

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 28 October 2009

The Council met at Eleven o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

DR THE HONOURABLE MARGARET NG

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

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

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

THE HONOURABLE LEUNG YIU-CHUNG

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

THE HONOURABLE WONG YUNG-KAN, S.B.S., 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 ANDREW CHENG KAR-FOO

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

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

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

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

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

THE HONOURABLE VINCENT FANG KANG, S.B.S., J.P.

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

DR THE HONOURABLE JOSEPH LEE KOK-LONG, S.B.S., J.P.

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

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

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

THE HONOURABLE LEUNG KWOK-HUNG

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

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

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

THE HONOURABLE CHIM PUI-CHUNG

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

THE HONOURABLE KAM NAI-WAI, M.H.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE STARRY LEE WAI-KING

DR THE HONOURABLE LAM TAI-FAI, B.B.S., J.P.

THE HONOURABLE CHAN HAK-KAN

THE HONOURABLE CHAN KIN-POR, J.P.

THE HONOURABLE TANYA CHAN

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN

DR THE HONOURABLE LEUNG KA-LAU

THE HONOURABLE CHEUNG KWOK-CHE

THE HONOURABLE WONG SING-CHI

THE HONOURABLE WONG KWOK-KIN, B.B.S.

THE HONOURABLE WONG YUK-MAN

THE HONOURABLE IP WAI-MING, M.H.

THE HONOURABLE IP KWOK-HIM, G.B.S., J.P.

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

DR THE HONOURABLE PAN PEY-CHYOU

THE HONOURABLE PAUL TSE WAI-CHUN

DR THE HONOURABLE SAMSON TAM WAI-HO, J.P.

MEMBERS ABSENT:

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

THE HONOURABLE PAUL CHAN MO-PO, M.H., J.P.

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE STEPHEN LAM SUI-LUNG, G.B.S., J.P.

THE CHIEF SECRETARY FOR ADMINISTRATION, AND
SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

THE HONOURABLE JOHN TSANG CHUN-WAH, J.P.

THE FINANCIAL SECRETARY

MS JULIA LEUNG FUNG-YEE, J.P.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE MRS CARRIE LAM CHENG YUET-NGOR, J.P.

SECRETARY FOR DEVELOPMENT

THE HONOURABLE EVA CHENG, J.P.

SECRETARY FOR TRANSPORT AND HOUSING

THE HONOURABLE MRS RITA LAU NG WAI-LAN, J.P.

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

MR GREGORY SO KAM-LEUNG, J.P.
UNDER SECRETARY FOR COMMERCE AND ECONOMIC
DEVELOPMENT

MR YAU SHING-MU, J.P.
UNDER SECRETARY FOR TRANSPORT AND HOUSING

CLERKS IN ATTENDANCE:

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

MRS CONSTANCE LI TSOI YEUK-LIN, ASSISTANT SECRETARY
GENERAL

MRS JUSTINA LAM CHENG BO-LING, 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>
Air Navigation (Hong Kong) Order 1995 (Amendment of Schedule 16) Order 2009	193/2009
Dangerous Goods (Consignment by Air) (Safety) Regulations (Amendment of Schedule) Order 2009.....	194/2009
Shipping and Port Control (Amendment) Regulation 2008 (Commencement) Notice	195/2009
Merchant Shipping (Local Vessels) (General) (Amendment) Regulation 2008 (Commencement) Notice	196/2009

Other Papers

- No. 20 — Audited Financial Statements of the Customs and Excise Service Welfare Fund for the year ended 31 March 2009 and its Summary, together with the Director of Audit's Report
- No. 21 — Electrical and Mechanical Services Trading Fund Annual Report 2008/09
- No. 22 — Traffic Accident Victims Assistance Fund Annual Report for the year from 1 April 2008 to 31 March 2009
- No. 23 — Office of the Telecommunications Authority Trading Fund Report 2008/09
- No. 24 — Hong Kong Post Annual Report 2008/09

WRITTEN ANSWERS TO QUESTIONS**Regulation of Modified Vehicles**

1. **MS MIRIAM LAU** (in Chinese): *President, it has been reported that quite a number of vehicles involved in numerous traffic accidents in recent years were suspected to be modified vehicles (commonly known as "reassembled cars") which had been assembled with parts dismantled from different vehicles. Due to the low prices of these vehicles, they are very popular with young people and those who have just been issued a driving licence. However, such types of vehicles do not offer adequate protection and cannot withstand the impact on being hit, resulting in serious injuries and deaths of motorists and passengers as well as complete destruction of the vehicles in the event of accidents. In this connection, will the Government inform this Council:*

- (a) of the total number of road traffic accidents involving reassembled cars in each of the past five years, the resultant casualties and the ages of the reassembled cars concerned;*
- (b) whether it had, in the past five years, assessed if there was an upward trend in the number of reassembled cars in Hong Kong; if it had, of the assessment results; if not, whether it will consider conducting the relevant assessment;*
- (c) what measures the authorities have at present to regulate reassembled cars; whether they will study strengthening the regulation of such vehicles, so as to safeguard the safety of consumers and motorists; and*
- (d) whether the Transport Department (TD) had, in the past five years, discovered any reassembled cars through the arrangement which requires private cars to undergo examinations at designated car testing centres; if it had, of the number and ages of such vehicles; if not, whether it will plan to review the arrangement concerned, so as to strengthen the regulation of reassembled cars?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, my reply to the four parts of the question is as follows:

- (a) If the body frame of a vehicle is assembled by welding of various parts and the strength of the welding joints is below that of the original car, in the event of a collision, the welds are prone to be broken apart with smooth cuts. According to the records of the TD and the police for the last five years, the bodies of private cars breaking apart in serious traffic accidents (including those severely damaged in accidents took place at Texaco Road in 2007 and the Chinese University of Hong Kong in 2009) were not assembled by welded body parts. The resultant splits were coarse tears instead of smooth cuts, unlike the damage done on the so-called "reassembled cars".
- (b), (c) and (d)

To ensure that all vehicles are safe and roadworthy, regulation 5(1) of the Road Traffic (Construction and Maintenance of Vehicles) Regulations (Cap. 374A) stipulates that every vehicle, including all body work and fittings, shall be soundly and properly constructed of suitable materials. The TD will not issue licences to vehicles that do not meet the requirement.

At present, all private cars aged six years or more from the year of manufacture are required to receive and pass the annual vehicle examination in order to obtain a Certificate of Roadworthiness for licence renewal. The annual examination covers tests and checks on body work, braking system, steering system, tyres, on-board safety equipment, and so on. If the vehicle examiner finds any unusual signs of body welding, follow-up actions will be taken to ensure that the vehicle is safe; otherwise, the vehicle concerned cannot pass the examination for its licence renewal. Moreover, the police conduct frequent random roadside checks on private cars travelling on the road. They will take follow-up actions or institute prosecution if non-compliance with the statutory requirements on body work is identified.

Furthermore, section 53 of Road Traffic Ordinance (Cap. 374) stipulates that no person shall alter a motor vehicle so as to render its condition such that the use thereof on a road would contravene any provision of that Ordinance as to the construction, weight,

equipment, brakes, steering gear or tyres thereof. Any person who contravenes the provision commits an offence and is liable to a fine of \$20,000. The TD has also issued guidelines to remind car owners to obtain approval and supporting evidence from the vehicle manufacturer or a qualified person (for example, registered engineer) if they wish to alter the chassis frame or vehicle structure so as to ensure compliance of their vehicles with the statutory requirements after repairs.

Over the past five years, the TD had not suspended any private cars from driving on the road because of body work problems identified in the annual examination. During their inspection on private cars involved in serious traffic accidents, the police had not found any vehicles damaged with smooth cuts rather than coarse tears as a result of collision. As for random roadside checks on private cars, the police had not come across any reassembled cars in their records.

We consider the current control measures adequate. Having said that, we will continue to closely monitor the structural safety of vehicles and review the regulatory arrangement where necessary.

Implementation of Environmental Levy Scheme on Plastic Shopping Bags

2. **MR JEFFREY LAM** (in Chinese): *President, the Environmental Levy Scheme on Plastic Shopping Bags (Levy Scheme) has been implemented since 7 July this year, and a levy of 50 cents on each plastic shopping bag (PSB) distributed by retailers is to be introduced by phases. Chain or large supermarkets, convenience stores as well as personal health and beauty stores are covered in the first phase. In this connection, will the Government inform this Council:*

- (a) *of the reduction in the quantity of discarded PSB since the implementation of the Levy Scheme when compared to those of the same period last year, and the total amount of levy received by the Government during the period;*
- (b) *whether it has, after the implementation of the Levy Scheme, assessed if there are changes in the respective quantities of*

discarded garbage bags, paper bags, as well as food bags from supermarkets when compared to those of the same period last year; whether there is an increase in the quantity of goods pre-packaged in plastic bags, and whether this will offset the reduction in the quantity of PSB;

- (c) whether it has found out, after the implementation of the Levy Scheme, if the business turnovers of registered retailers have thus been reduced; and*
- (d) of the timetable for implementing the next phase of the Levy Scheme?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (a) The Levy Scheme has been implemented since 7 July 2009. According to the initial feedback from some green groups and the retail trade, the number of PSBs distributed to customers by registered retailers has been reduced significantly. Some sources have indicated that the reduction is as much as 80% to 90%. We have already started preparation for a survey which would collect information on the disposal of PSBs after the implementation of the Levy Scheme.

As required under the Levy Scheme, registered retailers shall submit to the Government quarterly returns setting out the number of PSBs distributed to customers in the non-exempted areas in all of their registered retail outlets and the amount of levy collected for such PSBs. The first quarterly returns cover the period from 7 July 2009 and 30 September 2009, and have to be submitted to the Government on or before 30 October 2009. As at 26 October 2009, a total of 21 registered retailers (or about 51%) have submitted their quarterly returns. They have collected levies of about \$3.2 million.

- (b) As we are conducting a landfill survey, we are unable to advise on any changes in the quantities of discarded garbage bags, paper bags as compared to those before the implementation of the Levy Scheme. Due to technical reasons, the survey does not collect specific statistics on the quantities of food bags from supermarkets. In any

event, the Levy Scheme has been in general operating smoothly since its implementation. The Government is not aware of an apparent increase in the quantity of goods pre-packaged in plastic bags.

- (c) The Levy Scheme aims to address the indiscriminate use of PSBs in Hong Kong through economic incentives. According to our observation, since the commencement of the Levy Scheme, majority of the public have now brought along their shopping bags when they shop at registered retailers. On the one hand, this is because through publicity and education over the years, members of the public have become supportive of environmental protection and are willing to take actions for that purpose. On the other hand, it is relevant to the support of the retail trade with which the preparatory and implementation work has been properly done such that the Levy Scheme could be operated smoothly. Business turnovers are primarily affected by the overall economic performance, consumer sentiments in the community and other relevant factors. At this stage, there is no evidence suggesting any material negative impact by the Levy Scheme on the business turnovers of the registered retailers.
- (d) We believe that the Levy Scheme would reduce the indiscriminate use of PSBs in Hong Kong. We are collecting data for the purpose of a comprehensive review of the effectiveness of the Levy Scheme and as reference when considering the way forward of the scheme.

Banning Purchase of Bottled Water by Government Departments

3. **MR FREDERICK FUNG** (in Chinese): *President, it was reported that tap water in Hong Kong is of good quality, and a medical practitioner has advised the public that it is safe to drink boiled tap water. The findings of the tests conducted earlier by the Consumer Council indicate that most of the tested samples of bottled water are not that more hygienic than tap water. Furthermore, it was also reported that the production, transportation, disposal, recycling and other procedures of bottled distilled water or mineral water are all*

more energy intensive and environment-unfriendly. In this connection, will the Government inform this Council:

- (a) how prevalent the purchase of bottled water is among various government departments at present; of the total annual expenditure in this respect incurred by various departments; whether the Government has compared the differences between purchasing bottled water and providing drinking water directly from water purifiers in areas in terms of expenditure and water quality, and so on; if it has, of the outcome; if not, the reasons for that; and*
- (b) given that the residents of Bundanoon, a town in Australia, earlier passed a resolution to ban the sale of bottled water, and that the State of New South Wales also announced the prohibition on the purchase of bottled water by all government institutions on grounds of wastage of money and natural resources, whether the authorities will take the lead in Hong Kong in reducing or even stopping the purchase of bottled distilled water and installing water purifiers in the offices of various government departments, so as to reduce expenditure and energy consumption; if they will not take the lead, of the reasons for that?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (a) At present, the Government Logistics Department centrally procures for government departments carboy-size bottled distilled water used in water dispensers. According to the records of the past three years, the average expenditure on this item is some HK\$16 million per year. However, we do not have the records of the expenditure on the small-size bottled distilled and mineral water purchased by individual government departments.

With regard to water quality, according to the Water Supplies Department (WSD), the quality of water supplied by the WSD in Hong Kong is safe for human consumption. The WSD has in place stringent procedures to control the quality of water and to ensure it

conforms to the World Health Organization's Guidelines for Drinking-water Quality.

In October this year, the Centre for Food Safety conducted a surveillance project to assess the microbiological quality of the bottled water available in the market, and the tests conducted included tests for E. Coli and total coliform bacteria. (Details can be found at <http://www.cfs.gov.hk/english/press/2009_10_16_1_e.html>). The test results were all satisfactory. Regarding the quality of water that has been processed by water purifiers, it has to depend on the cleanliness and sanitary level of the water purifiers. Water purifiers which have been contaminated by bacteria may affect the water quality and render the water not suitable for consumption.

With regard to expenditure, we do not have records of the expenditure on small-size bottled water purchased by individual government departments. Furthermore, the expenditure on using water purifiers should include the expenses for water purifiers, maintenance and replacement of purifier cartridges. Therefore, it is difficult to compare the expenditures on these two items.

- (b) The Government is committed to protecting the environment. In his Policy Address 2009-2010, the Chief Executive announced that the Government will expand green procurement, and will further devise such guidelines for government departments in order to promote the policy on environmental protection. The Environmental Protection Department is actively following up this matter, and will provide detailed guidelines to remind government departments to, as far as possible, be environmentally-friendly in their offices and daily operation. The guidelines will include reminding government departments to avoid using small-size bottled water, so as to reduce waste and the resources used for handling and delivering them.

