantonese): I now call upon Mr LEE Wing-tat to move his amendment to Ms Miriam LAU's amendment.

MR LEE WING-TAT (in Cantonese): President, I move that Ms Miriam LAU's amendment be amended.

Mr LEE Wing-tat moved the following amendment to Ms Miriam LAU's amendment: (Translation)

"To add ", including offering, in the return journey, a reduction of not less than 10% of the fares for both the forward and return journeys taken," after "a reasonable form of fare reduction"; to delete "studying the introduction of" after "(c)" and substitute with "ways to expeditiously introduce"; to delete "studying" after "(d)"; to delete "studying" after "(e)"; to delete "actively explore" after "urges the Government to" and substitute with "discuss"; to delete "ways to solve the technical problems regarding the introduction of sectional fares for buses" after "with various franchised bus companies"; and to add "encourage them" before ", on condition". "

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr LEE Wing-tat's amendment to Ms Miriam LAU's amendment be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr LEE Wing-tat rose to claim a division.

PRESIDENT (in Cantonese): Mr LEE Wing-tat has claimed a division. The division bell will ring for three minutes, after which the division will begin.

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

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

Functional Constituencies:

Dr David LI, Ms Margaret NG, Mr CHEUNG Man-kwong, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Ms LI Fung-ying, Mr Tommy CHEUNG, Mr Vincent FANG, Mr WONG Kwok-hing, Mr Daniel LAM, Mr Jeffrey LAM, Mr Andrew LEUNG, Dr KWOK Ka-ki, Dr Fernando CHEUNG and Mr KWONG Chi-kin voted for the amendment.

Dr Raymond HO, Dr LUI Ming-wah, Mr Bernard CHAN, Dr Philip WONG, Mr Timothy FOK, Mr Abraham SHEK and Mr Patrick LAU voted against the amendment.

Geographical Constituencies:

Mr James TIEN, Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mrs Selina CHOW, Mr James TO, Mr CHAN Kam-lam, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Albert CHAN, Ms Audrey EU, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr CHEUNG Hok-ming, Mr Ronny TONG and Mr Albert CHENG voted for the amendment.

Mr LEUNG Kwok-hung abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, 19 were in favour of the amendment and seven against it; while among the Members returned by geographical constituencies through direct elections, 25 were present, 23 were in favour of the amendment and one abstained. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

MS MIRIAM LAU (in Cantonese): President, I move that in the event of further divisions being claimed in respect of the motion "Franchised bus fares", this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Ms Miriam LAU be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is agreed by a majority of each of the two groups of Members present. I declare the motion passed.

I order that in the event of further divisions being claimed in respect of the motion "Franchised bus fares", this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): I now put the question to you and that is: That Ms Miriam LAU's amendment, as amended by Mr LEE Wing-tat, to Mr Andrew CHENG's motion, be passed.

PRESIDENT (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the amendment passed.

PRESIDENT (in Cantonese): Mr WONG Kwok-hing, as Ms Miriam LAU's amendment as amended by Mr LEE Wing-tat has been passed, I have given you leave to revise the terms of your amendment, as set out in the paper which has been circularized to Members on 13 December. In accordance with the House Committee's recommendation which I have also accepted, when you move your revised amendment, you have up to three minutes to explain the revised terms in your amendment, but you may not repeat what you have already covered in your earlier speech. You may now move your revised amendment.

MR WONG KWOK-HING (in Cantonese): President, I move that Mr Andrew CHENG's motion as amended by Ms Miriam LAU be further amended by my revised amendment.

President, the greatest difference made by my revised amendment is that it proposes a much more extensive form of fare concession which encompasses all transport operators, types of vehicles and modes of transport. Besides, my proposal also seeks to further expand fare concessions for students and restore the fare concessions provided to the elderly in the past. However, I do not think that the number of proposals is not so important, nor is whether or not the coverage is exhaustive. The important thing is that we must all work for the common good, that is, to fight for the passage of all the motions on people's livelihood, so as to demonstrate that all Legislative Council Members are prepared to forget their party difference, seek common grounds and support the Government in the negotiations.

I also hope that the Secretary can seek to open negotiations on a fare adjustment mechanism that allows fares to go upward and downward. This time around, she does not have to be reduced to tears. Instead, with righteousness and justice on her side, she can demand a scheme that is more in line with people's interests, a scheme that is more reasonable and feasible, so as to better protect consumer interests. I hope that the original motion and all the amendments can receive support, so that the Secretary can have more bargaining power in the negotiations. Thank you, President.

Mr WONG Kwok-hing moved the following further amendment to the motion as amended by Ms Miriam LAU and Mr LEE Wing-tat: (Translation)

"To add "; furthermore, this Council also urges the Government to discuss with various franchised bus companies the extension of the interchange concessions to more routes, the introduction of additional inter-company interchange concessions, and the offer of half-fare concessions to all full-time students in the territory" after "feasible implementation methods". "

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr WONG Kwok-hing's amendment to Mr Andrew CHENG's motion as amended by Ms Miriam LAU and Mr LEE Wing-tat be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Ms Miriam LAU rose to claim a division.

PRESIDENT (in Cantonese): Ms Miriam LAU has claimed a division. The division bell will ring for one minute, after which the division will begin.

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

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

Functional Constituencies:

Ms Margaret NG, Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Ms LI Fung-ying, WONG Kwok-hing, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr KWONG Chi-kin and Miss TAM Heung-man voted for the amendment.

Dr Raymond HO, Dr David LI, Dr LUI Ming-wah, Mr Bernard CHAN, Dr Philip WONG, Mr Abraham SHEK and Mr Patrick LAU voted against the amendment.

Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Daniel LAM, Mr Jeffrey LAM and Mr Andrew LEUNG abstained.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Albert CHAN, Ms Audrey EU, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr CHEUNG Hok-ming, Mr Ronny TONG and Mr Albert CHENG voted for the amendment.

Mr James TIEN and Mrs Selina CHOW abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, nine were in favour of the amendment, seven against it and nine abstained; while among the Members returned by geographical constituencies through direct elections, 25 were present, 22 were in favour of the amendment and two abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr Andrew CHENG, you may now reply and you have four minutes 21 seconds.

MR ANDREW CHENG (in Cantonese): Madam President, I have the impression that since the days of the former Legislative Council before the reunification, or during the days of the present Legislative Council, the motions moved by me have rarely received such support from the paparazzi of any Policy Bureaux who are responsible for lobbying. *(Laughter)* Yes, I mean it because they are really lobbying Members, asking them to vote for the motion, in the hope of giving the Secretary more "ammunitions".

The amendment moved by Mr LEE Wing-tat to Ms Miriam LAU's amendment today has been passed. I am not in any way carried away with it, but I must say to Mr LEE Cheuk-yan that this proves that the Bureau was still at sixes and sevens before the moving of this motion, not knowing how the various

political parties and factions would vote. In politics, there are no permanent enemies and allies, so I hope that next week there will also be such strong support from the paparazzi for the democratic camp's position on the constitutional reform package.

Members belonging to the pan-democratic camp, especially Ms Emily LAU, have been very nice to the Secretary today. As far as I can remember, she said that we must give the Secretary a few weeks more for follow-up actions. I hope that this allowance of a few more weeks can deliver two messages. The Secretary has had a very hard time negotiating with Mr John CHAN. She has been virtually reduced to tears very often. But all this is justified because at least most of the amendments today have already been passed and she can now have more "ammunitions". Another thing is that all Policy Bureaux seem to be devoting all their efforts and resources to the battle of the constitutional reform package next week. And, Ms Emily LAU's intention is just to remind her that she should not pay sole attention to lobbying for the constitutional reform package, and that people also wish to see motions on their livelihood, a two-way fare adjustment mechanism that allows fares to go upward and downward and an acceptable form of fare reduction.

In addition, I also wish to say a few simple words in response to the views of the Secretary and Members belonging to the Liberal Party. According to the Secretary, bus fares in Hong Kong are reasonable. But I hope she can understand that the issue under discussion today is the introduction of sectional fares. Why do we think that bus fares in Hong Kong are unreasonable? Our calculations show that some of the several hundred bus routes in Hong Kong are charging a fare of \$0.6 per km and others, especially long-distance routes, are charging \$1.2 to \$1.5 per km. There is always just one driver and one Octopus Card reader, so we simply wonder why passengers living in remote areas must be made to pay such exorbitant fares. For this reason, we demand the introduction of sectional fares.

Whether we talk about monthly tickets, day tickets or weekly tickets, the same Octopus Card hardware system can still be used and it is not necessary to make any monthly tickets especially for the purpose. Ms LI Fung-ying said that there used to be monthly bus tickets when she was young, but now, as she also admitted, she only has to pay \$500 a month and she can use her Octopus Card as a monthly ticket for the whole month.

I hope that Members belonging to the Liberal Party, especially Mrs Selina CHOW, can understand that we are not saying that bus services are

unsatisfactory. The democratic camp and the Democratic Party are just saying that bus fares are unreasonable and those for long-distance journeys are indeed too high. I also hope that Mr James TIEN can stop criticizing us that since we have very little experience in operating businesses, we cannot understand the difficulties of business operators. To respond to Mr James TIEN's comment, I wish to say that even if I were to run a business, it would not be as large as the bus companies. And, even if I were a business operator now, he would still criticize that I do not understand the difficulties of running big businesses. That way, there will be endless arguments. My only hope is that public utility operators in Hong Kong, especially the KMB, can introduce reasonable reductions for its short-, medium- and long-distance routes in the future, in the interim to the implementation of the adjustment mechanism that allows fares to go upward and downward, while earning a profit of several hundred million dollars. That way, it will not have to criticize the Legislative Council for employing political means to oppose fare increases. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Andrew CHENG, as amended by Ms Miriam LAU and Mr LEE Wing-tat be passed.

PRESIDENT (in Cantonese): Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is agreed by a majority respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion as amended passed.

PRESIDENT (in Cantonese): Second motion: Conservation of energy.

CONSERVATION OF ENERGY

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

President, the main reason I move this motion on the conservation of energy today is not to save some money for everyone, nor place myself at loggerheads with the shareholders of the two power companies but the following three reasons. First, the problem of air pollution in Hong Kong is so acute that it is seriously undermining our competitiveness and it has even reached an extent that arouses the concern of the international community, hence conserving energy is a shortcut to solving the air pollution problem in Hong Kong. Second, there is a huge wastage of electricity by Hong Kong people and the situation is extremely worrying. Over the past 15 years, the population of Hong Kong has increased by 20%, whereas the household consumption of electricity has surged by 80%. Even though a lot of industries have moved northwards and there should have been a drastic fall in power consumption by the industries, the total power consumption in Hong Kong has still increased by 60%. Third, Hong Kong people in general are very lukewarm about the issue of energy conservation. They think that all they do is to pay the electricity bill and so they do not care about energy conservation measures which they think are trivial. Therefore, I think there is a need to move this motion.

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

Due to the time constraint, I will only talk about our views on some of the contents of the recommendations put forward in the original motion. Other colleagues of the DAB will speak later on the other recommendations.

Efforts in promoting energy conservation are presently undertaken by the two committees on energy conservation and energy efficiency under the Energy Advisory Committee of the Electrical and Mechanical Services Department (EMSD) as well as by the two power companies respectively. But the two committees under the EMSD do not have any actual powers, nor do they have any resources. When it comes to promoting energy conservation, even if they have the intention, they do not have the powers. They are even worse than toothless tigers and they can at best be two toothless old cats and nothing more.

As for the two power companies, they are the source of the emission of 70% of the greenhouse gases in Hong Kong. They are also the major source of the pollutants emitted, accounting for the production of 90% of the sulphur dioxide, 60% of the nitrogen oxides and more than 40% of the respirable suspended particulates (RSP). Therefore, the two power companies cannot hope to shirk their responsibility in striving to reduce emissions. However, if the two power companies are required to take self-initiated actions to save electricity, this is like asking them to make fewer profits. One just wonders how sincere they will be in this and what the result will be. The result is energy conservation work in Hong Kong will become a victim of the system. One just has the impression that words may sound marvellous, but there is no intention to put words into action.

Looking around the world, we can find that other places have long since left Hong Kong trailing very far behind when it comes to energy conservation work. The European Union makes energy conservation as one of the four major targets in its energy policy. The United States has put in huge amounts of money to enhance energy efficiency. As for governments in Japan and the Mainland, they passed legislation on energy conservation in 1979 and 1998 respectively.

To turn back the tides, the Government must start to draw up a comprehensive energy policy, revamp the existing framework, and elevate the energy conservation and energy efficiency committees under the Energy Advisory Committee of the EMSD. An energy conservation committee which is independent of the Government should be set up and fully empowered to put forward suggestions on energy conservation policy, co-ordinate work in the public and enterprises on energy conservation and to finance research and development on energy conservation technology, and so on. The Government and the two power companies should allocate substantial amounts of resources to the promotion of renewable resources. This will enable the energy conservation committee to take forward its work effectively.

Deputy President, with respect to the Chief Executive making in the policy address this year saving on power consumption a clear and definite target for the first time, the DAB thinks that this move is commendable. The question is that the target set is only to reduce power consumption in government offices by

1.5% in the coming year. The rate of reduction is incredibly small. We should know that in the Eleventh Five-Year Plan presently being drawn up on the Mainland, the energy conservation target set is to reduce energy consumption in each government office by 20% within five years. Actually, given the inadequate energy supply on the Mainland, it would be in a more difficult position than Hong Kong to reduce energy consumption even by 1.5%. Now the Mainland is making an ambitious proposal to reduce 20% in phases and this has really dwarfed us into shame. On top of this, what rights do we have to ignore this national policy and do what we like?

The Hong Kong Government consumes more than 2 100 GW hours of electricity every year and it is the greatest consumer of electricity in Hong Kong. If the Government wants to raise its energy conservation targets by a large extent, it should model on the practice of "green managers" and appoint "energy managers" in various departments to take charge of drawing up energy conservation programmes with foresight. They should also monitor and report on the effectiveness of the energy conservation initiatives in the departments.

As Members go past various districts in the territory, when they look up they will see commercial buildings and government offices in glass curtain walls. Have they ever thought that such sleek and chic design is actually the culprit of electricity wastage in Hong Kong? As glass is a poor insulator of heat and it cannot withstand coldness, people inside these office buildings will feel cold in winter and hot in summer, so naturally they will have to turn on the air-conditioners all the time. This is coupled with the closed design of the buildings, where ventilation is poor and so the electrical ventilation system must be turned on for long periods of time. As glass is used in large areas in the outer walls of these buildings, sunshine is particular strong and many offices are forced to lower their curtains and electricity is used for lighting instead. In these circumstances, power consumption in these buildings could be four to five times more than the energy efficient buildings!