Electricity Tariffs of Two Power Companies

4. **MR KAM NAI-WAI** (in Chinese): *President, the new Scheme of Control Agreements (SCAs) with the Hongkong Electric Company Limited (HEC), the*

CLP Power Hong Kong Limited and Castle Peak Power Company Limited (collectively referred to as "CLP") came into effect on 1 January 2009 and 1 October 2008 respectively. After the commencement of the new SCAs, many members of the public have reflected to me that they do not enjoy significant reduction in electricity tariff. In this connection, will the Government inform this Council:

- (a) *whether it knows the breakdown of the tariffs and average fuel costs of the HEC and CLP from 2007 to 2009, and the projected corresponding figures for 2010 (set out in the table below);*

(Per kilowatt-hour)

Year	HEC				CLP			
	Basic tariff	Fuel clause charge	Net tariff	Average fuel costs	Basic tariff	Fuel clause charge	Net tariff	Average fuel costs
2007				Coal:				Coal:
				Natural gas:				Natural gas:
								Nuclear energy:
2008				Coal:				Coal:
				Natural gas:				Natural gas:
								Nuclear energy:
2009				Coal:				Coal:
				Natural gas:				Natural gas:
								Nuclear energy:
2010				Coal:				Coal:
				Natural gas:				Natural gas:
								Nuclear energy:

- (b) *whether it knows the tariffs and average fuel costs (per kilowatt-hour) in the neighbouring places (including Taiwan, Japan, South Korea and Singapore) from 2007 to 2009;*
- (c) *whether it knows the criteria and procedure for determining the levels of fuel cost charges by the HEC and CLP;*

- (d) *of the differences between the new SCAs with the HEC and CLP and their respective old agreements which have just expired in terms of permitted rates of return, definitions for fixed assets, accounting treatment for fixed assets as well as determination of assets depreciation, and so on;*
- (e) *whether it had, in the past three years, assessed the rates of reduction in the relevant tariffs after power interconnection between the HEC and CLP;*
- (f) *whether it knows the latest balances in the Development Fund of HEC and the Tariff Stabilization Fund (TSF) of CLP;*
- (g) *given the continuous increase in coal prices in 2008, the level of fuel clause charge set by the HEC then was not sufficient to cover the actual fuel cost it incurred, as a result, the HEC's fuel clause account had accumulated a deficit balance of about \$1 billion by the end of 2008, and the HEC said that it would carry the deficit balance to the end of 2009, which would only be gradually cleared in the remaining years in the Development Plan period under the new SCA, whether it knows the format and calculation method the HEC will use to clear the deficit balance;*
- (h) *whether it knows if the CLP has encountered the similar problem in (g); if so, how the CLP will deal with such problem; and*
- (i) *whether it had, in the past three years, assessed the impact of increasing the percentage of natural gas in the fuel mix for power generation by the HEC and CLP on tariffs; if so, of the details?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (a) The tariffs of the HEC and the CLP from 2007 to 2009 are set out in the table below:

(Per kilowatt-hour)

	<i>HEC</i>			
	<i>Basic Tariff</i>	<i>Fuel Clause Charge</i>	<i>Rebate</i>	<i>Net Tariff</i>
2007	114.3	5.9	-	120.2
2008	116.9	10.5	-	127.4
2009	94.5	25.4	-	119.9

	<i>CLP</i>			
	<i>Basic Tariff</i>	<i>Fuel Clause Charge</i>	<i>Rebate</i>	<i>Net Tariff</i>
2007	88.1	2.0	(2.9)	87.2
January to September 2008	88.1	5.9	(2.9)	91.1
October 2008 to December 2009	77.4	11.8	(0.8)*	88.4

* The Rate Reduction Reserve rebate of 0.8cents/kWh ceased from 6 May 2009 with the depletion of the Rate Reduction Reserve.

The Government is currently conducting the annual Tariff Review with the two power companies on their respective tariffs for 2010. The results will be announced by the end of this year. The two power companies indicated that their average fuel costs are commercially sensitive information and hence cannot be disclosed to the public.

- (b) As the average fuel costs of the power companies involve commercially sensitive information, such information is not publicly available. In addition, it is difficult to compare the non-residential tariff rates for different countries/cities. It is because there are many different types of tariff schemes for non-residential consumers (including commercial, industrial, agricultural, and so on) offered by the power companies in different areas; and these different tariff schemes are also affected by factors such as the policy (including different forms of subsidies) and economic consideration of individual country/city on individual industry.

- (c) Pursuant to the SCAs, fuel costs of the power companies are passed through on the basis of actual spending and hence the two power companies cannot make any extra profit or return under the Fuel Clause Account mechanism. The SCAs stipulate that fuel cost is to be borne by consumers. Basic Tariff includes a standard fuel cost as agreed between the Government and the two power companies. The difference between the actual fuel cost and the standard fuel cost will be recovered or returned to the consumers by means of a charge or a rebate.

The Fuel Clause Charges or Rebates for each year are normally set during in the annual Tariff Review, after taking into account various factors including, *inter alia*, the difference in fuel cost, the balance of the Fuel Clause Account as well as the need to stabilize tariff. In the annual Tariff Review, the Government will also engage an independent energy consultant to review the two power companies' fuel price projections to ensure that they are in line with the trend movement of fuel prices in the international market and that the projections are set at a reasonable level. Through the above mechanism, the Government can ensure that the Fuel Clause Charge levels of the two power companies are reasonable.

- (d) The Government entered into the new SCAs with the two power companies respectively on 7 January 2008 and briefed the Economic Development Panel of the Legislative Council on 8 January 2008. The major terms of the new SCAs as well as the differences between the old and new agreements were detailed in the paper submitted to the Panel [LegCo paper CB(1)546/07-08(01)].
- (e) Currently, the two power companies are already interconnected, mainly for providing mutual emergency power backup to each other. Enhancing the interconnection will involve significant investments for enhancing the capacity of the interconnection circuits and the supply networks of both power systems, but it cannot completely displace the need for additional generation facilities for meeting the electricity demand. Furthermore, as additional capital investments will be required for enhancing interconnection, this may not necessarily lead to tariff reduction. The benefit of interconnection will also be affected by the market environment, generation costs,

electricity supply and demand condition, and so on. Presently, the Government and the two power companies are assessing the viability of enhancing interconnection from various perspectives such as technical, economical and tariff impacts, and so on, and no conclusion has been reached yet.

- (f) According to the 2009 interim results announced by the two power companies, the TSF balance for the HEC at end June 2009 was about \$600 million while the total balance of Scheme of Control reserve accounts (that is, TSF and Rate Reduction Reserve) for the CLP at end June 2009 was about \$1.3 billion. The actual TSF balances by end 2009 will depend on factors including electricity demand, sales and operating costs during this period.

(g) and (h)

Due to the increase in average coal market prices in 2008, the Fuel Clause Accounts of the HEC and CLP accumulated deficit balances of about \$1 billion and \$800 million by end 2008 respectively. However, with the fall of the international coal prices in 2009, the deficit positions of the two power companies' Fuel Clause Accounts have been improved. According to the 2009 interim results announced by the HEC and CLP, their Fuel Clause Account deficit balances were reduced to about \$800 million and \$300 million respectively by the end of June 2009.

The Government conducts annual Tariff Reviews with the two power companies. In discussing the magnitude of adjustments to the Fuel Clause Charges, the Government will take into account the updated projections of fuel prices and Fuel Clause Account balances of the respective companies to ensure that they are at a reasonable level.

- (i) We have indicated in the public consultation paper on the Air Quality Objectives Review in July this year that according to our preliminary assessment, the electricity tariff will increase by phases by at least 20% from the current level if we increase the use of natural gas for local electricity generation to 50%. This is mainly due to the increased use of natural gas which is significantly more

expensive than coal, and the need for additional gas-fired generators and other emission reduction measures. However, the actual level of tariff increase will depend on the timing for the implementation of the proposal, the then prevailing fuel prices, new generation units and additional emission reduction measures actually required. The Government is now consulting the public on Air Quality Objective Review and has started to explore with the two power companies on the ways forward. It is not possible to make an assessment at this stage.

Shatin to Central Link Development Projects in Kai Tak Development Area

5. **MR JAMES TO** (in Chinese): *President, when consulting the Kowloon City District Council on the Shatin to Central Link (SCL) project in May this year, the Government indicated that there would be a change in the location of SCL To Kwa Wan (TKW) Station, and that it planned to use part of the land in the Kai Tak Development (KTD) as temporary works sites for the construction of a temporary concrete plant and barging point, with the concrete plant to be built on the site of the proposed multi-purpose stadium complex (MPSC). As far as I understand, the authorities concerned had never revealed during any relevant consultation exercise conducted prior to May this year that the above facilities would be constructed. In this connection, will the Government inform this Council:*

- (a) *when the MTR Corporation Limited (MTRCL) and the Government contemplated the construction of the above facilities; whether the Government has assessed if the period for public consultation on such facilities is adequate; whether MTRCL and the Government will have enough time to study and propose alternative options, when the residents in the neighbourhood raise objection to the construction of such facilities;*
- (b) *of the stand of the Government on the proposed construction of the above temporary facilities in KTD; given that the Development Bureau (DEVB) has originally scheduled the construction works of the MPSC to commence in 2013 but the SCL project (the Sha Tin to Hung Hom section) will only be completed in 2015, whether the Government has assessed the impact of constructing the above*

facilities at the current sites on the works of the stadium complex and other works;

- (c) regarding the impact of changing the location of TKW Station, apart from the fact that the new location of the Station "will be more favourable to public order and crowd control when large-scale events are held in the stadium complex" as indicated to me by the Government earlier, whether DEVB has assessed what other impact such a change will have on the planning of KTD; and*
- (d) given that both TKW Station and Kai Tak Station will be close to Prince Edward Road East after the location of TKW Station has been changed, whether the Government will expedite the study on the provision of a monorail transport link to improve the accessibility of the areas around the proposed Metro Park and consider connecting the transport link to SCL; if so, of the estimated completion time of the study?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, the preliminary design of the SCL railway has gone underway. Other than the planning of the railway scheme, we have to consider the provision of the essential temporary facilities such as works areas, concrete batching plant, barging points, and so on.

The construction of the SCL tunnels and stations will inevitably produce a huge amount of excavated materials. To handle these materials in the most effective and environmental way, we have suggested that stockpiling area, concrete batching plant and barging points should be set up in the KTD Area. With these temporary facilities, excavated materials can be stored temporarily and sorted properly for re-use. Good quality rocks which are sorted out as suitable for concrete production will be transported to the batching plant. Soils can be used for backfilling near the tunnels and stations. Those unsuitable materials will be delivered to the barging points via the shortest route and be transported by barges to the designated handling area. Such an arrangement will not only reduce the amount of construction wastes, but also minimize the possible environmental and traffic impact caused by the transportation of the excavated materials.

The setting up and operation of these temporary facilities will be properly controlled under the Environmental Impact Assessment Ordinance, such that there will not be any adverse impact on the health of nearby residents and the surroundings. Besides, the relevant government departments will co-ordinate the planning of the projects in the KTD Area to ensure that their progress will not be jeopardized.

Regarding the setting up of the aforesaid facilities under the sub-questions, I would like to respond as follows:

- (a) The SCL is now in its design stage. The Government and the MTRCL organized several roving exhibitions and public consultation fora in Kowloon City, TKW and Ma Tau Wai in June and July this year for collecting views of the public on different aspects of the SCL railway project, including the provision of the aforesaid temporary facilities.

The setting up of these temporary facilities will require a large piece of land. Along the alignment of the SCL, most areas have been developed with numerous buildings. Hence, we propose to set up these facilities in the KTD Area. We will keep on reviewing the proposal and optimizing the design of the facilities. We will also continue our dialogue with the District Councils and residents.

In addition, as mentioned above, the provision and operation of these facilities will be under the control of the Environmental Impact Assessment Ordinance. The MTRCL has engaged consultants to carry out a detailed Environmental Impact Assessment for the project and will propose the necessary mitigation measures. The Environmental Impact Assessment Report will be released for public inspection and comments before its consideration by the Environmental Protection Department.

- (b) For the KTD Plan, the Government has set up an inter-departmental working group for co-ordinating various projects, including site formation works, roads and drainage construction, the Cruise Terminal, the Metro Park, the MPSC and the SCL. Among these

items, the works of the SCL and the MPSC have been closely coordinated. The land requirement plans for the two projects have been agreed such that the concerned area temporarily allocated to the SCL will be vacated at appropriate time for the construction works of the MPSC. Thus, the programme of the MPSC project would not be impacted by the SCL.

- (c) The original alignment of the SCL TKW section was designed in the late 1990s when the Government was conducting the Southeast Kowloon Development Feasibility Study which involved reclamation at Kai Tak to match with the development plan. The then SCL alignment at TKW was proposed to serve the population in the planned Southeast Kowloon Development areas and the existing residents around. In end 2006, upon completing comprehensive public consultation, the Government revised the KTD Outline Zoning Plan. In view of adopting the zero-reclamation principle, the design population in the new development zone has been drastically reduced. In this connection, we should review the alignment of the new railway accordingly.

Moreover, since the Government asked the MTRCL to proceed further with the planning and design of the SCL in March 2008, we have received many public opinions requesting changes of the alignment of the southeast Kowloon section of the SCL to serve the more densely populated districts.

We have conducted a detailed review of the railway alignment and the location of stations. The conclusions are that it is technically feasible to re-locate the TKW Station and that major revisions to the planning and layout at Kai Tak are not necessary. As the location of the Kai Tak Station remains unchanged, there will not be any impact on the KTD Plan. The amended railway alignment can serve both the existing and future population in the area. The railway catchment will cover the more densely populated areas in TKW and Kowloon City, thereby offering advantages for renewal of these areas.

- (d) In the approved Kai Tak Outline Zoning Plan, a rail-based environmental transportation system, including monorail, has been stipulated as a possible facility. The purpose is to reduce the traffic flow in this newly developed area. The Civil Engineering and Development Department (CEDD) expects to start a feasibility study on this issue in December 2009. The study scope will include the connection among the main facilities in the newly developed area, such as the SCL, the Metro Park, the Cruise Terminal, and so on. The study will also investigate the possibility of extending this environmental transportation system to the adjacent districts, such as Kwun Tong, Kowloon City and Ma Tau Wai. Upon getting preliminary study result, the CEDD will consult the District Councils and the relevant parties as soon as possible.

Statistics Relating to Offences Under Immigration Ordinance

6. **MR WONG YUK-MAN** (in Chinese): *President, will the Government provide the following statistics in table form:*

- (a) *the respective numbers of persons arrested, prosecuted and directly repatriated to their places of origin without being prosecuted in each of the past five years because they were involved in taking up employment during their stay in Hong Kong and thus violated the Immigration Ordinance (Cap. 115); and*
- (b) *among those who were prosecuted in (a), the respective numbers of persons convicted, acquitted and against whom the prosecution had offered no evidence; and a breakdown of the number of persons convicted by the industry of the employment they took up (list out using the table below)?*

<i>Industry</i>	<i>Number of persons convicted</i>
<i>cleansing</i>	
<i>security</i>	
<i>catering</i>	
<i>retail</i>	
<i>decoration and construction</i>	

<i>Industry</i>	<i>Number of persons convicted</i>
<i>transportation and logistics</i>	
<i>sex work</i>	
<i>domestic helper</i>	
<i>others</i>	

SECRETARY FOR SECURITY (in Chinese): President,

- (a) The Immigration Regulations (Chapter 115A, Laws of Hong Kong) stipulates that persons entering Hong Kong as a visitor shall not take up any employment. Visitors who are suspected to have taken up illegal employment while in Hong Kong may be arrested. Where there is sufficient evidence, they will be prosecuted for breaching the condition of stay.

Statistics on persons arrested and prosecuted for taking up illegal employment while in Hong Kong, therefore contravening the Immigration Ordinance, from 2005 to present are tabulated as follows:

<i>Year</i>	<i>Number of persons arrested</i>	<i>Number of persons prosecuted</i>
2005	12 468	9 071
2006	10 325	6 893
2007	6 399	3 811
2008	6 141	3 682
2009 (January to September)	4 359	2 538

We do not maintain statistics on persons arrested but directly repatriated to their places of origin without prosecution. In fact, persons who are arrested but end up not prosecuted due to insufficient evidence, and so on, may choose to remain in Hong Kong if their approved limit of stay has not expired. We will arrange to repatriate those whose limit of stay has expired and those who are illegal immigrants.

- (b) Among those who were prosecuted in (a), we do not have the breakdown by conviction, acquittal or against whom the prosecution had offered no evidence. Nonetheless, statistics on illegal workers convicted from 2005 to present are set out as follows:

<i>Year</i>	<i>Number of persons convicted</i>	<i>Works involved</i>	
		<i>Sex works</i>	<i>Others</i>
2005	8 716	4 890	3 826
2006	6 020	3 042	2 978
2007	3 283	1 419	1 864
2008	3 272	1 438	1 834
2009 (January to September)	2 284	993	1 291

In general, other than those involved in sex works, illegal workers arrested mainly involved in cleansing, decoration, catering, retailing, recycling, and so on.

Order of Pedestrian Flows at MTR Hung Hom Station

7. **MR IP WAI-MING** (in Chinese): *President, since the commissioning of the Kowloon Southern Link (KSL), MTR Hung Hom Station has become a super interchange station for the East Rail, the West Rail and cross-harbour tunnel buses, with a significant increase in pedestrian flows. Some members of the public have relayed to me that during peak hours when people go to work and get off work, the situation inside and outside the Station (including the footbridge leading from the MTR station to the cross-harbour tunnel bus stops) is congested and chaotic. In this connection, will the Government inform this Council:*

- (a) *whether it knows the number as well as the rate of increase/decrease of passengers using Hung Hom Station and the cross-harbour tunnel bus stops in Hung Hom during peak hours, before and after the Station has become the interchange station for the East Rail and the West Rail;*

- (b) *of the number of people deployed by the authorities and the MTR Corporation Limited (MTRCL) each day during peak hours for maintaining order and diverting pedestrian flows inside and outside Hung Hom Station; whether additional manpower will be deployed to maintain order during peak hours, as well as whether measures will be formulated to control pedestrian flows inside and outside Hung Hom Station; and*
- (c) *whether the authorities will consider, in the long run, constructing more connecting facilities, such as pedestrian subways or footbridges, to connect MTR Hung Hom Station, the cross-harbour tunnel bus stops and adjoining areas?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, for the various parts of the question by Mr IP, our reply is set out below:

- (a) With the opening of the KSL, the number of passengers entering and exiting Hung Hom Station within the busiest hour in the morning (that is, 8.15 am to 9.15 am) has increased from an average of about 22 000 passengers before the opening to about 26 000 passengers at present, involving an increase of about 4 000 passengers. The number of passengers interchanging for cross-harbour buses at the Cross Harbour Tunnel Toll Plaza (the Toll Plaza) has not shown any significant increase. According to the observations of the Transport Department (TD) and MTRCL, the pedestrian flow and order at Hung Hom Station and the surrounding areas have not shown significant changes since the opening of the KSL.

The KSL enhances Hong Kong's rail network by connecting the East Rail Line and West Rail Line, with Hung Hom Station being the terminus of both lines. Commuting among Hong Kong, Kowloon and the New Territories has become much more convenient. As expected and in accordance with the plans, the opening of the KSL has led to additional patronage. After the opening of the KSL, the passenger flow and train service operation have remained smooth.

- (b) At the initial stage of KSL operation, the MTRCL has employed close to 200 additional service ambassadors to provide information on the new service arrangements and assistance to passengers. On the other hand, having regard to demand, the MTRCL has arranged for additional station staff, from about 30 staff per day before the opening to about 50 staff at present, to serve passengers and maintain order in the station during peak hours.

As regards the pedestrian flow at the bus stops at the Toll Plaza, the situation is broadly the same as that before the opening of the KSL. Hence the franchised bus companies concerned do not need to deploy additional manpower to maintain order at that location.

The MTRCL and the franchised bus companies concerned have all along arranged for additional manpower in peak hours to maintain passenger order. Having regard to actual circumstances, they also flexibly mobilize and deploy additional manpower and take appropriate crowd control measures, so as to ensure that their passengers are provided with appropriate and safe service.

- (c) There are currently footbridges and elevated walkways at Hung Hom Station, providing adequate pedestrian linkages connecting the station with the cross-harbour bus stops outside the station and the surrounding areas. The TD will continue to closely monitor the passenger flow entering and exiting Hung Hom Station and the passenger queuing situation at the adjacent cross-harbour bus stops. Where necessary, the existing crowd control measures will be reviewed with the MTRCL and bus companies concerned to ensure that pedestrian flow is smooth in the area of Hung Hom Station.

Planting of Trees by Government

8. **MR ALBERT CHAN** (in Chinese): *President, it has been learnt that the Government has planted more trees of native species in the countryside in recent years, as compared with the past. However, I understand that many tree saplings cannot survive as the authorities planted them during unsuitable seasons (including winter). In this connection, will the Government inform this Council:*

- (a) *of the total number of trees planted in each of the past three years and, among them, the respective numbers of trees belonging to exotic and native species;*
- (b) *among the newly planted trees in (a), how many of them are already dead and why; and*
- (c) *whether the authorities will consider not planting trees in winter and planting trees in spring instead, so as to enhance the survival rate of trees; if they will, of the details; if not, the reasons for that?*

SECRETARY FOR DEVELOPMENT (in Chinese): President,

- (a) The Government planted around 2.03 million, 1.62 million and 1.28 million trees annually from 2006-2007 to 2008-2009, totalling around 4.93 million. Some 2.35 million of them belong to native species and some 2.58 million belong to exotic species. Over 80% of the exotic species were introduced from overseas years ago, and subsequently grow well in Hong Kong or southeast China. These species include earleaf acacia (*Acacia auriculiformis*) and Brisbane box (*Lophostemon confertus*). Apart from ornamental planting, they are also used for soil erosion control.
- (b) We have not kept statistics of trees newly planted in the past three years that could not survive. Generally speaking, the survival rates of newly planted trees are quite high. For example, the survival rate of trees newly planted by works departments (for example, the Highways Department and the Architectural Services Department) and the Leisure and Cultural Services Department is 98%, that for tree saplings planted by the Agriculture, Fisheries and Conservation Department is over 90%, and that for tree saplings planted by the Civil Engineering and Development Department on seriously eroded lands for soil erosion control is over 80%. The main reason why newly planted trees cannot survive is that they fail to recover from severe damage by inclement weather like typhoons or hill fires.
- (c) Government departments plant over 90% of their trees in spring and summer. In the case of works departments, for instance,

contractors are required to carry out planting work under their projects during the planting season in spring and summer unless there are good justifications for alternative arrangement (such as the need to meet the project implementation requirements) and the approval of the project engineer has been obtained. With proper care and adequate irrigation, trees planted in winter also have a high survival rate.

Sale of Investment Funds by Financial Services Companies

9. **MR LAU KONG-WAH** (in Chinese): *President, I understand that currently some financial services companies sell investment funds to investors in the form of insurance products. As such companies are not insurance companies and the funds are sold in the form of insurance products, the funds are not subject to regulation by the Office of the Commissioner of Insurance (OCI) and the Securities and Futures Commission. In this connection, will the Government inform this Council:*

- (a) *whether it knows if the aforesaid companies are subject to regulation and investigation by the authorities concerned when their sales and marketing procedures or practices contain features which mislead or deceive investors, and whether there are channels for investors who had been deceived to lodge complaints; and*
- (b) *focusing on the operation of the aforesaid companies and the impact of the sale of their investment products on investors, whether the authorities will study the establishment of a dedicated monitoring mechanism so as to regulate and investigate the companies concerned?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President, under the existing system, the sale of insurance products is subject to regulation of the OCI. There are different kinds of insurance products, including some long-term insurance products with an embedded element of fund investment, which is commonly called investment-linked assurance schemes (ILAS) in the market. As the policy values of such insurance products are linked to the performance of investments (including funds) selected

by the policyholders, their investment returns will be affected by fluctuations of the market prices and the performance of the underlying assets.

According to Part 2 of First Schedule to the Insurance Companies Ordinance (Cap 41), ILAS is defined under Class C of long term business. Insurance companies must obtain the OCI's authorization before they can underwrite ILAS products. All insurance intermediaries selling insurance products, including ILAS products, must comply with the code of conduct or requirements laid down by the relevant self-regulatory organizations (SROs), which stipulate *inter alia* that insurance intermediaries are required to conduct business in good faith and with integrity and ensure that the insurance products meet the needs of potential policyholders and are affordable to them.

If policyholders are not satisfied with the conduct of insurance intermediaries, they may request the relevant SROs to investigate and follow up the case. If it is confirmed that an insurance intermediary has breached the code of conduct or relevant requirements, the relevant SRO may take disciplinary actions against the intermediary concerned, including issuing reprimand, suspending or terminating his/her registration. Depending on individual circumstances, the OCI will liaise with the relevant SROs, insurance companies or other regulators to follow up on individual cases. The OCI will also require the SROs to submit regular reports in order to closely monitor their work in carrying out their duties.

In order to enhance the protection of policyholders, the Government has been working with the industry on phased implementation of a series of measures to strengthen regulation of insurance intermediaries selling ILAS. These measures include:

- (i) enhancing consumers' knowledge of ILAS through publicity and public education (for example, publishing a series of information pamphlets and feature articles);
- (ii) requiring insurance intermediaries to conduct "Financial Needs Analysis" and complete "Risk Profile Questionnaire" for their clients with effect from 16 October 2009 to ensure that the products meet their clients' needs;

- (iii) requiring all insurance companies to introduce post-sale control procedures before 31 December 2009, *viz* phone calls to specified categories of clients (such as the elderly, people with low education level or financial means) during the cooling-off period to confirm that they fully understand the nature and risks of the insurance products concerned; and
- (iv) upgrading the training and examination requirements for insurance intermediaries selling ILAS with effect from Q1 2010 in order to strengthen their understanding about investment products and enhance their professional knowledge and standards.

The OCI and the insurance industry will from time to time review the need to introduce new regulatory measures having regard to market developments so as to further enhance the protection of policyholders.

Development of Rural Areas

10. **MR RONNY TONG** (in Chinese): *President, in the Final Report of the Study on Hong Kong 2030: Planning Vision and Strategy (the HK2030 Study) released in October 2007, the Government mentioned that with regard to the protection of rural areas, "the rest of Hong Kong, comprising largely woodland, shrubland, grassland, agricultural land and rural settlements will primarily remain untouched by strategic development proposals, thereby facilitating the continued protection of our valuable natural resources". Besides, quite a number of villagers and other individuals concerned have told me that they were dissatisfied with the Government's arrangements concerning land ownership for rural land development projects. In this connection, will the Government inform this Council:*

- (a) *whether the Government has, after the release of the Report on the HK2030 Study, formulated a development blueprint for the development of rural land in the New Territories for the next 20 years; if it has, what the specific objectives of the relevant development strategy are, as well as when it will conduct consultation on the development blueprint;*

- (b) *what formats and steps the Government will adopt for conducting consultation before implementing the development blueprint (including whether it will conduct consultation on the entire development blueprint or on different development projects of the blueprint, and if the various government departments concerned will be tasked with or consultants will be commissioned to undertake the consultation work), as well as how the consultation timetable will be set; and*
- (c) *in the face of the community's needs for developing rural areas, its respect for green ecology and demand for rural life, how the Government strikes a balance when drawing up the development strategy for rural land in the New Territories, as well as how it resolves the relevant problems of land ownership when implementing the policy on rural development?*

SECRETARY FOR DEVELOPMENT (in Chinese): President,

- (a) The HK2030 Study aims to formulate a strategic planning framework to guide the development of major infrastructure for Hong Kong's development up to 2030, in order to help us meet the challenges of the future. In the course of the study, the Administration conducted three rounds of extensive public consultation to canvass public views on various planning issues.

The main objective of the HK2030 Study is to adhere to the principles of sustainable development to balance social, economic and environmental needs. Protection of the rural areas is an important topic of the study. According to the study report, all existing development areas including the urban areas and new towns are expected to accommodate 70% of the population growth until 2030, and the remaining 30% will be absorbed through the development of about 2% of the land including the establishment of two New Development Areas (NDAs) (that is, the North East New Territories (NENT) NDAs and the Hung Shui Kiu NDA in North West New Territories (NWNT)) and low-density development in rural areas. Besides, over 46% of the land in Hong Kong will

continue to be designated as country parks or as special areas and conservation areas on Outline Zoning Plans for protection.

The Administration will undertake public engagement at different stages of the planning studies for the NENT NDAs, the Hung Shui Kui NDA in NWNT and development of rural areas for timely collection and consideration of public views to facilitate the formulation of recommended development and improvement schemes.

The Stage 1 Public Engagement for the NENT NDAs Planning and Engineering Study was conducted in end 2008 for the public to express their vision for the NDAs. The Stage 2 Public Engagement will commence shortly and the Legislative Council Panel on Development will be consulted soon. The commencement of the Planning and Engineering Study for the Hung Shui Kiu NDA meanwhile is under review to take account of the findings of the further investigation on the possible spur line connecting the Hong Kong-Shenzhen West Express Line with Hung Shui Kiu. This planning study will also include public engagement.

With regard to the development of the rural areas, the Administration is undertaking a series of planning studies covering the Closed Area, the Lau Fau Shan rural township and surrounding areas, as well as the Sha Tau Kok rural township and surrounding areas. The Stage 1 Community Engagement for the Study on Land Use Planning for the Closed Area was conducted in mid-2008 to seek public views on the draft Concept Plan. The Stage 2 Public Engagement will commence shortly and the Legislative Council Panel on Development will be consulted. The Stage 1 Community Engagement of the Study on the Enhancement of the Lau Fau Shan Rural Township and Surrounding Areas and the Study on the Enhancement of the Sha Tau Kok Rural Township and Surrounding Areas, which aim to solicit public views on the vision for the areas concerned, was conducted from July to August this year and is underway (from October to December this year) respectively. The Administration and its consultants will take into account the public views collected to draw up options on development/improvement plans for public consultation in the next stage.