Deputy President, one may understand the fact that commercial organizations are going after attractive appearance and in quest of grandiosity. But it is hard to understand why government offices are following the same trend. Moreover, when the Government has such a flimsy idea of energy conservation, how can the public be persuaded to save energy all the time?

A more ironic fact is that of the 561 buildings awarded certificates under the Energy Efficiency Certification Scheme for buildings launched in 1998, it is surprising to find commercial and government buildings with curtain walls on the list! This shows exactly that the Scheme is not comprehensive enough. I therefore hope that Hong Kong can model on the practice in Japan and the European Union and impose mandatory requirements on the design of all new buildings that they should meet all energy conservation standards and designs.

Since it is suggested in the policy address this year that there should be an assessment from the environmental protection perspective before all major policies are launched, the DAB urges the Government to take the lead by making it mandatory for all proposed government buildings to pass a comprehensive and stringent "green assessment" at the design stage. This is to ensure that the design, materials and facilities used will meet energy conservation and environmental protection requirements. Such requirements would range from the most basic ones like abandoning the use of curtain wall design and avoiding making the building face east or west, to other measures like the use of renewable energy facilities, setting up a waste water recycling system, a thorough separation of wastes for recovery, a full-scale adoption of energy-saving equipment, introducing a power demand management system and using green roofs, and so on. All the factors assessed and the results thus arrived should be made available to the public for reference.

Deputy President, now I would like to talk about green roofs. Greening the rooftops is like adding a natural insulating barrier at the top of a building, the effect of which is like a natural air conditioner. For low-rise buildings with a large rooftop area, such as schools, hospitals, community halls and stadiums, the resulting reduction in temperature is especially marked. On-site studies made at various places show that after adding a green rooftop, room temperature can be effectively lowered by 1 degree Celsius to 8 degrees Celsius. By conservative estimates, power consumption in summer can be reduced by 5% to 15% as a result. Moreover, if green rooftops are extensively found in the buildings of a city, the problem of heat island effect can be effectively addressed. Temperature in the entire city can be lowered. That is why green rooftops are extensively used in Europe, North America, Japan and even in some cities on the Mainland. In Germany, green rooftops are required by the law. In Japan, the government there is speeding up the pace in promoting green roofs and walls. The Tokyo Municipal Government has announced that through these green

measures, it is hoped that temperature in Tokyo can be reduced by 1 degree Celsius. In Beijing, the government has made it a target that each year a total area of 250 000 to 350 000 sq m of green roofs should be added. Looking back at Hong Kong, one just wonders when Hong Kong can truly become a world city in that sense.

I think Members will find out that even late in the night many commercial buildings are still brightly lit. The reason for this is that the electricity bills of flats in many of these buildings have been included in the management fees and in the absence of any incentives for economizing on electricity, a huge amount of electricity is simply wasted. When considering the fact that power consumption in the commercial buildings accounts for half of the total power consumption in Hong Kong, the Government cannot afford to do nothing about the situation. As a matter of fact, there have been great advancements in energy conservation technology. As far as I know, technology these days can restrict the air conditioning in each flat without the installation of separate electricity meters. In other words, the management fees of each individual flat can be adjusted according to the power consumption. This is like giving a financial incentive for energy conservation. As to whether or not this kind of individualized technology can be made popular, it depends on the promotional efforts made by the Government.

By the same token, the DAB urges the Government to discuss with the power companies and by offering financial incentives, it is hoped that commercial users can be encouraged to use electricity during the non-peak hours as far as possible so that they can enjoy lower tariffs.

Sometime ago the DAB launched an energy conservation campaign for the households and it was called "one hour for each family". We called upon the people to use some electrical appliances one hour less every day, on condition that their quality of life would not be affected. We have provided clear guidelines to teach the public how to save electricity. According to our estimates, each household can save \$100 on average each month in the electricity bills in a full year. If this campaign can be carried out throughout the territory, a total of \$2.7 billion can be saved in one year or 8% of the total power consumption in Hong Kong. This will lead to a reduction in carbon dioxide emission to the amount of 2 million tonnes, the effect of which is like planting 140 million trees a year. In view of this, the DAB urges Members once again

to set an example and economize on electricity, thus making Hong Kong a truly energy-saving society.

Deputy President, it is easy to save on electricity by every family using one hour less electricity. With these remarks, I beg to move.

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

"That, in order to more effectively promote energy conservation and enhance energy efficiency so as to achieve the objectives of protecting the environment and conserving the resources on the earth, this Council urges the Government to:

- (a) formulate a comprehensive and effective energy conservation policy;
- (b) establish an energy conservation committee which is independent of the Government to co-ordinate the Government's and the two power companies' resources and initiatives for promoting energy conservation;
- (c) take the lead in drawing up internal energy conservation programmes within various departments, to appoint an energy manager to oversee the implementation of energy conservation initiatives, and to provide annual reports reviewing the effectiveness of the initiatives;
- (d) make it mandatory for proposed government buildings to pass the energy efficiency assessment prior to construction in order to ensure that the designs, materials and facilities of such buildings meet the energy conservation requirements;
- (e) actively promote the implementation of green roof projects on buildings, especially government buildings such as hospitals and schools, etc, throughout the territory;
- (f) expeditiously implement the mandatory energy efficiency labelling scheme;

- (g) promote the provision of economic incentives by the two power companies with a view to encouraging their customers to use energy-saving electrical appliances;
- (h) promote the introduction of an effective mechanism, including the provision of economic incentives, by commercial properties with a view to encouraging commercial tenants to reduce electricity consumption; and
- (i) actively enhance, through publicity and education, the public's knowledge and awareness of energy conservation."

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

DEPUTY PRESIDENT (in Cantonese): Mr SIN Chung-kai and Mr Vincent FANG will move amendments to this motion respectively. The motion and the two amendments will now be debated together in a joint debate.

I will call upon Mr SIN Chung-kai to speak first, to be followed by Mr Vincent FANG, but no amendments are to be moved at this stage.

MR SIN CHUNG-KAI (in Cantonese): Deputy President, energy consumption in Hong Kong has increased remarkably during the past decade. According to an information paper of this Council, total local energy consumption at end-use level in Hong Kong grows at an average rate of 1.4% per annum. In 2004, the total electricity consumption in Hong Kong was 39 200 Gigawatt hours (GWh), of which about 28% were used by domestic appliances and office equipment. Electricity consumption in various government departments is as much as 2 100 GWh per annum, or 5.5% of the total electricity consumption territory-wide.

According to a survey done by The Chinese University of Hong Kong a few years ago, there is a positive relationship between the energy conservation awareness in the public and their energy conservation behaviour. Unfortunately, government publicity efforts in energy conservation are obviously inadequate, resulting in a very weak energy conservation awareness

among the public. This can be seen in the very low utilization rates in energy-saving products like compact fluorescent light bulbs and electronic fluorescent light transformers. Actually, energy wastage will not only lead to increases in the electricity and gas bills, and so on, but it will also cause indirect damage to the environment. The burning of coal and mineral fuels will not only aggravate the air pollution problem but also cause a rise in global temperature, hence producing the greenhouse effect.

To improve and economize on the use of energy, the Government should draw up a comprehensive energy policy. By adopting such measures as policy laws and regulation and offering financial incentives, it is hoped that individuals and enterprises can take on a positive approach to energy conservation. In many developed countries, active measures are taken to save on energy. In Germany, Finland and the United States, remarkable achievements have been made in enforcing energy conservation in the construction of buildings. In Germany, for example, a law on energy conservation is enacted and under this law, the permitted energy consumption rate for new buildings is 30% lower than the energy consumption rate before 2002. When a consumer is to buy or rent a residence, the developer must produce proof of energy consumption to the consumer on the annual energy consumption of the residential unit in question, including information on the heating system, ventilation and hot water supply, and so on. The Federal Government of the United States has launched an energy management programme. In Finland, the environmental protection authorities there have drawn up energy standards for buildings and the walls of buildings are required to carry an insulation layer to prevent the loss of heat indoors during winter. It is known that these measures result in a reduction in the consumption of heat energy in the buildings ranging from 10% to 15% and this will help lower electricity consumption in the buildings.

In the United Kingdom, in an attempt to encourage energy conservation, the government there has formulated an energy strategy for the 21st century and relevant laws are enacted to this end. It is hoped that these measures will promote energy conservation. Starting from 2001, the United Kingdom Government has been allocating tens of million pounds a year to its energy efficiency fund and enterprises are encouraged to conserve energy and build an energy-saving society. Likewise, work in energy conservation has been remarkable in Japan. As early as in 1979, the Japanese Government began to implement an energy conservation law and through numerous subsequent

amendments, the targets of energy conservation have been raised and relevant units are required to enforce energy conservation measures. The law has enhanced energy-saving standards for motor vehicles, air conditioners, refrigerators, lamps and television sets. Products found failing to meet these standards will be barred from sale. In addition, the Japanese Government also offers tax concessions to enterprises which have met energy conservation standards, and gives subsidies to scientific research institutes to develop energy-saving technologies and to people buying energy-saving products. Hence energy conservation awareness in the Japanese society has been greatly enhanced. As a result, though during the past 30 years, industries in Japan have increased by a few times and energy spending for air conditioners, refrigerators and cars have more than doubled, total energy consumption in Japan has remained more or less the same. This shows that its energy conservation policy is successful.

Just now I have talked about the energy conservation policies enforced in various countries, I just wish to make it clear that, compared to other places in the world, the efforts made by the Hong Kong Government in promoting energy conservation are obviously backward and not active. The Electrical and Mechanical Services Department (EMSD) has been operating a voluntary energy efficiency labelling scheme (EELS) since 1995 which includes products like domestic appliances, office equipment and motor cars, and information on the energy efficiency of these products is provided to consumers. However, response to the EELS since its implementation has been varied. For electrical appliances like air conditioners and refrigerators, their market penetration rate is more than 70%. But the market penetration rates of other products like television sets are only about 15%. This vast disparity shows that the existing voluntary scheme cannot meet the needs of consumers on energy consumption information.

The Government should therefore launch a mandatory EELS as soon as possible and incorporate major domestic appliances like air conditioners, refrigerators, washing machines and ovens into the scheme. The scheme should be gradually expanded to include other electrical appliances so that consumers will be given more choices. The Democratic Party also suggests that the Government can establish a computer database on the energy consumption of products through efforts made by bodies like the Consumer Council. This database is meant to be a transitional measure before a full-scale

mandatory scheme is implemented. The database will store energy consumption information of common domestic appliances as well as information on some products which are not commonly used or not used in the households but have a high consumption of electricity. The information will enable the public to know about the energy efficiency information of these products before they decide to buy them. This will encourage the people to conserve energy while manufacturers and suppliers will produce and market more energy efficient products. Thus, our goal of reducing the overall electricity consumption can be achieved. In addition, the Government should also promote the existing Energy Efficiency Certification Scheme for buildings and a review should be conducted from time to time to assess the results of the Scheme. This would encourage more building designers, architects, developers and property management firms to take part in the Scheme, thereby fostering the emergence of more energy efficient buildings for Hong Kong.

Of course, the Government as a major consumer of electricity in Hong Kong is obliged to take the lead in energy conservation. The Chief Executive proposes in the policy address that government office buildings will reduce their annual energy consumption by 1.5%. However, this target appears to be failing to show that the Government has enough commitment to energy conservation. According to a study done by The Hong Kong Polytechnic University, a 1.5% reduction in energy consumption can easily be achieved just by making some very minor moves, for example, turning off the screen of the computer when not in use, and so on. Therefore, the Government should raise its energy conservation target to set a good example so that energy conservation can be practised in both public and private places.

In addition, the Government should review the existing functions and scope of work of the Energy Efficiency and Conservation Subcommittee, pinpoint the inadequacies in the work of the Subcommittee in order to boost its proactiveness and initiative in making proposals on how to improve energy efficiency and conservation. However, the Democratic Party is of the view that the most important thing is that the Government must step up its publicity and education efforts, promote energy conservation, and enhance energy conservation awareness among the public so that people will know that they should economize on electricity, water and energy in their daily life. This will not only reduce the money they have to pay but also conserve the precious resources of the earth and mitigate the pollution caused to the air and the

environment. Lastly, on behalf of the Democratic Party I support the original motion and I hope that other Members can support the amendment by the Democratic Party.

I so submit.

MR VINCENT FANG (in Cantonese): Deputy President, I believe Members, when they read international news recently, would be concerned about the great oil depot blaze in London and the black fume released by it. The fire did not just burn huge amounts of oil, it might lead to a rise in fuel costs in Britain this winter. The black fume produced by the fire would pollute the air in the place and in nearby countries such as France and Spain.

This example shows that there exists an inalienable relationship between energy, money benefits and air pollution. Therefore, the Liberal Party supports the Government in formulating a comprehensive and effective policy on energy conservation. In this major direction, our position is no different from that of the DAB and the Democratic Party. We hope especially that the Government as a major consumer of electricity in Hong Kong will set the example and take the lead to conserve energy.

Information shows that electricity consumption by the Government rose continuously during the past two years. Electricity consumption for the year 2003-04 recorded an increase of 6.3% over the previous financial year and electricity expenses were as much as \$1.936 billion. Despite the fact that the Government has set a target to reduce electricity consumption by 1.5% in the next financial year, we think that the strength of the measures is not enough. We hope that apart from requiring the Policy Bureaux and government departments to pre-set the temperature of the air conditioning system in their offices during the summer at 25.5 degrees Celsius, we also hope that the Government can fully accept the professional advice tendered by the Energy Efficiency and Conservation Subcommittee, draw up medium- and long-term targets on energy conservation and with the Government taking the lead, encourage the people to follow.

The existing Energy Efficiency and Conservation Subcommittee is composed of scholars specializing on energy conservation and representatives

from the construction, surveying, mechanical and electrical engineering sectors and the power companies. Such a composition is highly representative already. Unfortunately, as the members only give advice in a passive manner on the Government's energy conservation policy, the function of the Subcommittee has not been brought into full play. Therefore, the authorities should consider empowering the Subcommittee to take the initiative to make recommendations on energy conservation. The Liberal Party holds that the authorities need not duplicate efforts by setting up an energy conservation committee which is independent of the Government.

As for the suggestion on appointing an energy manager in each government department, this is also duplicating efforts and wasting public money. As a matter of fact, there is a green manager in each department who is tasked with the review of energy conservation measures. The Liberal Party therefore thinks that all that is needed is to enhance the functions of the existing green managers.

Energy consumption worldwide is constantly increasing and this bears an inalienable relationship with the modernization of society. As every household has quite a number of electrical appliances, therefore with respect to the suggestion made by Mr SIN Chung-kai that a computer database on the energy consumption of products should be established so that the public can have access to information about the energy efficiency of the products on the Internet before deciding to buy such products, the Liberal Party will support it. However, given the rapid changes in the styles and models of electrical appliances, the database must be constantly updated in order that consumers may have access to the latest product information. In this way, the latest energy-saving products launched by the producers may gain recognition by the public.

Therefore, our sector supports the voluntary energy efficiency labelling scheme launched by the Government to encourage the people to use energy-saving products. Ever since the introduction of the voluntary scheme in the 1990s, more than 10 kinds of domestic appliances have been covered by the scheme, including refrigerators, air conditioners, office equipment like photocopiers and computers, as well as petrol passenger cars. Response to the scheme has been good. Of these products, the market penetration rate of air conditioners with energy labels has now reached 80%, and the market penetration rates of refrigerators and compact fluorescent light bulbs are 70% and 40% respectively.

Therefore, with respect to the recent proposal from the Government to implement a mandatory energy efficiency labelling scheme on these three kinds of products, the sector is supportive of it. But we hope that the Government will not enforce a mandatory labelling scheme on all products, for the reason that since all electrical products in Hong Kong are imported, the importers would have to take into account the supplies of the producers and the demands of the consumers when they purchase the products concerned. As a general rule, energy-saving products are more expensive. The price of a compact fluorescent light bulb is a few times more expensive than an ordinary light bulb. Though it is said that savings can be made on the electricity bill and this will benefit the consumer, more money is paid in the outset after all. If the Government collects a registration fee, this sum will be transferred onto the consumers in the end.

It is the sector's wish that when the Government is to launch a mandatory energy labelling scheme for these three kinds of products, more incentives can be given to encourage the sector to import energy-saving products. For example, with respect to registration fees, the suggested fee of \$2,000 to be charged on each type of products should be lowered to a level affordable to the sector. I know that the Environmental Protection Department and the Electrical and Mechanical Services Department (EMSD) will hold a meeting today with the importers and wholesalers of electrical appliances. I sincerely hope that the Government can listen to the views of the sector and that there can be a win-win proposal acceptable to the sector which will also meet the energy conservation target.

Promoting the energy labelling scheme must be accompanied by public education. After energy conservation awareness is formed among consumers, a suitable choice will be made and by that time, no one will buy products without any energy label and they will naturally be forced out of the market. Then there will be no need to launch a mandatory scheme.

To encourage consumers to use energy-saving products, we will support the recommendations made by Miss CHOY So-yuk, in the hope that the Government will consider urging the two power companies to revive the rebate scheme for energy conservation lighting installations which was in force from 2000 to 2003.

As for making it mandatory for proposed government buildings to pass the energy efficiency assessment prior to construction, the Liberal Party will also support it. The Government must spearhead such efforts and encourage more newly-completed buildings to meet the related regulation.

The Liberal Party would like to make use of the opportunity today to commend government departments and schools which have taken active steps to undertake greening efforts on the roofs of buildings. These include the police headquarters in Central, the EMSD building in Kowloon Bay and the Tseung Kwan O Methodist Primary School which uses frame structures to grow creepers. The Administration should actively consider expanding these greening measures and even raising the proportion of buildings with green roofs.

Everyone has the responsibility to conserve energy and reduce environmental pollution and the Government should engage in long-term education and offer more incentives to enhance energy conservation awareness in the sector and the public. We do not wish to see the Government raise the idea of "polluter pays" or require the business sector to bear all the related costs as the sector is already finding the business environment getting more and more difficult these days.

I so submit. Thank you, Deputy President.

MR PATRICK LAU (in Cantonese): Deputy President, I am very glad to hear that Members in their debate on the motion "conservation of energy" have put forward the view that the design, materials and facilities of a building should meet the requirements of energy conservation. Put simply, when promotion is being made to the conservation of energy, consideration must be given to the philosophy of the so-called green building.

To construct a green building of quality, the most important thing is that at the design stage, a thorough study must be made of the natural environment surrounding the building, including the landform, climate, wind directions, sun path, and so on. When an architect has understood the natural conditions, there would be no need to use additional facilities like air conditioners and water heaters. Actually, an architectural design itself can be used to fulfil the objective of reducing the consumption of energy. This is the so-called passive design.

A passive design may mean the following: (1) adding a sun shade on the window in summer so that the area inside the window and in the room itself will not be heated, and this when coupled with ventilated air, the need for air conditioning may be reduced or it may be not be needed at all; (2) designing south-facing windows so that there can be cool breeze in summer and the heat of the sun can be absorbed in winter and the room will stay warm, thus achieving the effect of offering shade in sunny weather and keeping the room warm in cold weather, so besides being warm in winter and cool in summer, electricity can be saved as well; and (3) increasing the area of the windows and when added with a most appropriate proportion of windows and walls, natural light can be fully utilized to reduce the use of electricity in lighting. As a matter of fact, passive design is not a new concept, for since the ancient times people have known how to create architectural designs which will give them the most comfortable living environment, taking into account the geographical conditions and climate of different places.

The best example is the Eskimos in the Arctic. The igloos in which they live are made of building materials readily available to them. They use thick slabs of ice to insulate from the freezing cold air outside. The dome shape of the igloos serves to reduce the impact of strong winds, hence achieving the best warming effect. All these make the place they live able to withstand the freezing cold. In addition, the traditional Chinese *fung shui* or geomancy principles of set-up also include examples compatible with the concept of passive design.

In the Song Dynasty there was a famous essay on the bamboo buildings in Huang Gang in which mention was made of the Huang Gang area in Hubei Province which produced a lot of bamboos. The people there used bamboo pieces instead of clay tiles to build roofs. This would save money and labour. The inspiration which this essay gives me is that nature is a huge treasure trove and we must protect and make good use of the natural resources. Therefore, under the major principle of green buildings, we must never disregard the importance of environmentally-friendly building materials. Where circumstances permit, more use should be made of natural materials and studies must be made on various kinds of renewable materials which will not pollute the environment, hence achieving the target of turning waste into energy.

Deputy President, I think that the future direction of energy conservation should be the increasing reliance on the development of alternative energy. Unfortunately, alternative energy is quite expensive at present. I would therefore like to put forward a quite unusual idea. As there are many islands in Hong Kong and they are almost uninhabited, what we can do is to find one such small island without any supply of water and electricity and we may ask experts from the Government and the universities to conduct a pilot scheme to build a small green village on the island. The green buildings in the village will be constructed in accordance with green building concepts. Experts from different fields will undertake development and feasibility studies on various kinds of alternative energy and green facilities. They will try how to depend only on technologies in solar energy, wind power, hydroelectric power, renewable energy and sustainable development, in the hope that an environmental protection and energy conservation system that is truly suitable for Hong Kong can be found and for gradual application in other places in Hong Kong.

On the suggestion to make it mandatory for proposed government buildings to pass the energy efficiency assessment prior to construction, apart from agreeing to it, I would also like to add that this requirement should be extended to include other private buildings. Besides, apart from passing the energy efficient assessment, the major buildings should pass the Hong Kong Building Environmental Assessment Method (HK-BEAM). It is hoped that this practice will add to the number of buildings in Hong Kong which meet the green building principles. Actually, 100 buildings in Hong Kong have already completed this kind of environmental assessment. The Government has done a lot of promotion work in this regard, too.

I am also the Chairman of the Professional Green Building Council. Actually, I would like to remind Members on the proposal to launch greening works on the roofs of buildings in Hong Kong that if the proposal is to be successful, there should be matching actions in many aspects, especially with respect to the maintenance, sprinkling and pruning of plants. To achieve a good greening effect of the roofs, there should be an automatic sprinkler system and we may consider using rainwater or clean waste water such as recycled water collected from water used after cleaning the hands. This would reduce wastage of drinking water and thereby fully achieve the purpose of energy conservation. Therefore, considerations in respect of the actual environment and technologies are very important.

I therefore implore Members to consider carefully the actual conditions before planning to implement energy conservation measures. This would make it possible to draw up an energy conservation policy which can really bring healthy and comfortable living to the people.

Thank you, Deputy President.

MR WONG YUNG-KAN (in Cantonese): Deputy President, Christmas is coming and if we would only walk in front of the buildings on both sides of the Victoria Harbour, the big shopping malls and even the open space off the Legislative Council, we can see festive decorations for Christmas and rows after rows of sparkling lights all serving to highlight the busy city life in Hong Kong. Though these scenes of a hustle-bustle city life may attract more tourists to come to Hong Kong, we have to pay the price of expensive power tariffs, worsening air pollution and climatic changes. Actually, as society gets more prosperous, one sees more often people wasting things. Take the example of electricity, the problem of wasting electricity is rampant in Hong Kong. Quite a number of groups have undertaken studies of late and criticized that temperature in the offices, shopping malls, cinemas and air-conditioned buses is too low and they have even coined a disgraceful name "freezing city" to describe Hong Kong.

Wastage of electricity is not only found in commercial and service industries but also in the households. During the summer holidays, the DAB announced the findings of a survey and it was found that 10% of the interviewees had the habit of turning on the lights in their homes all the time. Another 20% of the interviewees turned on the TV even when they were not watching it. Moreover, another 20% of the interviewees would rather wear more clothes and cover themselves with quilts than adjust the temperature of their air-conditioners upwards. For these acts of wastage among the public which include turning on the lights all the time, using the TV like a radio and adjusting the temperature of their air-conditioners downwards and covering themselves up in quilts, the DAB estimates that the total energy consumption of Hong Kong would be increased by 10% and that means an additional 500 000 tonnes of carbon dioxide emission which can be absorbed only when 30 million more trees are planted.

Deputy President, it is unfortunate that the entire community and even the Government itself do not attach much attention to using less electricity. On just

the subject of adjusting the air-conditioning to 25.5 degrees Celsius, it is only after heavy criticisms made by the green groups and the media that the Government has agreed to take follow-up action and required the departments to observe the guidelines on air-conditioning temperatures. With this kind of attitude of making a move only when kicked, one can never expect the Government to lead community efforts to economize on electricity.

The DAB is of the view that the Government must set itself as an example and appoint a green manager in every department. Apart from drawing up guidelines on how to save on electricity, energy efficient products should be purchased in the light of the actual operation of the departments concerned. Efforts should be made to inspect the building services, structure and partitioning in the departments to see if there is any wastage of electricity. Then improvement measures should be proposed and annual reports submitted for public scrutiny. The Government should also consider introducing incentive schemes such that if the energy conservation of a department has surpassed the target, then the electricity expenses thus saved can be ploughed back to the department for its own use. This would make the departments become more proactive in energy conservation.

Likewise, managers of the commercial buildings and shopping malls may formulate guidelines on energy conservation, and apart from that, the electricity expenses so saved can be given as a rebate in management fees or rentals to the tenants. This would increase the incentive of tenants to take the initiative to use less electricity. In addition, taking into account the enthusiasm of business operators in taking part in the schemes that encouraged the purchase of energy efficient products and the rebate on power tariffs launched by the two power companies, the Government may discuss the matter with the two power companies and launch a new round of these rebate schemes and undertake studies to expand the schemes to include domestic users.

Deputy President, if the plan to economize on electricity is to succeed, the fundamental solution is to change the mentality which society harbours on power consumption. The public should be taught not to waste electricity for convenience's sake or for comfort of the moment. Countless examples show that if society knows that wasting energy will not just mean wasting money but pollution of the environment; if only members of the public know that when they turn on the air-conditioners to the maximum capacity while covering themselves up in a heavy quilt, and when they turn on the lights in their homes all the time,

the sky in Hong Kong would only get hazier and a blue sky and white clouds will become more and more of a rarity; and if we continue to waste electricity, Hong Kong will only get hotter and hotter and people will get sweating all over when they go out, the people, once received these alarm-sounding messages, will do something at their own initiative to save energy and that will make the results more pronounced.

Is it really that difficult to conserve electricity? If only the people would be a bit more mindful of their habit in using electricity in their daily life, such as adjusting the room temperature higher when they feel cold, turning off some lights when not needed and refrain from turning on the TV set all the time and listen to it like a radio, and so on, then they can effortlessly save about 10% of the electricity.

Sometime ago the DAB called upon the 2.2 million households in Hong Kong to join the campaign called "one hour for every household" to save on electricity. Under the effect of "many a little makes a mickle", it is estimated that \$2.7 billion in power expenses can be saved in Hong Kong in one year and the amount is equal to the total power consumption for one and a half years by the Government. As much as 2 million tonnes of carbon dioxide emissions can be reduced and the effect is like planting 140 million trees. The benefit is simply stunning.

We hope that the community can give serious thoughts to taking part in this campaign, thereby achieving the triple target of using less electricity, reducing emissions and saving expenses.

Deputy President, I so submit.

DR KWOK KA-KI (in Cantonese): Deputy President, it is most appropriate to discuss the topic of energy conservation now for the fact that as we can all see recently, many countries in the world including the Mainland, the United States, Europe, and so on, have all met a crisis that they have never seen before and, that is, the energy or oil crisis. This crisis which used to put the whole world in an era of fear in the 1970s is coming back. From figures we can project that by 2020, energy consumption worldwide will increase by 50% over the level in 2000 and in this increase by one and a half times, 50% will come from Asia and of this 50%, half will come from China.

Therefore, in the face of this global energy crisis, governments all over the world dare not put themselves off guard. The Chinese Government attaches even greater importance to this issue and regards it as an issue of national defence. This is because a shortage in energy will in fact not just affect developments inside the country but will lead to some national security problems. In Hong Kong, we do not have to deal with these grave issues, but actually we are affected by many problems caused by energy, including air pollution, and so on. That is why there is a need for Hong Kong to draw up a long-term and comprehensive policy on energy conservation.

Of course, the Government will certainly say that it has done a lot of work on energy conservation, including the adoption of some energy conservation practices under the internal co-ordination of the Government during these few years past. However, the pace of the progress made is not satisfactory because, speaking of last year, though a lot of policies have been formulated by the Government, these have led only to a reduction in the use of energy by less than 1.1%.