- (b) When carrying out district planning studies and implementing major infrastructural development projects, the Administration will conduct timely public engagement to collect and consider public views. Activities for public engagement include open forums, briefings for stakeholder groups, community workshops, meetings with villagers and focus group discussions, and so on. Generally, several rounds of consultation will be conducted. The timing and details of public engagement activities will depend on the progress and circumstances of the individual studies and projects. Each public engagement activity will be extensively promoted to attract more members of the public and stakeholders to participate while District Councils will also be briefed and consulted. Relevant government departments will attend the various public engagement activities together with the commissioned consultants to listen to public opinions and participate in the discussion.

- (c) Studies on the planning and implementation of rural development will take into consideration various factors including the need for social and economic development as well as assessments in terms of the environment, conservation, traffic, land use planning, and so on, of the development options. Through the extensive public consultation as mentioned above, public views including those on the development needs of individual villages, protection of the rural areas, and so on, will be taken into full account.

Upon implementation, the recommended proposals will be gazetted in accordance with the relevant ordinances, such as the Town Planning Ordinance, the Roads (Works, Use and Compensation) Ordinance and the Railways Ordinance, such that the public can express their views and make suggestions. If there is a need to resume some private land, the Administration will consider the particulars of the project in detail so as to minimize the areas to be affected. During the planning and implementation process, the Administration will balance development needs and public aspirations including the needs of rural residents.

Fly-tipping of Waste and Unauthorized Developments in Rural Area of New Territories

11. **MR LEE WING-TAT** (in Chinese): *President, it has been reported that suspected cases of fly-tipping of waste and unauthorized developments were uncovered in recent months in the rural areas of the New Territories, including Ho Sheung Heung, Luk Keng and Ma Shi Chau. In this connection, will the Government inform this Council:*

- (a) *of the progress of the follow-up actions currently taken by the government departments concerned to tackle cases of fly-tipping of waste and unauthorized developments in the aforesaid three areas, including whether those departments have required the land owners or persons involved in the cases to clear and reinstate the lands, conducted investigations to ascertain if there were cases of contravention of the law, and taken legal action against the offenders in respect of their civil or criminal liabilities;*
- (b) *whether under the existing policy, the staff of the relevant government departments have the authority to require the persons involved in the cases to stop fly-tipping immediately when such situations are discovered during inspections; if they have such authority, of the enforcement actions taken in the past two years;*
- (c) *given that the waste in some of the aforesaid cases come from government projects, whether the government departments concerned have investigated such cases and imposed penalties on the offending contractors and individuals; and whether it had found, in the past two years, contractors of other government projects involved in similar fly-tipping activities; if so, of the relevant figures and details of the follow-up actions; and*
- (d) *given that the trend in recent years shows that most of the fly-tipping cases involve wetlands of natural conservation or ecological value or lots which were originally zoned as Closed Areas, whether the Government has conducted studies to find out if those fly-tipping activities are related to individuals intending to ruin the ecology of those lands with such activities and then filing applications to change the uses of the lands afterwards so as to generate profits?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President, the Government has been very concerned about fly-tipping and unauthorized development activities, and has strengthened the relevant regulatory control and inter-departmental co-ordination mechanism. The Environmental Protection Department (EPD) has developed jointly with other departments a database on locations of private land that has become dumping site for inert construction and demolition (C&D) materials and a list of black spots involving fly-tipping of C&D materials. The concerned government departments hold regular and also when needed ad hoc meetings to monitor illegal land filling and fly-tipping activities in all districts throughout the territory and also carry out joint site inspections and enforcement actions. The follow-up actions taken by the government departments concerned to deal with the above cases are as follows:

(a) *Ho Sheung Heung*

In July 2009, upon receiving complaints about dump trucks conducting land filling activities on agricultural land in Ho Sheung Heung, the EPD immediately carried out joint site inspections and enforcement actions with the concerned government departments and convened a number of inter-departmental meetings to enhance information sharing and coordination among the government departments. The EPD also deployed staff to investigate and contact the land owners concerned to ascertain whether the land owners had given consent to such activities. Under the Waste Disposal Ordinance (WDO), a person commits an offence if he deposits waste on any government or private land without the consent of the owner or lawful occupier of the land. The EPD has been collecting evidence and in October 2009 issued two summonses to two dump truck drivers suspected of contravening the WDO. The cases would be heard by the court in November 2009. The EPD is still investigating other suspects and would take further enforcement action if sufficient evidence can be found. The EPD will also continue to co-ordinate with other relevant government departments to follow up on the investigation.

As for the unauthorized developments involving dumping activities in Ho Sheung Heung, the Planning Authority issued between July and August 2009 Enforcement Notices and Reinstatement Notices to the land owners of the relevant lots and a person responsible for the

unauthorized developments on one of the lots, requiring them to discontinue the land and pond filling activities, to remove all the fill materials deposited there and to plant grass on the land respectively. The Planning Department (PD) is now processing applications for Review of the above Reinstatement Notices under Section 24 of the Town Planning Ordinance (TPO).

The Planning Authority had issued a summons to the above-mentioned responsible person for undertaking the unauthorized land filling on one of the lots in mid-September. The case would be heard by the court in November 2009.

According to the Lands Department (LandsD), the dumping site in Ho Sheung Heung is an old scheduled private agricultural lot under a block lease. As there is no provision in the block lease restricting land filling activities, the Lands D is not in a position to take any lease enforcement action.

On 12 July 2009, the police arrested a man upon receiving a report on criminal damage relating to the fly-tipping incident in Ho Sheung Heung. The police is awaiting legal advice from the Department of Justice (DoJ) on the case.

Luk Keng

Upon receiving a complaint in September 2009, the EPD immediately deployed staff to conduct an investigation. The EPD staff warned the relevant parties about the law requirements and carried out follow-up investigation. Land filling activities have ceased at the site. The EPD will continue to follow up jointly with other relevant government departments on the case. Action will be taken if there is sufficient evidence proving contravention of any environmental protection legislation.

The Planning Authority issued in September 2009 an Enforcement Notice to the land owners of the lots with filling activities and unauthorized developments in Luk Keng, requiring them to discontinue the land filling activities. Reinstatement Notices were also issued to the parties concerned in October 2009, requiring them

to remove the fill materials deposited there. In addition, as part of the subject site also involves a slope maintained by the Highways Department (HyD), the HyD would take action to reinstate the slope, if the persons involved cannot clear and reinstate the site upon the expiry of the Reinstatement Notice issued by the Planning Authority.

The private land involved in the Luk Keng case is an old scheduled private agricultural lot under a block lease. Similarly, as there is no provision in the block lease restricting land filling activities, the LandsD is not in a position to take any lease enforcement action.

Ma Shi Chau

Upon receiving a complaint referred by the District Lands Office, Tai Po in February 2009, the EPD conducted a site investigation at the Ma Shi Chau site. Follow-up inspection by EPD staff in July and September 2009 revealed no contravention of the WDO.

Since the site is located outside the Development Permission Area, the enforcement provisions of the TPO are not applicable. Therefore, the PD is not in a position to take enforcement action.

The LandsD has issued a warning letter to the land owner, requiring him to demolish on his own the structures that are in breach of the lease terms. In response, the land owner has demolished part of the unauthorized structures. The LandsD has reported the situation to the DoJ for their consideration and advice on further action against the land owner.

The above three sites involving suspected fly-tipping activities and unauthorized developments are located outside country parks or special areas, and there is no contravention of the Country Parks Ordinance (Cap. 208). Nevertheless, the Agriculture, Fisheries and Conservation Department will step up patrol in the Ma Shi Chau Special Area and Pat Sin Leng Country Park to prevent these areas from adverse impact.

- (b) Under the TPO, the Planning Authority may, in a notice (including a Stop Notice and an Enforcement Notice) served on one or more of a

land owner, an occupier or a person who is responsible for the relevant matters, require the discontinuance of the land/pond filling which constitutes an unauthorized development immediately or within a specified period. Before the issue of any notice, the Planning Authority must collect sufficient information and evidence to ascertain the identity of the above persons and that the operation is an unauthorized development under the TPO.

Moreover, the TPO authorizes direct prosecution of persons who undertake or continue an unauthorized development. Similarly, the Planning Authority has to collect evidence on the identity of the persons who undertake or continue the unauthorized development and evidence that the operation is an unauthorized development.

Over the past two years (that is, from October 2007 to September 2009), the Planning Authority issued 903 statutory notices, including 870 Enforcement Notices and 33 Stop Notices, against 128 cases of unauthorized developments involving land/pond filling. During the same period, the Planning Authority also instituted prosecution against two persons who undertook or continued unauthorized developments involving land/pond filling.

Under the WDO, a person commits an offence if he deposits or causes or permits to be deposited waste in any place except with lawful authority or excuse, or except with the permission of any owner or lawful occupier of the place. In addition, the offence of unlawful depositing of waste under the WDO has been incorporated into Schedule 1 of the Fixed Penalty (Public Cleanliness Offences) Ordinance. For cases involving unlawful depositing of small quantities of construction waste, EPD enforcement staff will issue Fixed Penalty Notices of \$1,500 to the offenders.

Over the past three years (that is, from 2007 to September 2009), the EPD successfully prosecuted 54 persons for depositing construction waste under the WDO and in addition issued Fixed Penalty Notices to 80 offenders.

Although the legislation does not empower enforcement officers of various departments to stop fly-tipping activities on the spot, they

will warn the persons involved that fly-tipping may violate the relevant legislation and record their particulars for follow-up investigation. This will have a deterrent effect as drivers usually will stop fly-tipping when they know that they may be breaking the law.

While concerned government departments enforce legislation against fly-tipping under their jurisdiction, upon receiving a report on fly-tipping, police officers arriving at the scene may have to stop the act to investigate whether it involves any criminal offence or breach of the peace. The police will assist other government departments in enforcing the relevant legislation as and when necessary.

- (c) The Ho Sheung Heung incident may have involved the Architectural Services Department's (ASD) construction site at Wo Hop Shek. After investigation, the contractor does not rule out the possibility that the persons involved removed C&D materials from the site without his permission. The contractor has reported the case to the police. The case is under investigation.

The ASD finds it unacceptable that the contractor did not observe strictly the contractual requirements of hiring suitable staff to guard the site exit. The ASD issued a verbal and a written warning to the contractor immediately, requiring him to strengthen site management with effective measures. Apart from monitoring closely the contractor's performance, the ASD will reflect the incident in the report on the contractor's performance, which will be used as reference in evaluating the contractor's bids for government projects in future. The ASD will also consider further suitable control after the police investigation is completed.

According to the records of the Works Branch of the Development Bureau, no other public works were involved in fly-tipping of C&D materials over the past two years (that is, from October 2007 to September 2009).

- (d) In Development Permission Areas, unauthorized land filling activities within "Conservation Area" (CA) zone will be subject to planning enforcement and prosecution action. According to our

observation, there is not a trend in which the individuals undertake unauthorized development or environmental degradation within the "CA" zone prior to submitting planning application to the Town Planning Board (the Board) for change in land use. Moreover, under normal circumstances, the Board would not give favourable consideration to applications involving unauthorized land filling activities.

Regulation of Internet Computer Services Centres

12. **MS STARRY LEE** (in Chinese): *President, internet computer services centres (ICSCs) (commonly known as Internet cafes) have become one of the major places of leisure for young people and students. The Home Affairs Bureau has drawn up the Code of Practice for Internet Computer Services Centres Operators (the Code) for voluntary compliance by the trade. The Code provides guidelines on fire and building safety, noise control, maintenance of public order, crime prevention, Internet content, smoking, ventilation and hygiene facilities, including the guideline that persons under 16 should not remain in Internet cafes after midnight on weekdays and after 2 am on Saturdays and public holidays. In this connection, will the Government inform this Council:*

- (a) *of the current number of Internet cafes in Hong Kong (broken down by District Council districts);*
- (b) *of the respective numbers of inspections of such premises conducted by law enforcement officers in each of the past three years in respect of the three areas of fire safety, building safety and law and order; whether non-compliance with the Code will be recorded during the inspections; if so, of the details of the non-compliance; and, among these cases, the number of those involving breaches of the time restrictions regarding the reception of persons under 16;*
- (c) *of the total number of complaints about Internet cafes received by the authorities in the past three years; the nature of such complaints; and, among them, the respective numbers of cases of the persons in charge or customers of the Internet cafes being prosecuted and convicted; and*

- (d) *whether the authorities will review the existing regime concerned and strengthen the regulation of Internet cafes (which includes reconsidering the introduction of legislation to regulate the operation of Internet cafes with reference to the relevant legislation of neighbouring places); if they will, of the details; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President,

- (a) The number of ICSCs in Hong Kong is broken down by Police Regions. The number of ICSCs by Region as at June 2009 is as follows:

	<i>Number of ICSCs</i>
Hong Kong Island	42
Kowloon East	36
Kowloon West	61
New Territories South	43
New Territories North	48
Islands	1
Total	231

- (b) The police conduct inspections of ICSCs from time to time to maintain public order and safety in these premises. The Fire Services Department (FSD) and the Buildings Department (BD) carried out 31 and 13 inspections of ICSCs respectively in the past three years (2007, 2008 and 2009 (up to June)).

As they conduct inspections at ICSCs, relevant departments carry out their duties in accordance with existing legislation and would take follow-up actions as and when necessary. These departments do not keep statistics on non-compliance with the Code or breaches of time restrictions regarding the reception of persons under 16.

- (c) In the past three years (up to June 2009), relevant government departments (including the Television and Entertainment Licensing Authority, police, Environmental Protection Department, Customs

and Excise Department, FSD and BD) received a total of 27 complaints involving ICSCs. They were mainly related to problems on noise, fire safety and suspected indecent website/computer games, and so on.

The police do not keep statistics on the prosecutions or convictions of the persons-in-charge or customers of ICSCs.

- (d) ICSCs are generally referred to as premises providing computers and related equipment to customers for using Internet services. The mode of operation and the types of services provided by ICSCs are quite diverse, including personal communication centre, restaurant/café, browsing of information on the Internet, listening to the music and playing network games. Regarding the regulation of ICSCs, Home Affairs Bureau has issued the "Code" for voluntary compliance by ICSC operators.

Given that the mode of operation and types of services provided by ICSCs are quite diverse, and that different departments would regulate the different aspects of operation of ICSCs under different legislation, the Government currently has no plan to revise the regulation of ICSCs by introducing legislation or other means.

Recognition of Prior Learning Mechanism Under Qualifications Framework

13. **MR WONG TING-KWONG** (in Chinese): *President, the Government has officially launched the Qualifications Framework (QF) with effect from 5 May last year, and a pilot scheme for Recognition of Prior Learning (RPL) has also been implemented since June of the same year for three industries for the purpose of assessing the qualifications of employees with work experience. In this connection, will the Government inform this Council:*

- (a) *of the total number of employees who have participated in the RPL pilot scheme since the implementation of the mechanism concerned; under which level of qualifications of the RPL mechanism their assessments were mostly made; of the respective percentages of the numbers of such employees in the total number of employees in the*

relevant industries; as well as which industry has the largest number of applicants;

- (b) of the work that has been undertaken so far to promote the RPL mechanism, so as to encourage employees to participate in the aforesaid pilot scheme; whether the authorities will step up publicity work in this regard in the next few years; if they will, of the details; if not, the reasons for that; and*
- (c) given that it has been reported earlier that the number of participants in the aforesaid pilot scheme was on the low side, whether the authorities will conduct a review again to collect views of different industries for reference and adopt measures to refine the mechanism concerned; if they will, of the details; if not, the reasons for that?*

SECRETARY FOR EDUCATION (in Chinese): President,

- (a) As at the end of September 2009, the Assessment Agency of RPL received a total of 957 applications, most of which, about 70%, applied for the recognition of Level 3 qualifications under the QF. The Printing and Publishing industry, with 436 applicants, has the largest number of applicants. The number of applicants of the Printing and Publishing, Hairdressing, and Watch and Clock industries account for about 1.5%, 1.4% and 1.1% of the total number of employees in the respective industries.
- (b) To promote the RPL mechanism, we embarked on a series of publicity and promotional activities in collaboration with the Assessment Agency last year. These activities included organizing 19 exhibitions or promotional events specifically for the three industries running the RPL pilot scheme, visiting 114 trade associations, labour unions, organizations or companies of these industries, participating in 21 promotional events organized by trade associations or labour unions, giving 14 media interviews, publicizing feature articles/advertisements in 10 newspapers or trade magazines, and distributing 15 000 promotional leaflets.

In the next few years, we will step up our publicity and promotion efforts on the RPL mechanism. In addition to the on-going publicity activities, we plan to organize more promotional activities together with the relevant trade associations and labour unions. We will also continue to enhance publicity of the QF and the RPL mechanism through different channels, including Announcements of Public Interest, newspapers and electronic media.

- (c) Participation in the RPL scheme is voluntary. There is also a five-year transitional period for each of the participating industry. During the transitional period, employees may apply for recognition of qualifications at Levels 1 to 3 under QF based on their years of service and relevant experience, without having to undergo any assessment. After the expiry of the transitional period, all levels of qualifications must be attained through assessments. As such, stakeholders in the industries concerned generally expect that the number of applicants will increase gradually at the later stage of the transitional period.

We will continue to monitor the implementation of the RPL mechanism and encourage training providers to offer more suitable programmes for the employees to pursue continuous learning after attaining different levels of qualifications. We will also maintain close liaison and communication with the stakeholders, including trade associations and labour unions. We will conduct a comprehensive review when the two-year pilot scheme ends in the middle of next year, and collect feedbacks from different stakeholders with a view to further refining the RPL mechanism.

Development of Renewable Energy Projects Between Hong Kong and PRD Cities

14. **MS AUDREY EU** (in Chinese): *President, it is learnt that Zhuhai city is developing wind power projects in Hengqin Island, Gaolan Harbour and Hebao Island. In this connection, will the Government inform this Council whether:*

- (a) *it has found out from the relevant mainland authorities the details of the development of wind power in the above places; if so, of the details; if not, the reasons for that;*

- (b) *it had, in the past three years, assessed the potential for the development of electricity generation by renewable energy sources, such as wind power and solar power, in the coastal areas of the Pearl River Delta (PRD); if so, of the details; if not, the reasons for that; and*
- (c) *it had, in the past three years, assessed the feasibility of jointly developing renewable energy projects by Hong Kong and PRD cities; if so, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President, the development of renewable energy is an important element of developing the PRD Region into a Green and Quality Living Area (Green PRD Living Area) jointly promoted by Hong Kong and Guangdong. To create the Green PRD Living Area, both sides will examine how to strengthen research and development (R & D) as well as application of renewable energy. Our aim is to enhance the use and production of clean fuels, reduce our reliance on fossil fuels and jointly improve the energy structure in the region.

On 8 January 2009, the National Development and Reform Commission promulgated "the Outline of the Plan for the Reform and Development of the PRD". The proposals in the Outline include: strengthening energy co-operation at home and abroad, exploring energy resources through various channels, actively developing new energy and renewable energy, with focused efforts on the construction of wind power plants and solar energy projects. The Liaison and Co-ordinating Meeting of Hong Kong, Guangdong and Macao in Jointly Taking Forward the Implementation of "The Outline of the Plan for the Reform and Development of the PRD" was convened in February this year. At the meeting, the Hong Kong Government proposed fostering closer collaboration with Guangdong and Macao in a number of areas, including promoting wider usage and R & D of renewable energy. In parallel, under the framework of environmental protection co-operation between Shenzhen and Hong Kong, both sides agreed to launch joint projects on R & D and usage of renewable energy in their medium-term plans.

Apart from the above co-operation frameworks, the Government has been actively exploring with Mainland co-operation in R & D projects on the

development of renewable energy. In 2008, the governments of Hong Kong and Shenzhen, under the "Shenzhen/Hong Kong Innovation Circle", successfully invited DuPont, a United States enterprise, to locate its global photovoltaic solar energy business headquarters and R & D centre in Hong Kong and its manufacturing base in Shenzhen. The business headquarters and R & D centre in the Hong Kong Science Park opened in March 2009 and its manufacturing base in Shenzhen is scheduled to be set up within this year. This project not only helps promote the research and usage of solar energy in the PRD Region, but also combines Hong Kong's edge in such areas as the rule of law and the protection of intellectual property rights with Shenzhen's strong productivity. We believe that this mode of development will draw more prominent Mainland and overseas enterprises, including those involved in renewable energy, to Hong Kong.

Guangdong and Hong Kong collaborate to establish co-operation framework and promote R & D in renewable energy. As for co-operation in individual renewable energy projects, they are mainly taken forward by private enterprises. A power company in Hong Kong has invested in renewable energy projects in Guangdong Province, including hydro and wind power generation facilities. The Government will continue its efforts to co-operate with Guangdong Province in promoting the R & D and usage of renewable energy.

Passengers Carrying Oxygen Cylinders on Public Transport

15. **DR JOSEPH LEE** (in Chinese): *President, it was reported that early this year a patient was not allowed to board public transport because she was carrying a portable oxygen cylinder. Moreover, an academic suggested such patients to choose travelling on Rehabuses. In this connection, will the Government inform this Council:*

- (a) *whether there are guidelines or relevant ordinances at present imposing restriction on people carrying portable oxygen cylinders travelling on public transport; if so, of the relevant details;*
- (b) *whether it has plans to urge public transport operators to provide additional facilities, so as to assist people carrying portable oxygen cylinders in using public transport services; if it has such plans, of the details; if not, the reasons for that; and*

- (c) *of the existing number of Rehabuses and their utilization rate; whether it had assessed in the past three years if the provision of Rehabus met the needs of the aforesaid patients, and of the relevant details?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President,

- (a) and (b)

Compressed oxygen is one of the dangerous goods regulated under the Dangerous Goods Ordinance (Chapter 295). As such, passengers carrying portable oxygen cylinders on board various major modes of public transport are governed by the relevant legislations at present. On this premise, relevant ordinances impose different restrictions on different modes of public transport with regard to their operations and services.

Some passengers need to bring along bottled compressed oxygen on medical grounds and use public transport. According to our understanding, frontline staff of major public transport operators will follow their internal guidelines and codes to facilitate passengers who require assistance as far as possible, on the conditions that safety and normal services are not affected and where the relevant laws permit. Besides, the Transport Department has, from time to time, reminded major public transport operators to implement guidelines and provide training to their staff to facilitate passengers who require assistance in so far as the relevant laws permit.

- (c) Under the Government's welfare programme, we have given funding support to a non-governmental organization to operate Rehabus service for those persons with disabilities who have difficulties in using general public transport. Rehabus service provides point-to-point transport services for these persons with disabilities to go to work and school, to receive vocational rehabilitation training or participate in other social activities.

The demand for Rehabus service is high. The Government reviews the service annually and accordingly will bid for additional resources

for acquiring new buses having regard to the service demand. In the past three years, the Government procured 17 new buses and replaced 41 old buses. In 2009-2010, the Government has allocated \$7.7 million for the purchase of 6 new buses and 4 replacement buses, thereby increasing the fleet size of Rehabus to 115 vehicles. The patronage of Rehabus service is expected to increase from 590 000 passenger trips in 2006 to over 660 000 passenger trips in 2009.

At present, for those persons with disabilities who have difficulties in using general public transport, for example, wheelchair users, they can bring along with them their essential life-supporting equipment, such as portable oxygen concentrators, portable oxygen cylinders, when travelling on rehabus provided that the quantity of such gas is within the limits of storage or conveyance stipulated in the Dangerous Goods (General) Regulations, Chapter 295B, Laws of Hong Kong. According to available information, Rehabus has provided transport service for those persons with disabilities travelling with the above mentioned life-supporting equipment. However, statistics on the number of these passengers is not available, and no specific assessment on the service demand of this group of persons has been made.

Issuance of Government Bonds

16. **MRS REGINA IP** (in Chinese): *President, according to the press release issued by the Hong Kong Monetary Authority on 2 September 2009 and the relevant information provided on the Government Bond Programme's website, the tender for the inaugural issue of Government Bonds under the Institutional Bond Issuance Programme had been completed. "A total of HK\$3,500 million two-year Government Bonds were offered under the Institutional Bond Issuance Programme. The issue was well received by institutional investors, with the ratio of bonds applied for to bonds issued (that is, the bid-to-cover ratio) reaching 6.45. The average price accepted was 100.65, implying an annualized yield of 0.59%." In this connection, will the Government inform this Council:*

- (a) *why only HK\$3,500 million government bonds were issued this time; what criteria/data were used in calculating this amount; and*

whether the decision was made by the Financial Secretary or the Monetary Authority;

- (b) given that it has been reported that the balance of the Hong Kong banking system earlier rose to almost \$250 billion due to an influx of hot money, whether the Government will consider expediting the issuance of bonds (Exchange Fund Bills or government bonds) to absorb the surplus liquidity in the market; if it will, of the details; if not, the reasons for that;*
- (c) when it will start implementing the Government Retail Bond Issuance Programme, and of the details; and*
- (d) given that The Hong Kong Mortgage Corporation Limited (HKMC) issued a total of HK\$12.4 billion corporate debts in the first half of 2009, claiming that it could "promote the bond market development", and while the overriding objective of the Government Bond Programme is to promote the further and sustainable development of the local bond market in Hong Kong through systematic issuance of government bonds, whether the Financial Secretary will consider ceasing the issuance of HKMC's bonds and handing over the entire "important duty" of promoting the local bond market to the Government Bond Programme in the future?*

FINANCIAL SECRETARY (in Chinese): President,

- (a) When designing the issuance schedule, the Government will determine the size of individual Government Bond issues of different tenors after fully considering the prevailing market demands including investors demand and the bond market development goal. The size of each Government Bond issue is endorsed by the Financial Secretary.
- (b) Under the currency board system, capital inflows will result in an increase in the Aggregate Balance. Under this circumstance, banks will demand more Exchange Fund bills out of liquidity management considerations. The issuance of additional Exchange Fund bills by the Hong Kong Monetary Authority recently is to meet banks'

demand in this regard. Nevertheless, such demand cannot be fulfilled by the issuance of Government Bonds as they are not part of the Monetary Base.

- (c) We will continue to monitor market conditions (including market interest rates, investors' appetite and supply from other issuers) closely, and will make reference to the professional advices offered by the Co-arrangers banks for the retail Government Bonds, namely, the Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited consortium in deciding the details and timing of issue of the Government Bonds. The retail Government Bonds will be launched when the market conditions are right, and details will be announced by then.
- (d) The HKMC needs to raise funding for its operational needs through various channels, including tapping of the local debt market. As Hong Kong's debt market is far from mature, HKMC's participation in the debt market provides contribution to the development of the local debt market, which complements the Government's efforts in this regard.

Assisting Youth in Seeking Employment and Starting Their Own Business

17. **MR WONG KWOK-HING** (in Chinese): *President, the Government has recently announced that the seasonally-adjusted unemployment rate from June to August this year was 5.4%. However, the unemployment rate for the 15 to 19 age group in the period from May to July was as high as 28.7%. Regarding the issues of the youth seeking employment and starting their own business, will the Government inform this Council:*

- (a) *of the current total number of programmes set up by the Government to assist the youth in seeking employment; the respective numbers of places and participants of the various programmes in each of the past three years, and the employment rates of the participants after they had completed the programmes concerned;*
- (b) *whether the Government is currently implementing programmes to provide financial assistance to the youth to start their own business; if so, of the details; if not, the reasons for that; and*

- (c) *given that many countries in the world are currently implementing dedicated programmes to help the youth to set up their own business, whether the authorities will consider setting up a loan fund, so as to support the plans of the youth to start their own business?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, it is a global phenomenon that the youth unemployment rate is substantially higher than the overall unemployment rate. Young people are more susceptible to unemployment because of a variety of factors, including their limited work experience and low academic qualifications and skills level. With the gradual recovery of the local economy, our youth unemployment rate has dropped from 28.7% for the period from May to July 2009 to 25.7% for July to September 2009, with the number of jobless falling from 16 300 to 15 300.

Our reply to the different parts of the question is as follows:

- (a) The Government has implemented a host of employment programmes to promote youth employment. They include:
- (i) *Youth Pre-employment Training Programme (YPTP) and Youth Work Experience and Training Scheme (YWETS)*

The YPTP and YWETS administered by the Labour Department (LD) provide training and employment support to young people aged between 15 and 24 with educational attainment at sub-degree or below level. With effect from the 2009-2010 Programme Year commencing in September 2009, the LD has further enhanced and integrated the two youth programmes to provide young people with through-train services which include pre-employment training, workplace attachment, on-the-job training, subsidy for off-the-job training courses and examinations, tailor-made training projects and case management services. There is no specified limit on training capacity of the two youth programmes which will admit all eligible young people.

Statistics on the number of trainees of YPTP and YWETS in the past three Programme Years are as follows:

	<i>Programme Year</i>		
	<i>2006-2007</i>	<i>2007-2008</i>	<i>2008-2009</i>
YPTP	6 484	5 103	5 274
YWETS	10 578	8 211	8 335
Total	17 062	13 314	13 609

According to the findings of annual placement surveys conducted on trainees who completed YPTP for the past three Programme Years, excluding trainees who decided to pursue further studies, the average placement rate of the trainees was around 70%. On the other hand, the LD commissioned in 2008 the Hong Kong Polytechnic University to conduct a survey on the employment status of trainees of YWETS for the 2006-2007 Programme Year, and the findings revealed that around 80% of the respondents were in employment at the time of survey.