Energy conservation would involve a wide spectrum, including economizing on fuels, electricity and renewable energy, and even the green buildings mentioned by Mr Patrick LAU earlier. Certain practices in the business sector may also be included, like the use of new products and new technology to reduce energy consumption. In addition, energy conservation is the responsibility of every citizen. As a medical doctor, I always hope to encourage people to do more physical exercise, such as walking 10 000 steps every day, jogging and cycling, and so on.

Secretary Dr Sarah LIAO is a very suitable candidate for handling work in this area. This is because apart from taking charge of environmental matters, Dr LIAO is also in charge of public works policy. With respect to the present situation in Hong Kong, there are a few things which she could do and should have done better than is the case now. These include providing channels to the people for them to choose environmentally-friendly ways to reduce emissions, for example, setting up cycling tracks or providing enough pedestrian systems. Besides in Central where we can see some pedestrian systems which are of somewhat better quality, in other places in Hong Kong, the Government has never built any complete pedestrian system so that people can make use of it to walk from one place to another. Providing such convenience to the people will not just mean helping to reduce energy consumption, for a more important thing

is that the people can be healthier. In this regard, there is certainly a lot of room for government efforts.

As for the setting up of cycling tracks, the Government has talked about this for a long time but to this day, I think there is no need for anyone to tell us that the progress of our development of cycling tracks, even as this means works to combine those incomplete and broken cycling tracks together, has been very slow. Such works fall exactly within the portfolio of the Secretary and often this would mean killing two birds with one stone, but nothing has been done in this kind of works.

We have talked about the bus problem earlier on and we all know that over the past few years, the bus companies have been employing the financial skill of increasing investment amounts, such as turning all buses into air-conditioned buses. A survey was released just yesterday and some interesting findings were announced. It was found that inside some air-conditioned buses, the carbon dioxide content and exhaust were much higher than outside the cabin. This shows precisely a problem and that is, Hong Kong has been doing very poorly in implementing energy conservation programmes. And every time when the Government engages in franchise negotiations with the public organizations including the bus companies, it still fails to give the issue of reducing energy consumption top priority for consideration. We all know that often the Government will allow the bus companies, in their bid to expand the market share, to send many buses which do not carry many passengers into our busy urban areas. I think this is precisely one area which the Secretary could do better in the long run.

Talking about other organizations like schools and hospitals, now our society has advanced and there are many schools and hospitals equipped with air-conditioning. However, findings of surveys done among school children show that pupils would rather wear sweaters to school than lower the temperature of the air-conditioners or turn them off. I think this is the result of the grossly insufficient education on this. Actually, in many circumstances, like when it is cool these days, I hope all the more that greater efforts can be made to encourage these organizations not to use air-conditioning but to let in fresh air into the indoor areas.

Lastly, I would like to talk about the success story of Japan to show our inadequacies. For some time the Japanese Government has not just been

encouraging energy conservation, it has also done two things. These include enacting legislation to require all large enterprises and the industrial sector to reach the target of reducing energy consumption by 1% every year. In this way, many big organizations have effectively reduced their consumption of energy. I hope that in the near future the Government will consider passing some legislative amendments which are more powerful than the existing law to promote energy conservation programmes.

I have spoken in support of the original motion and Mr SIN Chung-kai's amendment. Thank you, Deputy President.

MR WONG TING-KWONG (in Cantonese): Deputy President, energy conservation is a movement that requires the participation all in society. While individuals must take part, the active involvement of enterprises is also very important. Besides implementing energy-saving management measures, an increasing number of enterprises have started to utilize energy efficient products, proving that they have also realized that it is more effective to adopt the two-pronged approach of employing energy efficient products and energy-saving measures. In order to enable consumers to understand the energy efficiency and consumption of various products, there should be an appropriate labelling scheme to assist consumers in making appropriate choices. According to the findings of a survey recently announced by the DAB, over 60% of the respondents would prefer electrical appliances with energy efficiency labels. This shows the products with higher energy efficiency do have a competitive edge in the market. Therefore, for the purpose of protecting consumers and encouraging enterprises engaged in developing energy conservation technologies to increase social externality, energy conservation certification is especially important.

It has been almost 10 years since the Government of the Hong Kong Special Administrative Region (SAR) introduced the voluntary Energy Efficiency Labelling Scheme. Currently, the labelling scheme covers 17 types or some 2 700 models of products. In the case of air-conditioners and refrigerators, for example, the products with energy efficiency labelling now account for 80% and 70% of the market respectively. However, the penetration rates of other types of products are not yet so satisfactory. The penetration rate of compact fluorescent light bulbs, for example, is just 40%.

In the case of television sets, only 19 models are included and for dehumidifiers, the number of models covered is just 15. In view of this, the Government should consider following the international practice of phasing in a mandatory labelling scheme.

Nowadays, many countries in the world have already put in place a mandatory energy efficiency labelling scheme. Many of these countries, such as Japan, the United States, the European Union and even the Mainland, are major manufacturers and designers of electrical appliances. Hong Kong can actually learn from the practical experience of many places. In the future, when Hong Kong proceeds with the implementation of a mandatory labelling scheme, it must consider the existing operating modes of the industries concerned and make appropriate arrangements. It is hoped that the Government can fully consider the following advice.

First, most of the electrical appliances in Hong Kong are imported. Although a mandatory labelling scheme is found in major exporters of electrical appliances such as Japan and Europe, care must still be taken to examine if their energy efficiency grades and testing methods are in line with the existing standards in Hong Kong because this will directly determine whether local importers or dealers will need to conduct any additional tests. The DAB hopes that at the time of implementing a mandatory energy efficiency labelling scheme, discussions can be held with local importers or dealers as early as possible. It is also hoped that reference can be made to the labelling requirements found in the major countries manufacturing electrical appliances, so as to explore whether Hong Kong's labelling standards can converge with theirs. Besides, the Government should make sure that there are enough testing bodies, with a view to reducing the operational difficulties of the industries.

The Government must also pay attention to the steps of introducing mandatory labelling. In Hong Kong many retail electrical appliances are parallel imports and these are mostly handy high-tech personal digital products such as digital cameras, digital video recorders and mobile telephones. The features of these products are low electricity consumption and short product cycles. And, the frequency of people switching to new models is very high. Consequently, for reasons of actual energy conservation effects and reducing impacts on the industries concerned, the Government should first consider the introduction of mandatory labelling for products with high electricity consumption. The Government now proposes to introduce mandatory labelling

first to electrical appliances with high electricity consumption, such as air-conditioners, washing-machines, electric stoves, lighting appliances and refrigerators. This is indeed a desirable proposal. As for how the mandatory labelling scheme is to be expanded in the future, the Government must conduct adequate discussions with the industries and extend the scope step by step to products with the next highest levels of electricity consumption.

Deputy President, lastly, I wish to say a few words on Energy Star, a voluntary energy efficiency labelling system not based on grades but on "recognition". Any product with this label meets the standards prescribed by the United States Environmental Protection Agency. An internationally recognized energy efficiency symbol, Energy Star now covers 35 different types of electrical appliances and is widely adopted in Europe, Japan, Australia and New Zealand. I know that there is also a similar symbol under the existing voluntary Energy Efficiency Labelling Scheme of Hong Kong. I wonder if it is possible for the Government to fully introduce Energy Star into Hong Kong, so that this internationally popular and accepted symbol can be used to promote energy efficient products among the people. Besides, the Government should also actively educate the public on the importance of energy conservation and purchasing energy efficient products, so as to foster the market development of these products.

Deputy President, I so submit.

MS AUDREY EU (in Cantonese): Deputy President, I have read from the press today that there is a shortage of natural gas in many large cities of Henan and some families cannot even finish cooking a pot of rice in one whole hour. Energy resources on earth are limited and the reserves of some conventional fossil fuels, such as coal and petroleum, are even diminishing. Although there is an adequate energy supply in Hong Kong, we should still avoid any wastage.

According to statistics, in the 10 years between 1993 and 2003, the population of Hong Kong increased by 15%; our industrial electricity consumption was on a steady decline, dropping by almost 50%. But on the other hand, there was a 40% increase in our household energy consumption and a 50% increase in our commercial electricity consumption. Overall, despite the decrease in industrial electricity consumption, our total electricity consumption went up by about 14%.

Members all know that power plants are the greatest source of air pollutants. Therefore, the reduction of electricity generation and the abatement of pollution are in fact one of the major factors in energy conservation. This leads us back to the old topic of the Scheme of Control Agreements signed with the two power companies, under which permitted profits are computed on the basis of net asset values. This has been inducing the two power companies to incessantly expand their net asset values and increase their generating capacity. The higher is the generating capacity, the greater will be the profits. The two power companies will not of course invite losses for themselves. And, electricity tariffs in Hong Kong are at the same time lower than those in other places. Huge wastage has thus arisen.

If we want to conserve energy, we should first focus on the major users of electricity, such as business organizations, commercial buildings and shopping centres. In 2000, the Government signed two three-year "demand side management agreements" with the power companies, under which they will offer tariff rebates to non-residential customers for the installation of energy efficient equipment. For example, I have learnt from the press that after the installation of water cooling systems, the Hong Kong and Shanghai Banking Corporation has managed to reduce its electricity tariffs by as much as \$1.1 million a year in addition to getting a lump-sum rebate of \$1 million.

In their speeches today, many Members have mentioned that the electricity consumption of the Hong Kong Government is very frightening, with the annual tariffs amounting to as much as \$1.9 billion. In 1998, the EMSD launched a voluntary scheme called the "Hong Kong Energy Efficiency Registration Scheme for Buildings". But as in the case of many other voluntary schemes, the responses have been extremely poor. Since its inception seven years ago, only 1 155 certificates have been awarded. I therefore very much support the contents of the original motion today. The motion raises a number of proposals on building designs. It is indeed true that if energy efficiency assessments can be conducted on proposed buildings at the very beginning, our efforts of energy conservation will certainly be much more effective in the long run.

Naturally, we must also pay attention to some habits in our daily life. As also mentioned by some Members today, many small habits of ours will actually cause huge energy wastage. For example, many people like to switch their

television sets to the stand-by mode, but little do they realize that if colour television sets are not switched off but left in the stand-by mode, their electricity consumption is actually equal to 24% of the amount of electricity required to keep them on. Another example is that if a computer monitor is switched on for a whole night, the energy wasted will be sufficient for printing 800 pages with a laser printer. When it comes to energy conservation, I believe that government departments and other public organizations face the same problem. What I mean is that since electricity tariffs are paid by the Government, not by any of its employees, everybody has formed the habit of using electricity indiscriminately. This has led to huge wastage.

The motion today contains many proposals on saving electricity, one example being the appointment of energy managers. I find all the original motion and the amendments equally useful. The greatest difference between them is that Mr Vincent FANG's amendment proposes to delete point (b) of the original motion, which reads "establish an energy conservation committee which is independent of the Government to co-ordinate the Government's and the two power companies' resources and initiatives for promoting energy conservation". When he spoke just now, Mr Vincent FANG explained why he wanted to delete this point, saying that there was no need to establish any superfluous organization as long as the functions of green managers in government departments could be enhanced. Actually, the greatest difference lies with the adjective "independent" because an energy conservation committee independent of the Government will be able to check whether there is any energy wastage in the Government as independently as the Audit Commission.

In regard to energy, we can see that there is a solemn announcement in the policy address on reducing the Government's electricity consumption by 1.5%. As pointed out by many Members in their speeches, this rate of conservation is simply not enough. Therefore, one can say that if the work of monitoring continues to be undertaken by green managers, it will not be possible to achieve any substantial results in energy conservation. Although I have not discussed this point with Miss CHOY So-yuk, I still believe that this is also the reason for her advocacy of an independent energy conservation committee. Actually, when Mr LAI Kwong-tak of the Conservancy Association attended a meeting of the Legislative Council, he also raised this point. This is therefore the greatest difference between the original motion and Mr Vincent FANG's amendment.

The voting policy of the Article 45 Concern Group has always been that unless there are any fundamental differences between an original motion and its amendments, we will support both of them as far as possible. On the present motion topic, I think there is really one difference between Mr Vincent FANG's amendment and certain proposals of the other two Members — a difference in stringency. But I really think that, insofar as energy conservation is concerned, we have already come to the stage where drastic measures are required. I very much hope that Mr Vincent FANG can accept the proposal on establishing an energy conservation committee independent of the Government. I think this proposal is after all conducive to the overall interests of Hong Kong. Thank you, Deputy President.

MR LI KWOK-YING (in Cantonese): Deputy President, we have all along thought that Hong Kong is a victim of air pollution. Whenever the local Air Pollution Index hits a new high, we will invariably point our fingers at the cities in the Pearl River Delta (PRD) of Guangdong. Undeniably, the rapid development of the emerging industrial cities in the Mainland has contributed to the deterioration of air quality in Hong Kong. As a result, the Government must squarely address the problem of cross-boundary pollution. On the other hand, however, we must also realize that the coal-fired electricity generation method adopted by Hong Kong will also lead to air pollution. Green groups have repeatedly pointed out that the pollutants released by coal burning in the electricity generation processes of the two power companies will affect people's health. Hong Kong itself is also a source of air pollutants, so instead of continuing to criticize the PRD Region, it must first try to tackle its own problem of pollutants by conserving energy.

To promote energy conservation, the tripartite co-operation of individuals, enterprises and the Government is absolutely necessary. And, the participation of individuals is of the greatest importance. Energy conservation is not simply a policy issue, for it also involves personal value judgements and living habits. As mentioned by Mr WONG Yung-kan just now, the various surveys conducted by the DAB in the past all revealed that the inappropriate use of electricity among members of the public is very common. I have heard of a very interesting example. Some people even switch on their notebooks at home in order to keep their hands warm. From this, we can see that without our realizing it, many of our habits in life and many of the things we do will actually lead to wastage of electricity.

In Hong Kong, it is not so easy to raise people's awareness of energy conservation. There is not yet any shortage of water and electricity, so a sole emphasis on energy conservation as a means of dealing with the imminent global energy crisis will not possibly enable the relevant motion topics to ring any bell among the public. And, even when sustainable development and the danger of air pollution are mentioned, people may well think that they cannot possibly do too much to help. In order to implant the necessity of energy conservation in members of the public, the Government must provide incentives to individuals and even enterprises and also exert pressure on them, in addition to stepping up public education to instil in them the concept of economizing on electricity. This is the only effective way of promoting energy conservation.

Energy conservation efforts cannot be separated from the exertion of pressure and the provision of incentives. In the absence of any clear-cut energy conservation policy and scheme, people will not bother to take any concrete steps of their own accord to conserve energy. By the same token, if there is no reward for conserving electricity, there will be no incentive to induce people to change their habits in life. Therefore, in implementing the policy of energy conservation, the Government must use both stick and carrot, offering incentives to individuals and enterprises and applying pressure on them at the same time.

Regarding pressure, it must be pointed out that policy inadequacies are the main reason for the lack of any achievements in energy conservation in Hong Kong. Hong Kong is not endowed with any oil and coal, and all the fuels it uses are imported. But unlike European and American countries, we do not have any awareness of crises and we have never set down any clear-cut objectives and timetable for energy conservation. Speaking of energy policy, the Hong Kong Energy Efficiency Registration Scheme for Buildings can be cited as an example. Since participation in this scheme is voluntary, only 561 buildings have been awarded a certificate since its inception in 1998, in stark contrast to the thousands of buildings completed during this period. The scheme has thus failed to achieve the desired objective of energy conservation. Besides, in more than 40 countries and places in the world, mandatory energy efficiency labelling schemes have already been put in place, but ours is still voluntary in nature. To further promote energy efficient products, the Government may consider making it mandatory for certain types of products to meet the specified grades of energy efficiency before they can be sold in the market.

Besides applying pressure on enterprises, the Government should also set a good example in the promotion of energy conservation. The Chief Executive has pointed out in the policy address that government departments will take the lead in saving electricity by adopting various measures, such as reducing the use of photocopiers and regulating the indoor temperature of government offices. This is really an important step taken by the Government to spearhead the cause of energy conservation. However, the Chinese Government has proceeded even farther and faster than the Government of the Hong Kong Special Administrative Region (SAR) for it has already set down the target of reducing energy consumption by 4.4% per annum. It has even combined energy efficiency with the indexes of economic growth, thus making the energy efficiency rate a substantial indicator measuring economic performance. This shows that the Chinese Government is much more determined to conserve energy than the SAR Government. Should we not really learn from the Mainland?

Regarding ways of inducing people to participate in energy conservation, as mentioned by some Honourable colleagues, the Government may consider the provision of tariff rebates to them. Actually, as early as 2000, the two power companies already implemented their respective tariff rebate schemes, under which non-residential customers were offered tariff rebates for installing energy efficient lighting systems and air-conditioning equipment. Responses to these schemes were enthusiastic, but they were subsequently brought to an end as the two power companies did not make any fresh capital injections. To encourage more people and business operators to use energy efficient products, the Government may conduct fresh negotiations with the two power companies on the basis of their previous rebate schemes, with a view to reinstating the schemes and extending them to all residential and commercial customers in Hong Kong.

We must realize that with energy conservation, it is always easier said than done. It is only with the tripartite co-operation of individuals, enterprises and the Government that a comprehensive energy conservation policy can be formulated and effectively implemented.

With these remarks, Deputy President, I support the original motion of Miss CHOY So-yuk.

MR WONG KWOK-HING (in Cantonese): Deputy President, both the original motion and amendments today call for energy conservation. I feel that, be it the

original motion or the amendments, they are all meaningful and I will support all of them. This is because all of them share a common theme of requesting everyone to love the Earth and save it with their love. Why do we have to make such a proposition? It is because energy conservation can minimize the emission of exhaust air, so the damage done to the atmosphere by carbon dioxide can be reduced, thus enabling us to advocate and establish a sustainable view of the Earth. Deputy President, I would like to take this opportunity to make a bold call on everyone: That the Earth is now suffering from a disease and it is having a fever right now.

Last week, a similar debate was held in this Council when we discussed the subject of air pollution. In it, I quoted the words of Mr LAM Chiu-ying, Director of the Hong Kong Observatory, in appealing to the people to cherish the golden century of human beings. Today, I would like to make use of some other information to illustrate that, if we do not save energy and love the Earth, we shall suffer the bad consequences in future.

On 6 December this year, the international green organization, the World Wide Fund for Nature International, released a report in the United Nations Conference on Climate Change. In it, it was pointed out that 2005 might go down as a record year in the history of mankind during which the Earth would have experienced the most rampant heat, the most frequent hurricane attacks and the most serious drought. In less than a fortnight, 2005 will come to an end, but are we aware that the Earth is having a fever this year? Three records have been set in 2005, namely the most intense heat, the most frequent hurricane attacks and the most serious drought. Why is the Earth be suffering from a fever? Why is global warming taking place? That is due to the massive consumption of energy by human beings — it warms up the globe. Five symptoms show that the Earth is having a fever: the rapid meltdown of the Arctic glaciers, the rampant hurricane attacks in the Atlantic, the warming up of seawater in the Caribbean Sea, and the most serious drought in the Amazon in decades — the Amazon has experienced the most serious drought of the century.

(THE PRESIDENT resumed the Chair)

On the other hand, global warming has resulted in hurricane attacks at places where no such attacks had ever taken place in the past. For example,

Hurricane Vince, the first hurricane to have reached Europe, landed in Spain in October. When the Earth has a fever, catastrophes take their tolls on human beings. While 2005 has yet come to an end, according to news reported by Montreal Reuters on 7th of this month, the Munich Re Foundation presented preliminary estimates that the economic losses caused by natural catastrophes around the globe amounted to over US\$200 billion in 2005, which is equivalent to HK\$1,600 billion. The most typical of all these devastating catastrophes are Hurricane Katrina and Hurricane Wilma. Hurricane Katrina, which attacked America, was the most devastating hurricane in the history of mankind, costing the southern part of America an economic loss of over US\$120 billion.

Honourable colleagues, I quoted this example to illustrate that if we do not practise energy conservation, if we do not love the Earth, Nature will come back for revenge; the Earth will get a fever, and in the process, it will punish mankind. "There is a powerful indication from these figures that we are moving from predictions of the likely impacts of climate change to proof that it is already fully underway," said Thomas LOSTER, Chairman of the Munich Re Foundation. "A decade ago if someone said Brazil would be hit by a hurricane, or if a hurricane would land on Spain, scientists would take them as jokes," LOSTER added. But now all these have become reality. Therefore, it is everybody's duty to practise energy conservation and to have love for the Earth. The Government has a role to play, the businessmen have a role to play, and every one of us as a member of society has to take this matter seriously.

May I take this opportunity to recommend you a book called *The Great Tangshan Earthquake*? The author of the book QIAN Guan came up with a revised edition of the book 10 years after the Tangshan great earthquake had taken place. Apart from certain additions, he called on the whole world to help in calamity alleviation, regardless of the country or region where they live. The call for calamity alleviation is in fact very meaningful, because it is based on love for the Earth.

While the motion debate and all the amendments today are about energy conservation, I would also like to call upon everybody to help in calamity alleviation as well. Energy conservation allows the Earth to last longer and ensure sustainability. If we deplete all available energy sources prematurely, we are only accelerating the demise of the whole mankind. Therefore, I would like to take this opportunity again to make this appeal, that the Earth is having a fever. In 2006, we have to cool it down and put off the fever. I hope all of us

will practise energy conservation together. Conserve electricity, reduce energy consumption, cool down the Earth, and put off the fever. Thank you, President.

MR ALBERT CHAN (in Cantonese): President, the energy conservation policy is usually interrelated with many aspects such as economic policies, franchises and government planning. However, if Hong Kong really intends to conserve energy, it is like asking the tiger for its hide, because the profits of the two power companies are pegged to their expenditures.

We have been discussing this issue with the Government for almost 20 years now, during which we have observed a very absurd phenomenon, and that is, there is no reason that the consortia should be encouraged, at the policy level, to spend more in order to earn more. It is impossible for us to promote energy conservation with power companies or encourage them to use renewable energy for power generation. We have noticed that many companies, the two power companies in particular, are intricately related to some other publicly listed holding companies of Hong Kong in the form of share-holding. A particular shareholder may possess a multitude of companies, to the effect that if a particular company is consuming an excessive amount of electricity, the controlling shareholder may still be able to offset this particular expenditure with earnings from another company. Therefore, the controlling shareholder may not like the idea of implementing energy conservation in his companies, because he is wearing another hat. If a particular company is asked to use less electricity, the controlling shareholder may earn less from another company in his capacity as a shareholder of that other company. The Government has encountered many hurdles in its efforts to implement this policy, particularly when many of these listed companies raised their capital with funds drawn from small shareholders. Therefore, unless the Government can carry out a thorough reform at the policy level, or impose certain punitive measures through introducing certain economic policies, to the effect that punitive taxes are levied on the controlling shareholder, if, he, by virtue of his capacity as the controlling stakeholder, should fail to enforce energy conservation in his companies. If the Government does not do this, the controlling shareholder can always resort to complicated financial manoeuvres to transfer the financial costs onto small shareholders. At the end of the day, he can do everything to maximize his profits, and eventually Hong Kong people are victimized, and the Government's so-called energy conservation policy will fall through completely.

A few years ago, I mentioned an example in this Council. In the past, when the Regional Council still existed, I had made a fact-finding visit to Japan. When we returned to Hong Kong, I asked why we could not use the incinerators for power generation. In Japan, the incinerators generated enough power to supply electricity for warm-water swimming pools, gymnasiums and government departments. I submitted a proposal to the then Regional Council, which was, in 1988, responsible for refuse collection and incineration. But the reply from the Government was that the Regional Council could not do that because of the franchises granted to the two power companies. To date, the Government has switched its policy from incinerating rubbish to transporting rubbish to landfills, and I am not sure whether it would switch back from transporting rubbish to landfills to incinerating rubbish in future. At the Tsing Yi Chemical Waste Treatment Centre, refuses are being incinerated during the treatment process, and this incineration process can in fact generate power. Yet, instead of making good use of it, the Government simply allows these renewable resources to be wasted. So, changes in energy policy are closely related to many economic policies. A thorough review of the energy policy and a complete repositioning are required; otherwise it will not bring any advantages to anyone as nothing can be accomplished at all, no matter how idealistic the whole idea may appear to be at the outset.

What I find highly ridiculous is, we are on the one hand claiming that we are conserving energy, but on the other, we are creating more viruses and bacteria. In this Chamber, we had approved the allocation of funds to the Government for hosting "A Symphony of Lights" in some government buildings. This project of "A Symphony of Lights" has to utilize large amounts of electricity in order to generate colours and lights, thus making the Earth suffer from even more serious illnesses. When compared to the overall air pollution and the impact on the energy resources of the entire Earth, such an illness may be negligible. However, the project of "A Symphony of Lights" has to consume more electricity at government buildings, so as to add lights and colours to the evenings of Hong Kong. Is this policy not damaging the Earth? On that day, many Honourable Members in this Chamber voted in support of the Government in implementing this proposal, but at that time I opposed it. Therefore, please do not just talk about the major policies; instead, we should live up to our beliefs in all kinds of policies. In future, if the Government puts forward any more funding requests for enabling our government buildings to use more electricity to make Hong Kong even brighter, I hope Miss CHOY So-yuk of the DAB can oppose them resolutely. Do not preach what you cannot practise.

Furthermore, on many occasions when applications for public works funding were being examined, I proposed that the Government should encourage power generation using renewable energy and implement desalting projects at small local communities, particularly those located in remote areas. The Government is responsible for a great number of water supplies and piping projects for small communities involving project fees amounting to tens of million dollars. If these small communities can make use of renewable energy for power generation, coupled with desalting projects, they will be able to have water supply. By doing so, there will be no need to jeopardize our ridges or to open up new roads for the purpose of laying water pipes. In fact, these projects are definitely feasible. Many Greek isles capture solar energy for power generation and utilize the power thus generated for desalting to produce water supply for the local communities. However, the Government did not respond to my proposal. The Government might have said something like awaiting some consultancy studies, but I have no idea whether anything is being done at all. And several years have passed since I last brought up this topic.

Besides, traffic is a main source of pollution too, considering the massive amount of emission of exhaust air the traffic produces. In fact, there are many cycle tracks in Hong Kong, but then again, the discussion on this issue has remained ongoing for more than 10 years. I am aware that the Government plans to connect all cycle tracks, and I do hope the Government can work it out as soon as possible. In many local communities, such as those in Tin Shui Wai, Tuen Mun and North District, residents enjoy riding bicycles on short trips. However, even if there are cycle tracks in some areas, there are no designated holding bays for bicycles. After the residents have travelled from point A to point B, they have to park and lock their bicycles by the street side, and they risk having their bicycles impounded by officials from the Food and Environmental Hygiene Department or the Highways Department. The problem is that there is a lack of supporting facilities under existing government policies. In some areas, there is even a lack of space for cycling. Sometime this year, a Tin Shui Wai resident was knocked down and killed by a truck while he was cycling from Tin Shui Wai to Lau Fau Shan.

If the Government intends to conserve energy, comprehensive matching actions and policies in terms of our road system must be put in place, otherwise, at the end of the day, Hong Kong people will not be benefited, and the Government will not be able to implement their policy on a full scale either. I

hope the Secretary can co-ordinate and co-operate with other Policy Bureaux in implementing the relevant policies. Thank you, President.

MRS SOPHIE LEUNG (in Cantonese): Madam President, we are discussing a very meaningful subject here today. I am glad to have heard a number of Members speak and express their views on the motion and the two amendments.

When listening to the speeches given by Members, I could hear certain expressions all the time, for example, respect for nature, to follow the course of Nature, not to engage in too much unnecessary and additional work, make use of readily available energy sources, not to produce things that waste energy, exploit our own leading edges to save energy, and so on. In sum, it is all about saving energy.

When it comes to saving energy, I think we should support the amendment proposed by Mr Vincent FANG. Precisely because of the need to save energy, and since we already have the Energy Efficiency and Conservation Subcommittee (the Subcommittee), we should tap its strengths properly and then enhance its functions. There is no need to establish other superfluous structures to engage in other types of work or create another structure to do things that we should undertake ourselves because this will only waste more energy.

I think that it is because people have completely failed to see what strengths the Subcommittee possesses that they have come up with such an idea. In that case, why was the Subcommittee established in the first place? Perhaps it is because everyone is trying to assume supreme power in the Legislative Council that it is believed that everything must be dealt with independently and everything must be escalated, that it is necessary to possess this kind of power and authority for things to be done. However, this is running counter to the current social and global trend, as well as current management theories. What I want to do is to point this out to Members. We should allow the Subcommittee to do its job of promoting energy efficiency and energy saving properly. One should not say that there must be an almighty "imperial sword" before the task can be taken forward. The imperial sword is something of the last century. It does not exist anymore. The question now is: How can we make proper use of our energy, our leading edge and our brains to promote better development in this area? This is the right thing to do unless we want to tell various sectors in

society that no, we in the Council admire power and authority and they are indispensable in doing anything. I think people who hold such a view really ought to reflect on this seriously.