(ii) *Programmes under the Employees Retraining Board (ERB)*

After relaxation of the eligibility criteria for training courses of the ERB in December 2007, people aged 15 to 29 with educational attainment at sub-degree or below level may enroll in the ERB's full-time placement-tied training courses. These courses are placement-oriented and trainees are provided with job placement support services (generally for a period of three months). Moreover, they may also enroll in part-time or evening non-placement-tied generic skills training courses.

To help non-engaged youth aged 15 to 20 better understand their career preferences, the ERB has collaborated with the Vocational Training Council since the third quarter of 2008-2009 to organize courses under the pilot Youth Training Programme (YTP). The YTP, offering 2 000 places each year, provides vocational training and foundation skills training while cultivating among the trainees a positive

attitude to life and self-confidence. Upon completion of the courses, training bodies are required to provide trainees with job placement support services for six to nine months to assist them to secure employment or refer them for further study.

Since 2007-2008, the overall placement rate of trainees who graduated from full-time placement-tied courses (including the YTP) has reached 80%.

Statistics on the number of trainees aged 15 to 29 enrolled in ERB's training courses (including the YTP) over the past three financial years starting from 2007-2008 are as follows:

	<i>Number of trainees aged 15-29</i>		
	<i>Placement-tied courses</i>	<i>Non-placement-tied courses</i>	<i>Total</i>
2007-2008 (December 2007 to March 2008) ¹			
Other training courses	1 178	334	1 512
2008-2009			
YTP ²	526	-	526
Other training courses	6 680	2 384	9 064
Total	7 206	2 384	9 590
2009-2010 (up to 30 September 2009)			
YTP	374	-	374
Other training courses	6 121	2 242	8 363
Total	6 495	2 242	8 737

¹ The target group of ERB has been expanded to cover people aged 15-29 as from December 2007.

² The YTP is only offered to non-engaged youth aged 15 to 20. Under the YTP, "pursuing further education" can be an alternative to "job placement" for trainees after graduation.

(iii) *Special Training and Enhancement Programme (My STEP)*

The My STEP implemented by the Social Welfare Department (SWD) provides employment service, including counselling and structured motivational or disciplinary training, to Comprehensive Social Security Assistance (CSSA) able-bodied unemployed recipients aged between 15 and 29 to

help them rejoin the workforce or return to mainstream schooling. My STEP was first implemented in October 2006 in Tin Shui Wai and Yuen Long on a pilot basis, and was subsequently extended to the New Territories and Kowloon districts. The SWD launched in October 2009 a new phase of My STEP to provide employment service to at least 700 CSSA recipients of the above category.

Statistics on the number of participants of My STEP and participants who successfully secured employment or returned to mainstream schooling are as follows:

	<i>My STEP</i>	
	<i>1st phase (October 2006 to September 2007)</i>	<i>2nd phase (October 2007 to September 2009)</i>
Number of participants	68	611
Number of participants having secured employment or returning to mainstream schooling (%)	42 (62%)	330 (54%)

- (b) The two youth programmes of the LD offer some basic training courses on entrepreneurship, including entrepreneurship theories, marketing, management skills and business law. Moreover, the LD has set up two youth employment resource centres in the name of "Youth Employment Start" (Y.E.S.) to provide one-stop service on employment and self-employment to young people aged between 15 and 29. As at September 2009, there were 26 535 members registered with the two Y.E.S.

Through a multifarious approach, Y.E.S. assists young people to understand their own capabilities and inclination towards self-employment. The two centres provide the following self-employment support services:

- (i) *Career assessment*

Y.E.S. has developed a comprehensive career assessment tool to help young people with aspirations for starting their own

business to understand their career interest, personality, emotional intelligence and entrepreneurship potentials. Supported by the findings of career assessment, career consultants will assist young people to evaluate different options for career development, and offer them guidance on available careers and training opportunities in the light of their backgrounds and personal qualities.

(ii) *Training on self-employment*

Apart from inviting business leaders to share their successful experience in setting up business with young people, Y.E.S. organizes from time to time training programmes to equip young people with skills on self-employment and business management. In the first nine months of 2009, Y.E.S. organized 60 courses related to self-employment, including the preparation of business proposals and legal liabilities, financial management and marketing strategies pertaining to business operations. These courses attracted over 2 800 participants.

(iii) *Mentorship scheme and professional consultation*

Y.E.S. invites entrepreneurs and business leaders to serve as mentors to offer advice and guidance in business start-up to young people on a voluntary basis. Furthermore, Y.E.S. arranges business professionals to provide consultation services to young people on legal and accounting problems that may be encountered in day-to-day business operations.

(iv) *Office facilities*

Young people have free access to a full range of office facilities such as business workstations, conference room and design corner with professional software/hardware at Y.E.S. This will facilitate them in running their business.

In its two years of operation, Y.E.S. has helped many young people understand their own interest and capabilities, make good use of the

training and consultancy services offered by Y.E.S., establish their business networks and make their first steps in starting their own business.

- (c) From the operation experience of Y.E.S. and the observations of some parents, teachers and social workers, young people aged between 15 and 19 generally lack the knowledge and experience in business operations and financial management because of their age and limited exposure. Taking into account the fact that young people usually have limited financial means, it may not be desirable for them to set up their own business by taking out loans. In case of business failure, they may be unable to repay the loans and thus may create vicarious financial burdens on the part of their family members. The Government will continue to provide training and self-employment support service to assist young people who wish to pursue self-employment or set up their own business.

Measures to Combat Illegal Provision of Tour Guide Services in Hong Kong by Mainland Tour Escorts

18. **MR PAUL TSE** (in Chinese): *President, it has been reported that illegal provision of tour guide services in Hong Kong by mainland tour escorts has become rampant. Moreover, quite a number of members of the trade have reflected to me that the Travel Industry Council of Hong Kong (TIC) is unable to take proper action despite receiving the relevant reports. In this connection, will the Government inform this Council:*

- (a) *whether it knows the respective numbers of complaints and reports received by TIC and the Immigration Department (ImmD) concerning the aforesaid situation in each of the past three years and, among such complaints and reports, the number of cases in which prosecutions were instituted; whether it has assessed the loss of job opportunities by local tour guides because of the aforesaid situation;*
- (b) *of the major reasons for failing to initiate prosecutions in respect of some of the complaints and reports in (a), as well as the ways to plug the loopholes concerned; and*

- (c) *what policies and measures are currently in place to prevent and curb mainland tours from assigning mainland tour escorts to provide tour guide services illegally in Hong Kong, so as to safeguard the job opportunities of local tour guides and escorts?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, according to the Immigration Ordinance (Cap. 115), visitors are not allowed to take up employment during their stay in Hong Kong. Any non-Hong Kong resident who has taken up employment without permission, including working as a tourist guide, breaches his or her condition of stay and is liable to prosecution and, on conviction, a maximum penalty of \$50,000 in fine and imprisonment for two years. If a travel agent in Hong Kong employs a non-Hong Kong resident who is not permitted to work in Hong Kong as a tourist guide, he or she commits the offence of employing a person who is not lawfully employable, and is liable on conviction to a maximum penalty of \$350,000 in fine and imprisonment for three years.

Furthermore, under the directives of the TIC, travel agents in Hong Kong can only employ holders of Tourist Guide Pass issued by the TIC to provide tourist guide services to inbound visitors. A tour escort who is a non-Hong Kong resident but provides tourist guide services to inbound visitors has contravened the Immigration Ordinance. The Hong Kong ground operator who employs him or her has violated the TIC's directives, and the TIC could issue a warning to or impose a fine on the ground operator. Repeated offences may lead to suspension or revocation of TIC membership and correspondingly the travel agent licence.

- (a) From 2007 till the end of September 2009, the TIC received five anonymous calls concerning provision of tourist guide services by non-Hong Kong residents (one in 2008, and two each in 2007 and 2009). As these callers did not provide any information on the cases, the TIC was unable to follow up, nor report to the ImmD.

From 2007 till the end of September 2009, ImmD received a total of nine reports concerning provision of tourist guide services by persons not permitted to work in Hong Kong (two each in 2007 and 2008 and five from January to September 2009). ImmD could not follow up on these nine cases due to insufficient information.

The Government has not conducted assessment on the impact of illegal provision of tourist guide services by non-Hong Kong residents on the employment of local tourist guides.

- (b) The TIC and ImmD were both unable to follow up on the complaints and reported cases received in the past three years because of insufficient information and anonymity of the complaints. Therefore no prosecution could be initiated. There is no loophole in the legislation and the enforcement arrangements.
- (c) The Government has been taking rigorous actions against illegal employment to safeguard job opportunities for the local workforce. To combat illegal employment, the Government will continue to take a three-pronged approach by tackling the problem at source, rigorous enforcement, and publicity and education. The ImmD has a 24-hour hotline and a fax line for reporting illegal employment by the public. Reports may also be made by emails and through the "Online Reporting of Immigration Offences" System.

In August 2009, the TIC issued a notice to travel agents in Hong Kong, stating that only tourist guides with a valid pass appointed by licensed travel agents can provide tourist guide service to inbound visitors. The notice also urges the trade to comply with the Travel Agents Ordinance, the Immigration Ordinance and the relevant TIC directives when appointing tourist guides, and report illegal employment to law enforcement departments.

The Tourism Commission and the TIC maintain close liaison with the tourism administrations of Guangdong Province, Shenzhen and Guangzhou, and have urged them to ask Mainland tour operators to comply with Hong Kong's regulations when organizing tours to Hong Kong, including employment of tourist guides with valid passes. In conducting routine inspections of inbound tour groups, the TIC will check the identities of tourist guides, and will report any suspected cases of illegal employment. The ImmD's "Anti-illegal Workers Combat Squad" will conduct undercover surveillance at black spots of illegal workers, and take appropriate actions on reports or reliable intelligence.

Industry self-discipline and reliable and detailed intelligence from informants are most helpful to effective enforcement against illegal employment.

Support for Patients with Visceral Diseases

19. **MR LEUNG KWOK-HUNG** (in Chinese): *President, recently, I have received complaints from chronic disease patients one after another that the Government's support for patients with "visceral diseases" is grossly inadequate. Regarding the support for patients with stoma, intestinal cancer and bladder cancer, will the Government inform this Council:*

- (a) *whether it knows the respective numbers of the above three types of patients in each year from 2004 till now (list out using the table below);*

<i>Year</i>	<i>Number of patients with stoma</i>	<i>Number of patients with intestinal cancer</i>	<i>Number of patients with bladder cancer</i>
2004			
2005			
2006			
2007			
2008			
2009			

- (b) *whether the Government had, in the past five years, provided financial assistance to patient concern groups or patient groups for those three types of patients; if so, of the amounts of financial assistance broken down by recipient group; if not, the reasons for that, and whether the Government had disregarded the needs of such organizations;*
- (c) *whether it has assessed if persons with permanent stoma are eligible for Disability Allowance (DA) and a permanent Registration Card for People with Disabilities (Registration Card); if the assessment result is in the affirmative, why the applications for DA and the Registration Card from some of these persons were rejected; if the*

assessment result is in the negative, why some of these persons have been certified by doctors in public hospitals to fall within the definition of "severely disabled" under the DA Scheme and eligible for the Registration Card; whether it has assessed if there are inconsistencies in the vetting and approving process; and

- (d) *of the respective numbers of persons with stoma who were granted DA and the Registration Card in the past five years?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President,

- (a) The number of patients in the three categories in question, that is, those who had undergone stoma operation in the Hospital Authority (HA), those with newly diagnosed colorectal and those with urinary bladder cancers, since 2004 are as follows:

<i>Year</i>	<i>The number of patients undergone stoma operation in HA (including temporary stoma)</i>	<i>Patients with newly diagnosed colorectal cancers*</i>	<i>Patients with newly diagnosed urinary bladder cancers*</i>
2004	2 417	3 582	584
2005	2 412	3 706	529
2006	2 551	3 918	451
2007	2 486	Not yet available [#]	
2008	2 562		
2009	2 157 (as at September)		

* According to the latest statistics from the Hong Kong Cancer Registry.

[#] According to HA, given the huge volume of clinical and pathological data of cancer patients involved and the lead time for consolidation and verification of the data, figures for 2007 to 2009 are not yet available.

- (b) Since 2001, the SWD has been providing funding support to self-help organizations of people with disabilities (including self-help organizations of patients with cancers/stoma) through the "Financial Support Scheme for Self-help Organizations of People

with Disabilities" (the Scheme). The Scheme aims at supporting the operation and development of self-help organizations, and promoting the spirit of self-help and mutual support among people with disabilities and their families. The current round of the Scheme covers a period of two years from April 2008 to March 2010 and a total allocation of over \$16 million has been granted to 57 self-help organizations (including 6 self-help organizations of patients with cancers/stoma).

- (c) Under the existing DA scheme, subject to meeting the residence requirements, an applicant will be eligible for DA if his/her medical condition is certified by the Director of Health or the Chief Executive, HA (or, under very exceptional circumstances, by a registered medical practitioner of a private hospital) to be severely disabled (that is, in a condition broadly equivalent to 100% loss of earning capacity according to the criteria in Schedule 1 of the Employees' Compensation Ordinance (Cap. 282)) and that his/her disabling condition will persist for at least six months.

To ensure consistency and objectivity in medical assessment, medical practitioners of public hospitals/clinics will assess applicants' disabling condition with the aid of a standardized Medical Assessment Form (MAF) and Checklist. Both the MAF and Checklist have set out that "visceral disability" is covered by "any other disabling conditions resulting in total disablement". As stoma is one type of "visceral disability", patients with stoma will be eligible for DA if they are certified by a medical practitioner of a public hospital/clinic to be severely disabled. As the medical condition varies among patients with stoma, the result of the above medical assessment and the duration of DA for individual patients could differ.

Regarding "Registration Card", the Central Registry for Rehabilitation (CRR) of the Labour and Welfare Bureau may issue the Registration Card to people with disabilities with permanent or temporary disabilities which affect their life activities and participation in economic and social activities, in order to facilitate them to produce a documentary proof of his/her disability status and type of disabilities as required. Registration is entirely voluntary. It is not a documentary proof for discount of goods or services.

Application for the Registration Card requires documentary proof issued by doctors or allied health personnel in order to certify the type, severity, status and duration of the disability(ies) of the applicant. Patients with stoma are eligible for the Registration Card if he/she is certified by a registered doctor or allied health personnel to have met the relevant criteria.

- (d) As at the end of September 2009, a total of 67 587 people with disabilities were receiving DA under the category of "any other disabling conditions resulting in total disablement" (including "visceral disability"). We do not have the statistical breakdown of patients with stoma among these people with disabilities.