The second point that I would like to raise is that Mr Patrick LAU has suggested identifying a small island for the purpose of conducting studies on using only natural forces to produce energy or for work of such a nature. I find this concept most novel. However, this proposal is still at a very rudimentary stage. I hope Mr Patrick LAU can pool together some professionals to explore this proposal from various angles, then draft a feasibility proposal for the Government's consideration. In order to really achieve this goal, we should bring together the forces in civil society and encourage everyone to save energy.

Lastly, I want to say one more thing: I hope Members in this Council will not admire power and authority too much. If one has the ability to do something, one should be able to do it. If one does not have the ability to do something, one cannot do it even if God grants one an "imperial sword". Thank you, Madam President.

MR LEUNG KWOK-HUNG (in Cantonese): President, on the issue of energy conservation, I must say that actually energy is being wasted on a massive scale in every festival. For example, the lighting decorations in the square nearby are wasting a great amount of energy as well. Why would this happen? Of course, it is all attributable to commercial considerations.

Hong Kong is a society where consumerism reigns. Regardless of consumption on personal level or collective level, a phenomenon will inevitably emerge: The more money people spend, the more transactions there will be. As such, energy has been given a very low priority on the minds of the people. The situation here is very similar to that of the United States, where energy wastage is commonplace. For example, most of the computers are never turned off, and most people will not turn the lights off even when they leave their offices. This makes the buildings look glamorous with all the illumination against the backdrop of the night. In fact, the problem we are facing today is, to a certain extent, that our society advocates lavish consumption to keep itself going, but if this thinking remains unchanged, it will become a deadlock that can never be broken.

Let me quote a simple example here. If air ventilation and natural lighting are not taken into account when a building is being built, how can the people inside it avoid switching on the air-conditioners and lights all the time, even in daytime? I live in a public housing estate, and I have to switch on the lights even in daytime, because natural light cannot get into the flat. Furthermore, if the air-conditioners at the lower floors have been switched on, the heat generated by them will keep rising, and how can the people inside the flats stand such heat? I have tried my best to minimize the use of the air-conditioners, but I just cannot get up several times a night to cool myself down with showers. There are problems indeed, and these are problems caused by the real estate developers of Hong Kong in the way they construct their buildings. The idea of energy conservation has never sprung to their minds, nor is there any incentive provided by the Government to encourage energy conservation.

Let me again illustrate this from the perspective of building design. When this Legislative Council Building, originally the Supreme Court, was designed, air-conditioners were not invented yet. To maintain a quiet ambience, the current policy for this building is to close all the windows and turn on air-conditioning. The building itself is where the problem lies. Of course, I am not asking the President to revise the policy right away, but we really have to do some hard thinking. This is indeed a gorgeous building, but when the building was designed, no consideration was given to natural lighting and air ventilation.

In fact, what I am trying to say is, when the Government or any organization advocates energy conservation, it can learn from the Japanese. Subsequent to the 1973 oil crisis, the Japanese have fully complied with their national policy and lived in a way that enables them to bear energy conservation in mind so as to minimize the adverse effects caused by high oil prices and the possible blockage of the Strait of Malacca, irrespective of the fact that Japan too is a society where commercial principles reign. However, Hong Kong people have never had such a vision. We only care about boosting the demand for electricity for the sake of speeding up social development. We exaggerate this demand to unlimited proportions and even consider selling electricity to the Mainland. The situation in the Mainland has improved — they can now generate sufficient electricity for their own use, but our power companies are

still targeting at supplying electricity to the Mainland and have made this their policy. The CLP has built a power plant at Tap Shek Kok mainly for the purpose of supplying electricity to the Mainland. Consequently, we have to pay more in our electricity bills.

Let us put aside the money issue for the time being. Yet, it is the goal of every enterprise to acquire the biggest possible market share, so if any enterprise can operate completely unchecked, it will keep self-inflating until it becomes a monster, and that is the really fatal cause. Let me cite another example. The United States is the country that consumes the largest amount of energy in the world. However, it goes about its business with complete disregard to the Kyoto Protocol simply because it is a country where consumerism reigns.

In my opinion, if we are to succeed in energy conservation, the first thing we must do is to restrict the CLP and the Hongkong Electric from coming up with mammoth and over-optimistic development plans. This is the first point. However, if these companies continue enjoying their monopolistic status by virtue of their exclusive franchises, how can they be kept under control? I have talked about this on many occasions in this Council, that if we do not convert public utilities into government-run enterprises, many problems can never be solved. Today, while our society is facing the issue of energy conservation, the power companies, on the other hand, are still trying to make us boost our demand for electricity. This is because they have built additional grids and related installations. This is the first reason. The second reason is, they will never advocate or practise energy conservation, nor will they adopt alternative methods for power generation, because that would not be commercially beneficial. Only the Government is in a position to make such considerations. Therefore, I hope the Government can present a report in this regard. Just as Mrs Sophie LEUNG has said, we would like to request the Subcommittee to present a report to us; otherwise everything that has been said would mean nothing but "lip service" only. Of course this is unacceptable. The work targets I have set for the Government are: It should present a report to us within half a year, appoint some scholars, and visit places like Japan and Northern Europe to learn from their experience. I have surfed on the Internet for information on this topic and found lots of information, so much, in fact, that I could not finish reading them all by the time I had to go to bed. Why do we not make reference to such information?

Here are some of my thoughts. First, without considering turning public utilities into government-run enterprises, the problems can never be solved. Second, turning them into government-run enterprises without implementing regulatory measures will not achieve the target either. Third, if manufacturers and real estate developers do not make considerations in terms of energy conservation, the problem can never be solved as well. In fact, the truth is just this simple. For the evening race meet to be held tonight, how much electricity will be wasted? While the illumination at Happy Valley can rival broad daylight, how much electricity is wasted? In fact, the same scenario happens on every festive day. When we buy a newspaper, we would come across countless advertisements which keep urging us to consume more energy in order to create a scene of prosperity. Yet, this philosophy is completely wrong.

However, I know I would be simply wasting my breath if I go on saying this any longer. I just hope that Secretary Dr Sarah LIAO can urge the Government to set up a committee, or to ask the existing Subcommittee to present a report to us in half a year and to supervise the two power companies in implementing measures of energy conservation. Alternatively, the Government may introduce additional conditions when the exclusive franchises of the two power companies are due for renewal and require them to develop alternative methods for power supply.

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

MR HOWARD YOUNG (in Cantonese): Madam President, I believe various sectors of society, including the tourism industry, will all support energy conservation. However, I also think that the Government must first formulate a comprehensive and effective energy conservation policy before it can demonstrate its determination to the public, set a good example and encourage all sectors to render their total and active support.

Just last year alone, all government departments, collectively one of the largest electricity customers in Hong Kong, already consumed 224.4 million units of electricity and had to pay a tariff of more than \$1.9 billion. Therefore, when it comes to saving electricity, the Government cannot possibly evade its responsibility. However, the only thing the Chief Executive has mentioned in

the policy address is that starting from next year, the Government plans to reduce its electricity consumption by 1.5% a year. There is obviously much room for improvement.

Besides, the reduction of electricity consumption is the only energy conservation measure mentioned in the policy address and apart from this, no other measures whatsoever are mentioned. Therefore, it is necessary for the Government to fully inform the public whether there is any energy conservation policy in Hong Kong, how such a policy will be promoted and what the long- and medium-term objectives are.

Actually, energy conservation and tourism development are interrelated. Many energy efficient buildings all over the world have in fact become new attractions much sought after by tourists. For example, the cylindrical shapes of the 30-storeyed RWE Headquarters Buildings in Germany, meticulously designed to lower wind pressure, reduce heat loss and divert natural light indoors, have attracted huge numbers of visitors.

Another example is the Nottingham Tax Office in Britain. Its light sunscreens and automatic blinds can enable the whole group of buildings to make full use of natural light in the daytime while effectively blocking direct sunlight from outdoors. In contrast, the development of energy efficient buildings in Hong Kong does not seem to have attracted any attention from local people, not to mention foreign tourists.

What is more, the tourism industry strongly supports the Government's active efforts to promote green roof projects. If carefully chosen plants can be grown on the roofs of buildings all over Hong Kong, the appearances of buildings will be much improved, thus adding vitality to the concrete jungle of Hong Kong. Besides, this will also help alleviate the greenhouse effect. I believe if we can really turn Hong Kong into a green city, foreign visitors' impression about Hong Kong will certainly be greatly improved. And, there will also be one more attraction for us to induce more visitors to come here for fun and spending.

It is certainly true that we must enhance the public awareness of energy conservation before we can increase our efficiency of turning Hong Kong into a

green city. I believe that with the efforts of the Government, the industries concerned and the general public, Hong Kong will surely be able to achieve better and fuller results in energy conservation.

I so submit.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Miss CHOY So-yuk, you may now speak on the two amendments. You have up to five minutes.

MISS CHOY SO-YUK (in Cantonese): President, Mr SIN Chung-kai proposes in his amendment today the establishment of a computer database on the energy consumption of products. The DAB finds this a very good proposal, so we welcome its addition and would also lend our support to it.

Mr Vincent FANG's amendment has put forward three suggestions, one of which is the deletion of the part "establish an energy conservation committee which is independent of the Government". Ms Audrey EU has earlier told us her view, which is very close to mine. Since I hope to save time, I am not going to repeat it here. In my earlier speech, I also mentioned that the existing Energy Efficiency and Conservation Subcommittee is totally ineffective. Not only is it completely short of resources, but it also suffers from a lack of authority. Mrs Sophie LEUNG said we should not create overlapping organizations. In fact, it has never been my intention to create any overlapping organization. I just feel that once the new energy conservation committee has been established, it would no longer be necessary for that old Subcommittee to continue existing. I mentioned upgrading the existing Subcommittee into one that is more independent and possesses some real resources, thus making it an organization like "a tiger with bite". Only in this way can it implement its work effectively. In the past, that Subcommittee had demonstrated to us that its work was totally ineffective.

Besides, Mr Vincent FANG mentioned enhancing the present functions of the existing green managers in various departments, that is, he proposes to incorporate the functions of an energy manager into those of a green manager. We have no objection to this. When we first proposed to create the post of an energy manager, in fact we hoped that we could combine the functions of this post with those of a green manager, instead of separating the two types of functions. However, we must make it clear that a green manager has to take care of the work of energy conservation as well, instead of just handling the work of environmental protection.

However, I find there are certain problems with a part of the amendment proposed by Mr Vincent FANG. In his amendment to item (f), it says, "expeditiously implement the mandatory energy efficiency labelling scheme in respect to those products which have joined and achieved satisfactory results under the voluntary Energy Efficiency Labelling Scheme". If certain products have been made to join the voluntary labelling scheme and achieved satisfactory results under it, why should they be made to join the scheme in a mandatory manner? Of course, if it is proposed that even products having achieved satisfactory results under the voluntary labelling scheme should also be made to join the mandatory scheme, we would not mind its implementation. Mr Vincent FANG has also mentioned that, with regard to the Government's intention of implementing the mandatory scheme in respect of three kinds of products, that is, refrigerators, air-conditioners and compact fluorescent light bulbs, the industry is supportive. However, I would like to state one point clearly, that is, regarding these three types of products, such as the compact fluorescent light bulbs, only 40% of them have joined the voluntary labelling scheme. With reference to this figure, 40% is not a satisfactory figure. In other words, we cannot enforce the mandatory energy efficiency labelling scheme on compact fluorescent light bulbs. As such, this proposal is even more conservative than that contained in the Government's consultation paper. Furthermore, we do not know the situations of other products. So, in fact, it is necessary for us to continue with our discussion on the subject.

Of course, the mandatory labelling scheme proposed by the DAB does not cover all kinds of electrical appliances. We agree to implementing it gradually. With regard to the three types of products, we support the immediate implementation of the scheme covering them. Regarding Mr Vincent FANG's proposal, we find it difficult to render our support because it is a more conservative approach.

Mr Vincent FANG said earlier that, in marketing these products, the companies involved may have to spend a higher amount of capital in their initial investments. I agree with this view. However, we are now not proposing to ban these products from being sold in the market. Instead, all that we are requesting is to put labels on them to give consumers the right to know and let them have a choice. Without the labels, consumers will not know whether they are energy efficient products or how much electricity will be consumed. Even though Mr Vincent FANG said that he would support Mr SIN Chung-kai's proposal of setting up a database, in fact it should contain label descriptions detailing how much electricity each individual product consumes. With regard to Mr Vincent FANG's proposal, we find it not acceptable. As such, DAB Members will abstain from voting on Mr Vincent FANG's amendment.

President, I so submit.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): President, I am very grateful to those Members who have spoken to express their concern about energy conservation and support for the original motion and amendments. The air pollution problem currently faced by Hong Kong is closely related to and totally inseparable from energy consumption. As a result, every time when I discuss air pollution with others, I will invariably ask them what they have done in energy conservation. The reason is that all people are responsible for air pollution and everyone can actually do something in their daily life to reduce energy consumption, so as to alleviate air pollution. In brief, all efforts, great or small, are welcome. However, we must at the same time note that over the past 10 years, the annual electricity consumption of Hong Kong as a whole — or, I should say energy consumption instead of just electricity consumption — has seen an increase of 1.4% on average. In 2004, the total volume of energy consumption in Hong Kong stood at 294 000 Tera Joules (TJs). Total electricity consumption, which stood at 39.2 billion units, accounted for 48% of this total volume. About one third of all the electricity consumed in Hong Kong every year is for air-conditioning and roughly 20% is used for lighting and refrigerating purposes. The *per capita* electricity consumption in Hong Kong is lower than those in other advanced places. According to the statistics of the Asia-Pacific Economic Co-operation, in 2002, the levels of *per capita* electricity consumption in the United States, Canada and Singapore were respectively 12 000 units, 16 000 units and 7 500 units. And,

the *per capita* electricity consumption in Hong Kong was about 5 600 units. The *per capita* electricity consumption in Hong Kong is lower, but this does not mean that there is no need for us to continue with our energy conservation efforts.

The power companies in Hong Kong have been using fossil fuels for electricity generation. But the use of this type of fuels, as I have just mentioned, will generate pollutants. As a result, if we are to improve the natural environment, we must reduce our consumption of these fuels. As early as 1994, the Energy Efficiency Office was already set up under the Electrical and Mechanical Services Department (EMSD) to spearhead the drive for energy efficiency and conservation. Over the past 10 years, we have made many efforts to impart the message and inculcate the habit of energy conservation. An awareness of energy conservation has started to take root in society, but the mission has not been completely accomplished.

The Government has formulated an integrated policy on energy conservation. Besides adopting this policy internally, the Government has also been promoting the message of energy conservation among members of the public and the business sector, with a view to assisting them in upgrading their energy efficiency. The EMSD has implemented a number of energy conservation schemes and projects over the years, covering the following areas:

- a number of voluntary energy efficiency registration schemes such as the Hong Kong Energy Efficiency Registration Scheme for Buildings and the Energy Efficiency labelling Scheme;
- the promotion of effective energy management methods, such as energy audits, enhanced internal management and the adoption of energy-saving equipment, among government departments and public- and private-sector organizations;
- the introduction of advanced energy-saving systems and technologies and their promotion among the public after actual testing; and
- the promotion of water-cooled air-conditioning systems and the implementation of the Pilot Scheme for Wider Use of Fresh Water

in Evaporative Cooling Towers for Energy-efficient Air Conditioning Systems to upgrade the energy efficiency of commercial air-conditioning systems.

As also mentioned by Members just now, the actual energy efficiency levels of commercial buildings are very low because in the case of many commercial buildings, air-conditioning is provided on a contracting basis and once an agreement is signed for a particular year, the same fee will be charged during the whole contract tenure regardless of the levels of energy consumption. Consequently, there is simply no incentive to conserve energy. What is more, energy conservation must start with hardware investments, so I do agree that it is very difficult to achieve anything in the absence of any financial incentive. In this connection, therefore, we must do something in respect of the electricity market.

As for the work of monitoring the demand side management programmes of the two power companies, the EMSD plays the very important role of an adviser. Some Members have mentioned the event "A Symphony of Lights" we hold at night. Basically, I am of the view that much electricity will be wasted if there is no demand side management — in other words, if there is a demand imbalance between the morning peak and the off-peak periods. Consequently, we must make some efforts in this respect and encourage commercial organizations to activate their water cooling systems at night. We must also induce them to make hardware investments by offering them various concessions, so that the peak demand and the trough demand, especially in respect of water cooling systems, can be brought closer together. It is also advisable to activate generators less frequently in the morning because not every generator can be adjusted as in the case of the volume of a radio. In many cases, once a generator is activated, it will not be possible to adjust it. We are therefore exploring how to do a better job with demand side management.

We have put in place a detailed database on end-users of energy, with a view to monitoring energy uses in Hong Kong and assisting in the formulation of an energy conservation strategy and the implementation of various publicity and education initiatives. Lastly, I wish to mention that we have recently launched a greening programme under the charge of the Works Branch of the Environment, Transport and Works Bureau. The aim of the programme is to explore how to proceed with urban greening in public areas, streets and flyovers. We have formulated a complete set of greening plan and programme and all this

will be launched starting from next year. Rooftop greening is one of the items under consideration because this can be implemented in many different forms. Having studied the experience in Germany, I know that rooftop greening may yield better results in certain cases, but this may not be so feasible if the buildings concerned are too tall. For example, it will be very difficult for plants to grow healthily on the rooftop of a 40-storeyed building. Anyway, we are still of the view that greening will certainly produce positive impacts on energy conservation.

The abovementioned programmes and projects have yielded satisfactory results since implementation. In 2004, the total electricity consumption in Hong Kong was reduced by as much as 540 million units, or 1.4% of the total electricity consumption in Hong Kong. And, the emission of carbon dioxide was also reduced by about 300 000 tonnes. Apart from all these programmes, we will also introduce other new measures to further encourage people to conserve energy. For example, with a view to further assisting members of the public in choosing energy efficient products, the Government has recently launched a public consultation exercise on a mandatory energy efficiency labelling scheme. It is hoped that a law on this can be enacted in the near future.

One of the amendments proposes the Government to establish an independent energy conservation committee to co-ordinate the Government's and the two power companies' initiatives for promoting energy conservation. Frankly, I cannot quite understand the use of the adjective "independent" here because if the committee is to be set up by the Government, it can no longer be regarded as independent. The Energy Efficiency and Conservation Subcommittee under the existing Energy Advisory Committee are already led by an unofficial chairman and its members are drawn from many different sectors such as the two power companies, the academic circle, the architectural sector, the surveying sector and the engineering sector. Actually, under the existing framework, if we can set down a number of more definite indicators for this advisory body, we will be able to achieve the same objective.

We agree that government leadership is very important in energy conservation because, on the one hand, our electricity consumption is very large and, on the other, the Government should really set a good example to elicit the positive response of various social sectors and induce them to join hands to promote sustainable development.

Since 1993, the Government has been adopting the policy of appointing green managers to oversee the green management within government departments, including measures on energy conservation. Besides, the Environment, Transport and Works Bureau has recently issued another set of guidelines, under which government departments are requested to appoint energy supervisors in the offices or buildings under their management, so that all can be reminded to strictly enforce energy conservation measures. In this connection, Members should also know that the best indoor temperature should be 25.5 degrees Celsius. I often say that it may take quite some time for us to change our living habits for the sake of energy conservation or environmental protection. Actually, the adjustment of indoor temperature to 25.5 degrees Celsius has aroused the strong reaction of quite a number of government departments. Many people think that 25.5 degrees Celsius is much too hot and they cannot possibly work in this temperature. So, if Members also think that energy conservation is such an important issue, I really hope that they can join hands to promote all these measures. In Japan, for example, the indoor temperature of government offices is adjusted to 28 degrees Celsius and they can still survive. The reason is perhaps that the Japanese are gentler in manner and usually speak softly and move slowly. It is indeed difficult to change the habits of Hong Kong people but we must not thus stop doing anything.

The EMSD has so far conducted 230 energy audits for government properties and as many as 408 government buildings have been issued an Appreciation Certificate under the Hong Kong Energy Efficiency Registration Scheme for Buildings. With all the abovementioned energy conservation measures, the Government can reduce its electricity consumption by 45 000 units a year, which is equivalent to 2% of its annual electricity consumption.

Besides, energy conservation is an ongoing exercise for all government departments every year, and efforts made are not one-off. The various departments are in fact gradually intensifying their energy conservation efforts. And, in terms of the annual electricity consumption per sq m of floor area, the figure for government offices have dropped by 2.7% from 262 units in 2002-03 to 255 units in 2004-05. The Environment, Transport and Works Bureau has also issued a guideline, requesting government departments to adjust the indoor temperature upward to 25.5 degrees Celsius in summer. Our tentative statistics show that from April to August this year, owing to the upward adjustment of indoor temperature, electricity consumption was reduced by 2% to 3%.

The Environment, Transport and Works Bureau has also issued a technical circular, requiring works departments to consider the application of energy conservation technologies and the adoption of renewable energy resources as much as possible in the design of new government buildings or the renovation of existing facilities. Under this technical circular, works departments are also required to furnish regular reports on their progress of adopting renewable energy resources and energy conservation technologies for new facilities and renovation of existing ones.

As a matter of fact, the average energy consumption of government offices is already lower than that of ordinary commercial buildings by some 20%. But we will still strive to conserve energy. The Chief Executive has in fact stated in his policy address that government offices must continue to reduce electricity consumption by 1.5% next year. Internally, the Government is intensifying its efforts to achieve this aim, and overall, the Government agrees that this policy must be enforced vigorously.

The original motion also proposes to make it mandatory for proposed government buildings to pass the energy efficiency assessment prior to construction. Since 2001, the Buildings Department has adopted an overall energy objective which requires the consideration of energy efficiency in the process of building design. As I have mentioned, energy efficiency is not the only thing and the application of renewable energy is also included.

I am very grateful to Members for supporting the implementation of the mandatory energy efficiency scheme by the Government. Since 1995, the Government has implemented a voluntary Energy Efficiency Labelling Scheme. The energy efficiency label on a product gives consumers information on its energy efficiency. The labelling scheme now covers 17 types of energy-consuming products, including domestic appliances, office equipment and vehicles.

Since participation in the existing labelling scheme is voluntary, the participation rates of certain types of products are relatively low, thus making it difficult for consumers to make a thorough comparison of all available models. Consequently, in a bid to further assist consumers in making their choices and enhance their knowledge of these types of products, the Government has sought to phase in mandatory labelling for these energy-consuming products. The first stage covers refrigerators, air-conditioners and compact fluorescent light bulbs.

The combined electricity consumption of these three types of products accounts for over 70% of the total household electricity consumption in Hong Kong. Therefore, if there is a high participation rate after the implementation of the scheme, Hong Kong will be able to save 150 million units of electricity per annum.

Following the implementation of the first stage, the Government will review the effectiveness of the scheme. Depending on the results of energy conservation and the acceptance of society and the industries concerned, the Government will consider whether or not to extend the mandatory labelling scheme to other types of products. We already completed a three-month public consultation exercise in October 2005 and we are currently collating the opinions collected during the consultation period. Preliminary findings indicate that the majority views support the implementation of the scheme. We have established two working groups in conjunction with the industries concerned for discussions on the details of implementing the scheme. We hope to co-operate and communicate fully with the industries, so that the scheme can be smoothly implemented. That way, there can be more business opportunities for the industries and benefits for consumers. Lastly, we naturally hope that the overall objective of energy conservation can be achieved.

Mr SIN Chung-kai proposes the Government to establish a computer database on the energy consumption of products, so that the public can have access to the relevant information on the Internet before purchase. Actually, on the website of the EMSD, information about products registered under the voluntary energy efficiency labelling scheme is already available. Such information covers the makes, models, energy efficiency grades, annual electricity consumption and functions of the products concerned, such as the cooling capacity of air-conditioners and the freezing capacity of refrigerators. Following the implementation of the Mandatory Energy Efficiency Labelling Scheme, all the energy-consumption data of products will be set out on the website. Besides, in the Energyland of our website, consumers can also find information on how to select and use energy efficient home appliances and office equipment.

In May 2000, the Government concluded two separate agreements with the two power companies, under which they were required to implement a demand side management programme. Financial incentives were offered to commercial and industrial customers to encourage them to use energy efficient products and

install energy-efficient equipment. A series of education and publicity projects on energy conservation were also carried out. This three-year programme came to an end in June 2003, saving as many as 100 007 000 units of electricity.

Currently, the two power companies have also put in place other energy conservation measures. For example, the CLP Power Hong Kong Limited is running the PowerWise Programme and the Hongkong Electric Company Limited is also holding the Smart Power Campaign. In addition, customers are provided with energy audits, and teaching kits are also compiled to promote among secondary and primary school students energy conservation and educate them on the same.

The Chief Executive has pointed out in the policy address this year that during the negotiations with the two power companies on the new Scheme of Control Agreements in 2008, the two power companies will be required to implement demand side management. In this connection, the Economic Development and Labour Bureau will shortly publish the second-stage consultation document on the future development of the Hong Kong power market to gauge the views of various social sectors.

In regard to the promotion of energy conservation in commercial buildings, the EMSD has been issuing a number of energy efficiency guidelines since 1998, including the Guidelines on Performance-based Building Energy Code and Guidelines on Energy Audit. It has also launched the Hong Kong Energy Efficiency Registration Scheme for Buildings, under which certificates are awarded to buildings that have successfully attained the targets. Up to 2005, a total of 562 buildings have participated in the registration scheme.

In October 2004, the EMSD also launched the "Hong Kong Energy Efficiency Awards" competition. The aims are to encourage the adoption of energy conservation measures in commercial buildings and commend private-sector organizations that have made achievements in energy efficiency and conservation. It is expected that the results can be announced in April 2006.

In order to further promote the adoption of effective mechanisms in commercial buildings and encourage commercial customers to save electricity, the EMSD has started discussions with property management companies in the hope of encouraging them to offer rent rebates to commercial tenants for electricity conservation. Negotiations on the details are ongoing.

The Government has all along been making active publicity and education efforts in parallel with the publicity on air pollution. For example, on the World Environment Day in June this year, under the theme of "Fresh Air, Cool City", we appealed to the public on the need for appropriate air-conditioning, advising them to adjust the indoor temperature to 25.5 degrees Celsius. The slogan "No Freezing Summer" was adopted.

We will continue to conduct various environmental protection activities in conjunction with green groups, community organizations and District Councils. The aim is to enhance young people's knowledge of environmentalism and energy conservation.

In regard to schools, the Education and Manpower Bureau issued a circular memorandum to all schools in Hong Kong in July this year, encouraging them to implement energy conservation measures. Schools are advised that apart from adjusting the indoor temperature to 25.5 degrees Celsius, they may also appoint energy supervisors to ensure strict compliance with all the energy conservation measures implemented. We also plan to mobilize the Student Environmental Protection Ambassadors next year to promote the message of energy conservation in schools and the wider community.

In the new headquarters of the EMSD, there is also an Education Path featuring interactive games on knowledge of energy conservation along with publicity and education on the subject. Members of the public are welcome to visit the Education Path any time.

In conclusion, I hope that while supporting energy conservation, Members can also relay the message to their workplaces and actively recommend various energy conservation measures to their family members and the people with whom they have contact. The Government on the other hand will continue to take the lead and share with the public all possible energy conservation schemes and technologies. And, it will also join hands with the two power companies, the industries concerned, schools, green groups and community organizations to promote energy conservation and reduce environmental pollution.

Thank you, President.

PRESIDENT (in Cantonese): I now call upon Mr SIN Chung-kai to move his amendment.

MR SIN CHUNG-KAI (in Cantonese): President, I move that Miss CHOY So-yuk's motion be amended.

Mr SIN Chung-kai moved the following amendment: (Translation)

"To add "(b) establish a computer database on the energy consumption of products so that the public can have access to information about the energy efficiency of the products before deciding to buy such products;" after "energy conservation policy"; to delete the original "(b)" and substitute with "(c)"; to delete the original "(c)" and substitute with "(d)"; to delete the original "(d)" and substitute with "(e)"; to delete the original "(e)" and substitute with "(f)"; to delete the original "(f)" and substitute with "(g)"; to delete the original "(g)" and substitute with "(h)"; to delete the original "(h)" and substitute with "(i)"; and to delete the original "(i)" and substitute with "(j)"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr SIN Chung-kai to Miss CHOY So-yuk's motion, be passed.

PRESIDENT (in Cantonese): I now put the question to you as stated. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

Mr SIN Chung-kai rose to claim a division.