Regarding the Registration Card, patients with stoma who are eligible for the Registration Card will be included under the disability type of "visceral disability/chronic illness". As at the end of September 2009, CRR issued a total of 8 197 cards to patients with "visceral disability/chronic illness". CRR does not have the statistical breakdown of patients with stoma among these people with disabilities.

Review of Rent Allowance Under CSSA Scheme

20. **MR CHEUNG KWOK-CHE** (in Chinese): *President, at present, the rents for private housing continue to increase. A survey conducted by an organization has even found that the monthly rents per square foot for many cubicle apartments and "cage homes" are even higher than those for luxurious residential units, and exceed the maximum levels of rent allowance (MRA) per month provided to Comprehensive Social Security Assistance (CSSA) Scheme recipients. As a result, those recipients have to meet the shortfall using other subsidies and are plunged into great hardship. In this connection, will the Government inform this Council:*

- (a) of the process for determining the above MRA by the Government;*
- (b) of the details of the mechanism for reviewing MRA; and*
- (c) when the authorities will review MRA again?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, the CSSA Scheme is designed to provide financial support to families in need to meet their basic needs. Rent allowance is payable to eligible CSSA recipients to meet the accommodation expenses. The amount of the allowance is the actual rent paid, or the maximum level prescribed by the number of members in the household eligible for CSSA, whichever is the less. The prevailing levels of maximum rent allowance (MRA) are as follows:

<i>Number of members in the household eligible for CSSA</i>	<i>Monthly MRA</i>
1	\$1,265
2	\$2,550
3	\$3,330
4	\$3,545
5	\$3,550
6 or above	\$4,435

For CSSA recipients living in private housing and on the waiting list for compassionate rehousing or admission to a subvented home for the elderly, the Director of Social Welfare may exercise discretion to approve a rent allowance higher than the MRA to cover the actual rent paid. In 2008, there were 122 such cases.

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

(a) and (b)

Under the rent allowance adjustment mechanism, the MRA is adjusted annually in accordance with the movement of the Consumer Price Index (A) rent index for private housing. The index is compiled by the Census and Statistics Department on a monthly basis to measure the rental movements of private housing of the relatively low expenditure non-CSSA households.

The MRA was last adjusted in June 2003, and has since been frozen at the 2003 level, having regard to the state of the economy.

(c) We will continue to monitor the situation, and adjust the MRA in accordance with the established mechanism when necessary.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motion.

Motion of Thanks. Ms Miriam LAU will move the motion. Mr Frederick FUNG, Ms Emily LAU, Mr WONG Sing-chi and Mr Alan LEONG intend to move amendments to this motion.

I have accepted the recommendations of the House Committee on the time limits for speeches in the debate. A Member may speak once in one or more sessions of the five debate sessions, but subject to the total speaking time limit of 30 minutes.

Like all other Members, Ms Miriam LAU and the four Members who intend to move amendments may speak in one or more of the five debate sessions, but no amendment is to be moved at this stage. Ms Miriam LAU, as mover of the motion, will have an additional 15-minute speaking time for moving the motion and making her reply, and another five minutes to speak on the amendments.

Members' speeches in a session should be confined to the policy areas specified for that session.

In each session, I will first call upon those Members who wish to speak to speak. After Members have spoken, Council will then be suspended for 10 minutes for designated public officers in that session to prepare their response. Only designated public officers may speak when Council resumes. If designated public officers consider the break unnecessary, Council will not be suspended. The total speaking time limit for designated public officers in each session will depend on the number of speakers, that is, to be calculated on the basis of 15-minute speaking time limit for each officer. After the public officers have spoken, the session comes to a close.

At the conclusion of the five debate sessions, Ms Miriam LAU may speak on the amendments. I will then call upon Members who will move amendments

to move their amendments to this motion one after another. After Members have voted on the amendments, Ms Miriam LAU may reply on the motion. After her reply, Members will vote on the original motion or the amended motion.

I now call upon Ms Miriam LAU to speak and move her motion.

MOTION OF THANKS

MS MIRIAM LAU (in Cantonese): President, in my capacity as Chairman of the House Committee, I move the motion "That this Council thanks the Chief Executive for his address".

President, Members might not be aware that this is already the seventh time that I move the Motion of Thanks. First of all, I wish to point out that this motion is not directional. It is merely a traditional practice required by the Rules of Procedure of the Legislative Council to give Honourable Members an opportunity to express their gratitude to the Chief Executive for his policy address. However, as usual, some Members intend to move amendments to this motion. I respect Members' decision and right to move amendments, and I also hope Members will speak to their hearts' content on the Chief Executive's policy address during the debate sessions in these three days.

(Mr LAU Kong-wah rose)

PRESIDENT (in Cantonese): Mr LAU Kong-wah, is it a point of order?

MR LAU KONG-WAH (in Cantonese): The placards are blocking my sight and I cannot see Ms Miriam LAU. As I cannot see her, will you please ask them to put the placards away?

PRESIDENT (in Cantonese): Members, regarding the display of placards or other objects during a meeting in this Chamber, the established practice is that, as a principle, those objects should be directly related to our debate and should not

impede the conduct of the meeting and cause obstruction to other Members. Now that a Member has indicated that some placards are blocking his sight, Members will please place the placards at appropriate positions to avoid blocking the sight of other Members. Members will please place the placards at a lower position.

(Some Members moved the placards away)

PRESIDENT (in Cantonese): Members will please place the placards at a lower position.

(Mr CHEUNG Man-kwong rose)

MR CHEUNG MAN-KWONG (in Cantonese): May I ask whether a person's sight orientates in line with his head? Can he not move his head? Very often when we watch a football match at the Hong Kong Stadium, someone in front of us must be blocking our sight. However, as the football is in motion, we will move our head accordingly. Therefore, I would think that if such a small leaf like this one just now colleagues downstairs even said to me that this leaf is indeed too small

PRESIDENT (in Cantonese): Mr CHEUNG Man-kwong

MR CHEUNG MAN-KWONG (in Cantonese): can block your sight? I find this most strange.

PRESIDENT (in Cantonese): I believe your point is already very clear. Please sit down.

(Mr CHEUNG Man-kwong sat down)

PRESIDENT (in Cantonese): We are now debating the policy address. Mr CHEUNG Man-kwong, participating in a meeting in this Chamber is different from watching a football match at the Hong Kong Stadium (*laughter*) because there is a clear set of Rules of Procedure. Over the past, we have also been following the established practice that we should avoid obstructing other Members by all means when displaying placards in this Chamber. Therefore, Members' co-operation is appreciated.

(Mr CHEUNG Man-kwong indicated a wish to speak)

PRESIDENT (in Cantonese): Mr CHEUNG Man-kwong, I believe it is not necessary to open another debate.

MR CHEUNG MAN-KWONG (in Cantonese): President, I cited an example mainly to illustrate that as long as the person concerned does not intend to make the case that the leaf is blocking his sight, it is impossible for such a small leaf like this to do so. The problem will already be solved if he moves slightly. Therefore, I think what he said does not hold water, and this is what I meant.

PRESIDENT (in Cantonese): Mr CHEUNG Man-kwong, please sit down. I hope when we debate the Chief Executive's policy address, we will proceed by all means according to the subjects of the session. Ms Miriam LAU, you may continue.

MS MIRIAM LAU (in Cantonese): Policy objectives. I still remember in the Motion of Thanks last year, I mentioned the shocking Sichuan earthquake and

(Mr LAU Kong-wah rose)

PRESIDENT (in Cantonese): Mr LAU Kong-wah.

MR LAU KONG-WAH (in Cantonese): Sorry, as I have already put forth my request, and my sight is actually blocked, can these placards be moved slightly to one side, though the colleague of this seat is not present? President, you have not handled the situation.

(Mr WONG Yuk-man entered the Chamber and put a leaf-shaped placard on Mr LAU Kong-wah's desk)

PRESIDENT (in Cantonese): Mr WONG Yuk-man, please sit down.

(Mr WONG Yuk-man defied the President's instruction and walked about along the aisle of the Chamber)

PRESIDENT (in Cantonese): Mr WONG Yuk-man.

(Mr WONG Yuk-man sat down)

PRESIDENT (in Cantonese): Mr LAU Kong-wah, I hope you will understand that what you have raised is not a point of order. There is no explicit provision in the Rules of Procedure on the proper way of displaying placards in this Chamber. Therefore, I hope Members will adopt a co-operative attitude to enable the smooth conduct of this meeting and avoid unnecessary disruptions, by all means, including those caused by a leaf. Ms Miriam LAU, you may continue.

MS MIRIAM LAU (in Cantonese): President, I repeat.

I still remember in the Motion of Thanks last year, I mentioned the shocking Sichuan earthquake and the financial tsunami which swept the whole world. One year has passed, and both the Mainland and Hong Kong are gradually recovering from this trauma. In the visit to Sichuan Province last month, Honourable colleagues could witness how Nanchong, Dujiangyan and Yingxiu were rebuilt on the ruins and rubbles and made beautiful homes; and how the victims were, after receiving subsidies from the Government of the Hong

Kong Special Administrative Region (SAR) and other places, moving forward with their gripping perseverance and grave effort to overcome the constraints imposed by their disabilities. As for the financial tsunami, the people of Hong Kong are gradually moving on away from those difficult times with their unswerving resolve and determination to face up to adversities. All these suggest that there are bound to be tests and trials in life, and as long as one is determined to face the adversities, one will be able to solve all problems, no matter how big they might be.

I hope Directors of Bureaux and government officials will bear in mind, when resolving the hardship of the public and formulating and implementing the relevant policies, that the target groups of the relevant policies are members of the general public who have always loved and stayed with Hong Kong in both good and bad days. They absolutely deserve the proper care of the SAR Government, which should implement complementary policies to enable them to improve their present situation and seek a better life.

Insofar as Members of the Legislative Council are concerned, we have always been working hard in this direction and fighting for the rights and interests of the people of Hong Kong. All Members, be they representatives of functional groups or returned by geographical constituencies through direct elections, thoroughly understand the aspirations of the voters. Therefore, I earnestly hope Directors of Bureaux and government officials will attend meetings of various committees of this Council more regularly to listen carefully to Members' views and give positive responses, as well as enhancing their communication with Members on occasions outside this Council in order to collaboratively resolve problems encountered by members of the public in their daily life.

Regarding the enhancement of communication, it is impossible to discuss enhanced communication with this Council without mentioning the Chief Executive, who is the head of the SAR Government, and the Chief Executive for Administration. The established channels for them to exchange views with Members include the Chief Executive's Question and Answer Sessions, which are held four times annually, the biannual attendance of the Chief Executive for Administration at the special meetings of the House Committee and the weekly meetings between the Chief Executive for Administration and the Deputy Chairman and me. Over the past year, the Deputy Chairman and I have relayed to the Chief Executive for Administration Members' various views, including those urging the authorities to keep the panels informed of the details of the

urgent briefings and give detailed responses to Members' oral and written questions. I hope these weekly exchanges with the Chief Executive for Administration will bring enhanced co-operation between the executive and the legislature, thereby enabling the Legislative Council to discharge its monitoring role effectively.

As for opportunities to exchange views with the Chief Executive, Members are often unable to freely express their views on the issues raised in the Question and Answer Sessions and special meetings of the House Committee due to time constraints. Therefore, besides calling on the Chief Executive and the Chief Executive for Administration to consider increasing the frequency and extending the duration of the Question and Answer Sessions and special meetings, I also hope they will more proactively and regularly meet with Members of different political parties and groupings to exchange views and strive for a consensus on policy objectives.

In the Motion of Thanks last year, I requested the SAR Government to assist Members of this Council to enhance their communication with the Central Government. In this connection, I am very glad that the SAR Government has made positive responses. Upon the invitation of the relevant government organs in the Mainland and with the assistance of the SAR Government, Members visited the Pearl River Delta (PRD) and Sichuan in May and September this year respectively to gain a better understanding of the economic development and the relevant environmental protection facilities in the PRD Region as well as the post-disaster restoration and reconstruction work of Sichuan. I hope the SAR Government will continue to provide assistance in this regard in the future to enable Members to conduct more visits to the Mainland on various subjects. Besides, I also hope the SAR Government will arrange for Members to meet with leaders of the Central Government visiting Hong Kong in future to discuss matters of mutual concern.

The legislative programme, President, is a subject which I would raise in the Motion of Thanks every year with the Government. I have taken the trouble of raising this concern once again because the authorities' performance in this regard is indeed worrying. Although Members have repeatedly requested the Government at the beginning of each legislative session to introduce the bills as early as possible to give Members ample time for scrutiny and consultation, the authorities often do not introduce most of the bills until the second half of the

year. For bills the scrutiny of which has to be completed by the end of the session, the timeframe will be very tight, which is indeed undesirable.

The legislative programme for this year, which was just submitted last week, sets out 22 bills to be introduced into the Legislative Council. However, according to the timetable provided by the authorities, only eight of them will be introduced in the first half of the year, while the remaining 14 will not be introduced until the second half of the year. The legislative programme also includes quite a lot of important and controversial bills, such as the Competition Bill, the Motor Vehicle Idling (Fixed Penalty) Bill and the Public Health and Municipal Services (Amendment) Bill on central slaughtering. I must reiterate my request here for the authorities to seriously consider reviewing the legislative timetable and table the relevant bills before the Legislative Council as soon as possible.

President, I notice that the Chief Executive made no mention of the dialogue and co-operation between the authorities and the Legislative Council in the policy address this year. I hope this does not mean the Chief Executive has forgotten the importance of improving the executive-legislature relationship. I hope the Chief Executive and his team will treasure the contribution made by this Council in monitoring the Government's administration, strengthen their liaison and work in tandem with this Council.

With these remarks, President, I beg to move.

Ms Miriam LAU moved the following motion: (Translation)

"That this Council thanks the Chief Executive for his address."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That this Council thanks the Chief Executive for his address.

This Council will now proceed to a joint debate on the motion and the amendments.

PRESIDENT (in Cantonese): We now proceed to the first debate session on the theme of "Developing the Infrastructure for Economic Growth". This session covers the following seven policy areas: Commerce and Industry; Development (Planning, Lands and Works); Economic Development (other than energy, which will be debated in the second debate session); Financial Affairs; Housing; Information Technology and Broadcasting (other than creative industry, which will be debated in the second debate session); and finally Transport.

PRESIDENT (in Cantonese): Members who wish to speak will please press the "Request to speak" button.

MR CHIM PUI-CHUNG (in Cantonese): President, the Chief Executive devoted 128 paragraphs in 31 pages to giving a brief introduction and a detailed account of Hong Kong's original four pillar industries and the six industries with competitive edge in this policy address. President, I would like to respond to the economic and financial issues.