PRESIDENT (in Cantonese): Mr SIN Chung-kai has claimed a division. The division bell will ring for three minutes, after which the division will begin.

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

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

Functional Constituencies:

Dr Raymond HO, Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Mr WONG Yung-kan, Ms LI Fung-ying, Mr WONG Kwok-hing, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr WONG Ting-kwong, Mr KWONG Chi-kin and Miss TAM Heung-man voted for the amendment.

Dr LUI Ming-wah, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr Howard YOUNG, Ms Miriam LAU, Mr Timothy FOK, Mr Tommy CHEUNG, Mr Vincent FANG and Mr Jeffrey LAM abstained.

Geographical Constituencies:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Ms Audrey EU, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr LEUNG Kwok-hung and Mr CHEUNG Hok-ming voted for the amendment.

Mr James TIEN and Mrs Selina CHOW abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, 11 were in favour of the amendment and nine abstained; while among the Members returned by geographical constituencies through direct elections, 20 were present, 17 were in favour of the amendment and two abstained. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): Members have been informed by circular on 12 December that Mr Vincent FANG will withdraw his amendment if Mr SIN Chung-kai's amendment is passed. Therefore, I now call upon Miss CHOY So-yuk direct to speak in reply. Miss CHOY, you have two minutes 19 seconds.

MISS CHOY SO-YUK (in Cantonese): President, I would like to thank more than 10 Members for making so many constructive suggestions.

I would like to point out that, in order to save energy, we are not requesting everyone to practise puritanism. Therefore, with regard to Mr Albert CHAN's accusation that we had not practised what we preach in approving the funding for the project "A Symphony of Lights", I completely disagree with it. Furthermore, the event only consumes electricity during the off-peak period, and hence would not cause any major impact on the air pollution situation as it is staged only in the evenings. When we discuss sustainable development, we are talking about striking a balance between socio-economic development and environmental development. We would not be implementing anything in a tilted manner; otherwise, Hong Kong will not be able to do anything. Not even a single air-conditioner can be switched on. I totally disagree with this.

Besides, I very much agree with what many Honourable colleagues have said, that we should start doing it ourselves. President, I would like to, through you, request the Legislative Council Commission to pay special attention to the way energy is conserved in the entire Legislative Council Building. Very often, I find that the temperatures in the rooms of the Legislative Council Building much too low. The most important point is, even when no one is using the rooms, the lights and air-conditioning are still turned on. I hope we can also save electricity in the Legislative Council.

Finally, I hope everyone of us will love both the earth and Hong Kong. If we really love Hong Kong, we must reduce the emission of exhaust air. I hope all of us can act on energy conservation. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHOY So-yuk, as amended by Mr SIN Chung-kai, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

Mr Vincent FANG rose to claim a division.

PRESIDENT (in Cantonese): Mr Vincent FANG has claimed a division. The division bell will ring for three minutes, after which the division will begin.

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

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

Functional Constituencies:

Dr Raymond HO, Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Mr WONG Kwok-hing, Dr KWOK Ka-ki, Dr Fernando CHEUNG, Mr WONG Ting-kwong, Mr KWONG Chi-kin and Miss TAM Heung-man voted for the motion as amended.

Dr LUI Ming-wah, Mr Bernard CHAN, Mrs Sophie LEUNG, Mr Howard YOUNG, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Vincent FANG and Mr Jeffrey LAM abstained.

Geographical Constituencies:

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Dr YEUNG Sum, Mr LAU Kong-wah, Ms Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Ms Audrey EU, Mr LEE Wing-tat, Mr LI Kwok-ying, Mr Alan LEONG, Mr LEUNG Kwok-hung and Mr CHEUNG Hok-ming voted for the motion as amended.

Mr James TIEN and Mrs Selina CHOW abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, 12 were in favour of the motion as amended and eight abstained; while among the Members returned by geographical constituencies through direct elections, 20 were present, 17 were in favour of the motion as amended and two abstained. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the motion as amended was carried.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 21 December 2005.

Adjourned accordingly at Eight o'clock.

AnnexREVENUE (PERSONALIZED VEHICLE REGISTRATION
MARKS) BILL 2005**COMMITTEE STAGE**Amendments to be moved by the Secretary for
Financial Services and the Treasury

<u>Clause</u>	<u>Amendment Proposed</u>
3(a)(iii)	<p>(a) By deleting " ";".</p> <p>(b) By adding -</p> <p style="padding-left: 40px;">"(hh) the consideration by the Commissioner</p> <p style="padding-left: 80px;">as to whether a cancelled personalized</p> <p style="padding-left: 80px;">registration mark is suitable for</p> <p style="padding-left: 80px;">reallocation; ";".</p>
4(b)	<p>(a) By deleting "in subregulation (1), by adding -"</p> <p style="padding-left: 40px;">and substituting -</p> <p style="padding-left: 80px;">"in subregulation (1) -</p> <p style="padding-left: 120px;">(i) in the definition of "裝載貨物許可證", by</p> <p style="padding-left: 160px;">repealing "。" and substituting a</p> <p style="padding-left: 160px;">semicolon;</p> <p style="padding-left: 120px;">(ii) by adding -".</p> <p>(b) In the proposed definition of "certificate of</p> <p style="padding-left: 40px;">allocation", by adding ", 12PA(7)" after</p> <p style="padding-left: 40px;">"120(3)".</p> <p>(c) In the proposed definition of "personalized</p>

registration mark" -

(i) in paragraph (a), by deleting "or" at the end;

(ii) in paragraph (b), by adding "or" at the end;

(iii) by adding -

"(c) regulation 12PA;".

(d) By adding -

"cancelled personalized registration mark"

(已被取消的自訂登記號碼) means a

personalized registration mark the allocation of which has been cancelled under regulation 12L;

"proposed personalized registration mark"

(擬使用的自訂登記號碼) means a proposed

personalized registration mark within the meaning of regulation 12B(1);".

4(c) In the proposed regulation 2(2), by deleting "or proposed personalized registration mark" wherever it appears and substituting ", proposed personalized registration mark or cancelled personalized registration mark".

9(b) By adding -

"(4A) The following registration marks are reserved for assignment to vehicles of the Hong Kong Garrison -

- (a) the registration mark consisting only of the letters "ZG";
- (b) all registration marks consisting of the letters "ZG", at the beginning, followed by a numeral or numerals only; and
- (c) all registration marks consisting of the letters "ZG", as the suffix, preceded by a numeral or numerals only."

- 10 (a) In the proposed regulation 12C(2), by adding
- "(ca) is a cancelled personalized registration mark and that cancelled personalized registration mark is being offered for allocation at a special fee under regulation 12PA(2);".
- (b) In the proposed regulation 12E(4)(a), by deleting "12C(2)(b) or (c)" and substituting "12C(2)(b), (c) or (ca)".
- (c) In the proposed regulation 12F(4), by adding ", subject to subregulation (5)," before "notify the applicant".

(d) In the proposed regulation 12F, by adding -

"(5) Subregulation (4) shall not apply if the proposed personalized registration mark is a cancelled personalized registration mark (taking into account only the sequence of arrangement of the letters and numerals) and that cancelled personalized registration mark has been allocated under regulation 12PA(7), in which case the Commissioner shall -

(a) subject to subregulation (6), notify the applicant concerned in writing of the allocation; and

(b) subject to regulation 12PA(6), refund to the applicant the deposit paid by him under regulation 12D(1).

(6) The Commissioner is not required to notify the applicant concerned under subregulation (5)(a) if he is the person to whom the cancelled personalized registration mark is allocated under regulation 12PA(7).".

(e) In the proposed regulation 12I(1), by adding "and regulation 12PA" after "subregulation (3)".

(f) In the proposed regulation 12P, by deleting "personalized registration mark the allocation of which is cancelled" and substituting "cancelled personalized registration mark".

(g) By adding -

"12PA. Cancelled personalized registration marks may be reallocated if Commissioner considers suitable

(1) A cancelled personalized registration mark may, subject to subregulation (2), be offered for sale by auction under regulation 12I again if the Commissioner determines under regulation 12F that an application for the allocation of a proposed personalized registration mark, being the cancelled personalized registration mark (taking into account only the sequence of arrangement of the letters and numerals), shall be accepted having regard to the matters referred to in regulation 12L(1) and any change of circumstances since the cancellation.

(2) Before a cancelled personalized registration mark is offered for sale by auction, the Commissioner shall send a notice of offer to the person to whom a refund was made under regulation 12M(2) in

respect of the cancelled personalized
registration mark ("the previous holder") -

(a) notifying the previous holder
that the cancelled
personalized registration
mark is made available for
reallocation;

(b) offering to allocate the
cancelled personalized
registration mark to the
previous holder at a special
fee equal to the amount of
the refund so made to him;

(c) requiring the previous
holder, if he accepts the
offer, to -

(i) notify the
Commissioner in
writing; and

(ii) make full payment of
the special fee,
within 4 weeks after the date
of the notice of offer; and

(d) stating that the cancelled
personalized registration
mark will be offered for sale

by auction if notice of acceptance and full payment of the special fee are not received within the 4-week period.

(3) A notice of offer shall be sent to the previous holder by registered post -

(a) if the previous holder is the registered owner of a motor vehicle, at his address appearing on the register; or

(b) if the previous holder is a holder of a driving licence or an international driving permit issued by the Commissioner, at his address appearing in the record maintained by the Commissioner under regulation 39 of the Road Traffic (Driving Licences) Regulations (Cap. 374 sub. leg. B).

(4) If the address of the previous holder cannot be found in the register or the record so maintained by the

Commissioner, the Commissioner shall publish the notice of offer, containing the same information as required under subregulation (2), once in at least 2 Chinese language daily newspapers and one English language daily newspaper in circulation in Hong Kong.

(5) For the purposes of subregulation (4), the date of the notice of offer referred to in subregulation (2)(c) shall be construed as the date of publication of the notice of offer in the newspapers, and the reference in subregulation (7) to the period specified under subregulation (2)(c) shall be construed accordingly.

(6) If the previous holder is the person who makes the application referred to in subregulation (1), the deposit paid by him under regulation 12D(1) shall, if he accepts the offer, be taken as payment of the special fee referred to in subregulation (2)(b) or part of that special fee, as the case may be.

(7) The Commissioner shall, upon receiving the notice of acceptance and full payment of the special fee within the period specified under subregulation (2)(c),

allocate the cancelled personalized registration mark to the previous holder and issue a certificate of allocation to him.

(8) A certificate of allocation issued under subregulation (7) shall -

- (a) contain the particulars specified in regulation 12J(2)(a), (d) and (e) and (3);
- (b) state the name and identity document number of the personalized registration mark holder (being the previous holder); and
- (c) state the date of allocation of the personalized registration mark which, in such case, shall be the date on which full payment of the special fee is received by the Commissioner.

(9) Regulation 9(2) and (3) shall apply in respect of personalized registration marks allocated under subregulation (7) in like manner as it applies in respect of special registration

marks allocated under regulation 9(1).

(10) If, for whatever cause, a personalized registration mark allocated under subregulation (7) is not assigned to a motor vehicle within 12 months after the date of its allocation, the Commissioner may, without notice to the personalized registration mark holder, cancel that allocation and reallocate the personalized registration mark."

15(d) In the proposed regulation 17(3B)(c), by deleting "or 120(4)(c)" and substituting ", 120(4)(c) or 12PA(8)(c)".

30 In the proposed Schedule 5A -

(a) by deleting "'.";

(b) by adding -

"3. AAA, BBB, CCC, DDD, EEE, FFF, GGG, HHH, JJJ, KKK, LLL, MMM, NNN, PPP, RRR, SSS, TTT, UUU, VVV, WWW, XXX, YYY and ZZZ.

4. AAAA, BBBB, CCCC, DDDD, EEEE, FFFF, GGGG, HHHH, JJJJ, KKKK, LLLL, MMMM, NNNN, PPPP, RRRR, SSSS, TTTT, UUUU, VVVV, WWWW, XXXX, YYYY and ZZZZ."."

Appendix 1**REQUEST FOR POST-MEETING AMENDMENTS**

The Secretary for the Civil Service requested the following post-meeting amendment in respect of a supplementary question to Question 2

Line 3, sixth paragraph, page 18 of the Confirmed version

To amend "There are currently 15 000-odd serving NCSC staff," as "In fact, the Civil Service currently has a strength of approximately 158 000 staff," (Translation)

(Please refer to line 6, fourth paragraph, page 2951 of this Translated version)

Appendix I**WRITTEN ANSWER****Written answer by the Secretary for Security to Mr SIN Chung-kai's supplementary question to Question 1**

As regards the number of passenger trips by Hong Kong residents using e-Channels as a percentage of the total number of passenger trips made by them, as at mid-December 2005, some 1.2 million Smart Identity Card holders have used e-Channels, and the total passenger trips made by them amounted to some 14 million. Currently, four control points (that is, Lo Wu, Hung Hom, China Ferry Terminal and Macau Ferry Terminal) are equipped with e-Channels. On average, about 250 000 passenger trips by Hong Kong residents are recorded at these control points per day. Of these, some 77 000 passenger trips or 30% of the total are made using e-Channels.

Appendix II**WRITTEN ANSWER****Written answer by the Secretary for the Civil Service to Mr James TIEN's supplementary question to Question 2**

As regards the saving in the expenditure on civil service emoluments and the expenditure on the employment of non-civil service contract (NCSC) staff, through streamlining the civil service establishment, reducing expenditure on civil service pay and civil service allowances, and so on, the staff-related expenditure on the Civil Service was about \$66.9 billion in 2004-05, down from the peak spending of \$71.3 billion in 2001-02. This represents a saving in expenditure of about \$4.4 billion in three years.

As for NCSC staff, they are employed to meet service needs that are short-term, part-time or under review. They are engaged on terms distinct from those of civil servants. The main purpose of the scheme is not to achieve cost saving, but to provide Heads of Department with greater flexibility to deploy their resources and to enable them to better meet their service and operational needs. The total expenditure incurred by bureaux/departments for the employment of NCSC staff in 2004-05 amounted to about \$2.5 billion.

Appendix III**WRITTEN ANSWER****Written answer by the Secretary for Security to Mrs Selina CHOW's supplementary question to Question 4**

As regards the number of mainland visitors who were previously arrested for begging but subsequently returned to the Mainland without being prosecuted, and have re-entered Hong Kong and again involved in begging activities, the police and the Immigration Department confirmed that they have not maintained such statistics.