Actually, only a few paragraphs of the policy address are on financial issues. In the global financial tsunami last year, Hong Kong was dealt a direct blow because some financial officials had taken it too lightly. It is undeniable that the monetary policies of Hong Kong have been proven, but it is equally undeniable that the Hong Kong Monetary Authority (HKMA) was negligent with regard to the securities business of the relevant banks, thereby giving rise to the Lehman Brothers incident which dealt a blow to Hong Kong. We can see that the number of people affected amounted to over 40 000 people, involving about \$20 billion. Nevertheless, thanks to the efforts of various parties, the issue was swiftly addressed. I have always stressed that there is no government which is always right, and when a mistake is made, it has to admit it bravely and face the music courageously.

After months of effort by various parties, the Lehman Brothers minibond incident has been resolved in Hong Kong. As a member of the financial services sector, I am very glad about it. The lesson learnt from this incident is that we should never think too highly of ourselves. Being at the forefront of the financial arena and given the need to capitalize on the open-door policy of China, Hong Kong is a man with two faces. Why? In relation to China, Hong Kong

has to leverage on it and engage itself globally; and with respect to the world, Hong Kong has to lead the world to engage itself with China. Therefore, the financial sector of Hong Kong has to achieve the superb state of being a man with two faces. In this regard, I firmly believe success will only be achieved in future with the collaborative efforts of the entire Government and various relevant departments under the leadership of the Financial Secretary.

At the same time, it is worth mentioning that, President, on 9 March this year when the economy was in the low ebbs, the Government proposed the 100% deposit guarantee to stabilize the financial system of Hong Kong, which is commendable. Unfortunately, however, the then Chief Executive of the HKMA held a different view. But the facts have shown that the so-called second and third waves of the financial tsunami are not in sight. In this regard, I am not passing judgment on the capability of any individual, but I would only like to stress that an individual who assumes that what worked in the past will necessarily work forever will never be able to comprehend thoroughly the ever-changing and evolving world and economic environment faced by Hong Kong. The relatively severe blow which was dealt to Hong Kong then and prevails even now is that the banking sector is still unable to adopt a lenient attitude towards small and medium enterprises (SMEs) to which warnings were issued by the HKMA on their credit worthiness.

President, the commercial and industrial sector of Hong Kong relies mainly on SMEs because large enterprises may obtain economic and financial backing and support worldwide whereas local SMEs really need the support and complementary measures of banks.

At present, as the financial sector considers that the financial tsunami is still around, some local banks are skeptical about the credit worthiness of SMEs, thus stifling the competitive edge of the local commercial and industrial sector and its access to financial resources and jeopardized the employment opportunities in Hong Kong. I hope that after the release of the policy address, the Government will raise its vigilance in this regard.

President, the incident of compact florescent lamps (CFLs) has indeed aroused controversies in Hong Kong recently, but I personally think President, I do not know whether it is proper to make such remarks here, and I

wish to seek your advice. If it is proper for me to do so, please allow me to continue; if not, please

PRESIDENT (in Cantonese): You may continue.

MR CHIM PUI-CHUNG (in Cantonese): I personally think that under the present circumstance, all it needs is forgiveness. This can be seen in two aspects. Is any deviation involved in the approach adopted by the Chief Executive in handling the incident of CFLs, or does he really have any interest in it? If he does, he should certainly be censured. However, personally, I do not see such a need in this incident. Therefore, I call on Members to forgive, which is a kind of purification. When we forgive others' possible faults, we will enjoy ease of mind; and when we always remember others' faults, we will get an awry expression from it. It is not difficult to forgive, yet it is not an easy feat either, especially when it involves the so-called politicians or people engaged in politics, and the key lies in how we would choose in our heart. Under the prevailing economic and financial conditions, we need people who are always ready to forgive. They will be able to seek opportunities on different fronts to bring harmony and fulfillment to society. Besides exercising tolerance for others, a further step to take is to facilitate people in their undertakings. This is forgiveness, the consummate incarnation.

President, I shall stop here in the first session.

MR WONG KWOK-HING (in Cantonese): President, I will exhaust the 30 minutes in one go as I think the division of responsibilities among various Directors of Bureaux has made it very difficult for us to discuss this policy address in a logical manner.

Regarding this policy address of the Chief Executive, I have attended all the 18 briefings held in this Council by various Directors of Bureaux. During this period of time, I have attended meetings of this Council during the day and residents' meetings in the evenings without respite. I have gone to nine residents' meetings in a row, including meetings held in Tsuen Wan, Kwai Tsing, Yuen Long and Tuen Mun, and I attended the meeting in Tung Chung of the

Islands District yesterday evening. I have listened to the various views of kaifongs and residents, and instead of waiting until today, I have relayed their views, put forward questions, proposals and requests to the Government in parallel at the 18 valuable briefings.

Putting the figures together, I have put to the Government a total of 43 questions, proposals or requests for clarification in the 18 briefings. The items which have received positive responses added up to 28, accounting for slightly over 65% of the 43 questions I raised. I think the responses to these 28 items are quite positive, and some Directors of Bureaux have indicated that my views and residents' demands would be considered and follow-up studies would be conducted.

President, for the record and in order to see to it that the Government actually follows this up instead of only making a response, I would like to give a brief account of my views. Although only some Directors of Bureaux are present while others are not, I hope the Financial Secretary, who is the most senior official present today, will relay these views to those Directors of Bureaux who are not in the Chamber now and urge them to take note of these views and really take follow-up actions.

First of all, regarding the Commerce and Economic Development Bureau, one of its responses was that it would introduce legislative amendments on combating illegal marketing practices, consumer rights protection and regulation enhancement, and a timetable has already been drawn up. Secondly, I had also requested the Government to extend the Small and Medium Enterprises Loan Guarantee Scheme and the Special Loan Guarantee Scheme for one year to offer protection to the 240 000 to 250 000 workers employed by SMEs, and the Government advised that consideration would be given to this request. Thirdly, I had requested the Government to provide active support to non-governmental organizations (NGOs) and develop and support the "Youth Business Hong Kong" programme. The Government advised that this request would be considered.

My views relating to the Environment Bureau consisted of two points. On the one hand, I requested the Government to properly handle the conflict of interests and roles, which involves the issue of CFLs, and enhance the implementation of the initiative on CFLs. By only offering rewards without punishments, the authorities are unable to take the lead to dismantle the two

power companies' electricity tariff increase mechanism. On the other hand, I also urged the Government to show concern for the use of plastic foam containers, particularly for lunch boxes, which is very environmentally-unfriendly. And I hope the Government will implement certain initiatives, in particular, to take the lead in purchasing environmentally-friendly vehicles — electric vehicles.

Regarding views relating to the Food and Health Bureau, first of all, I requested the Government to show concern for the forthcoming review of the market tenancy renewal exercise to avoid dealing a blow to small-capital businesses on the one hand and affecting the people's livelihood on the other, because the surge in market stall rentals will definitely trigger a chain reaction, thereby causing a general rise in prices that would only add to the hardship of the grassroots. This should not be overlooked.

Secondly, I had expressed my hope for the Government to provide public dental services and improve the dental care system. The Secretary advised that follow-up actions would be taken and additional resources would be allocated for primary care. Thirdly, I had also relayed the residents' grave concern about whether public-private collaboration would result in an increase of out-patient consultation fees for the public. The Secretary responded in the negative, and I would like to put this on record. Fourthly, I requested that the review of the health care voucher scheme be advanced.

My views relating to the Home Affairs Bureau consist of three points. First, I requested that the Government take the lead in flying the national flag at government buildings to enhance civic education; secondly, I requested that it review its support for mutual aid committees; and thirdly, I urged the Legal Aid Department to review the appeal and review mechanism for refused legal aid applications and examine how best such a mechanism can be enabled to comply with the principles of fairness and impartiality.

As for the Security Bureau, first of all, my view is about measures to alleviate the difficulties encountered by cross-boundary students. As there are almost 10 000 cross-boundary students commuting between the two places every day, which constitutes a great inconvenience, the Government should proactively provide assistance to them. Secondly, the authorities should finalize the provision of resources and a timetable for improving and modernizing the

ambulance services to pre-empt the situation whereby "there are only six or seven lids for 10 containers" to continue. Thirdly, the authorities should take vigorous measures to enhance the enforcement actions of police officers and improve the image of the Police Force. Fourthly, the Independent Commission Against Corruption (ICAC) must step up its publicity and enforcement to combat corruption cases involving building maintenance. Regarding these proposals, the Bureau and the ICAC have made relevant undertakings, and I hope to put this on record.

Concerning the Education Bureau, some kaifongs had expressed grave concern that the Government's initiative to achieve the internationalization of our schools and institutions would lead to a decrease in local students' opportunities of higher education. The Secretary replied that this would not be the case. I also hope to put this on record. I hope the Government will really honour its undertakings so that local students' opportunities of higher education will not decrease as a result of the development of education towards internationalization.

The response given by the Secretary for Financial Services and the Treasury consists of two points. First, the Government indicated that it would study the experience of the Government of the Macao Special Administrative Region in establishing the Central Savings System to find out if there was any useful reference for Hong Kong. Besides, the Government also responded that in order to assure the rights and interests of small depositors, it would exercise regulation on banks overcharging small depositors, levying excessive penalties and reducing branch services.

I would now move on to the Labour and Welfare Bureau. Among the questions I raised, a few points are worth mentioning. First, I had requested that the Government should show concern for the interface between the "3+3+4" academic structure and vocational training and talent nurturing, so that students who are unable to gain admission to higher educational institutions may master multiple skills, because people equipped with a single skill may not be able to make a living nowadays. The Government advised that this request would be considered. Secondly, I requested the Government to extend the provision of the current transport subsidies and complete its review at an early date because tens of thousand people are looking forward to the Government's conclusion. Thirdly, I requested the Government to review the appointment system for Occupational Safety Officers at construction sites and find out how the conflict of interests and roles can be resolved to ensure safety on construction sites.

Fourthly, I relayed to the authorities the strong dissatisfaction of kaifongs, in particular, the elderly, and requested the Government to relax and ultimately abolish the permissible limit of absence from Hong Kong for recipients of "fruit grant", and refrain from discriminating against local elderly people.

Regarding the Transport and Housing Bureau — the Secretary is also present today — I have raised a few points. First, I urged the Government to expedite the construction of the cross-harbour bridge connecting Tuen Mun and Chak Lap Kok in order to link up the two places. Secondly, I urged the Government to expedite the study on the construction of the Northern Link. Thirdly, I urged the Government to examine the issue of introducing legislation to regulate the sales practice of residential buildings. Recently, various incidents have aroused great dissatisfaction among the public because the present sales guidelines for property developers, instead of being a set of statutory regulations, are underpinned by an approach with "property developers regulating fellow developers", and neither has any penalty been put in place. Besides, I urged the Government to allocate additional resources to improve barrier-free access. The relevant assessment system should be introduced into the Legislative Council for scrutiny in order to enable such a system to be seen as open, fair and impartial. Finally, we requested the Government to allocate additional resources to enhance the recreational and leisure facilities in public housing estates with ageing residents. Among the nine residents' meetings I attended, most of them were held in public housing estates. Many elderly people and residents drew my attention to the absence of chairs in the area. Even if there are chairs, they are not covered, and there are water leakage problems in the pavilions. They very much hope that some improvement will be made in this respect so that the elderly will have a place to enjoy the shade. Should more of these facilities be provided and somewhat improved? The Government advised that this request would also be considered.

President, just now I have spent more than 10 minutes to set out the 28 items to which the Government has indicated that consideration would be given. I hope the Government will attach importance to these problems relating to the people's livelihood, which are by no means trivialities or minor problems. I would like to have the Government's definite response later.

President, I would now like to express my views on the focus of the policy address.

What is this focus? It is the Government's intention of giving full play to, developing or advancing the six industries with competitive edge in order to break new ground. These six industries with competitive edge are undoubtedly the Government's primary focus. What is my assessment of this administrative strategy? I consider the Government's suggestion of the new idea of the six industries with competitive edge a correct direction.

For years, the Hong Kong Federation of Trade Unions (FTU) has been demanding and vigorously urging the Government to formulate an employment-based policy. We requested the Government to establish an employment-based infrastructure policy because, with the economic transformation in the 1980s and 1990s in the last century, many factories in Hong Kong have been relocated to places outside Hong Kong with low salaries or low cost of production, leaving the great majority of factory buildings vacant. In the absence of factories, workers have become jobless; and being jobless, they are unable to make a living. Therefore, it is of the utmost importance to develop an economy which is able to create employment. It can be argued that the Government has finally changed its approach this time. Why do I say so? Because as far as I can remember, whenever the FTU put forth such a demand, the Government would say: There are the financial services, logistics, tourism and professional services, particularly the financial services, in Hong Kong. As long as we focus our energy on enhancing the financial services industry to enable Hong Kong to become an international financial centre, there should be no cause for concern. If London and New York can provide for the living of so many people, why is Hong Kong unable to provide for the living of 7 million people? This is the rough idea, though not in the exact wording.

We consider it impossible for Hong Kong to rely solely on a single industry, that is, the financial industry. When problems arise, unemployment will follow. It is very difficult for workers, particularly those from the lower strata, to secure employment, and it will be even more so for those living in new towns.

The Government has now decided to develop the six industries with competitive edge, and I consider this a right move. However, has it ever come to the Government's mind that water from afar cannot put out a fire nearby, and developing the six industries with competitive edge is only like quenching our thirst by watching plums? A process, from input to output, is involved in the

development of the six industries before employment opportunities will be created. To put it in a vulgar expression among the public, "after eating pig's blood jelly, one would pass black stool". However, the development of the six industries with competitive edge will not instantly create many job openings. Though being very vulgar, this analogy is very easy to understand. Actually, the situation is different from the one in which "after eating pig's blood jelly, one would pass black stool". Under this circumstance, may I ask the Government how it will solve the problems during the transitional period, that is, how it will enable jobless workers to secure employment and earn their living before these six industries with competitive edge will achieve any results? Does the Government understand the plight of the general public?

At present, it is very difficult for middle-aged people with low educational attainment and skills to land jobs. One should not assume that the retirement age is 60 as this is no longer the case now, and one should not assume it to be 55 either because employers will not even employ people in their forties or late forties after learning their dates of birth from their identity cards.

Besides, the travel expenses for people living in remote areas in the New Territories are very high, often amounting to over \$1,000 monthly. Even if these people can find a job, they will not be able to feed themselves. Small-capital businesses face constant rent increases because the markets in many public housing estates are monopolized by The Link REIT. The Government should be aware of these difficulties.

Therefore, I think the Government has a duty to ensure that the grassroots are employed and fed before these six industries with competitive edge are able to achieve any result. It must not be indifferent or take this problem lightly. If it can address this problem squarely and take concrete measures in this regard, its popularity rating will naturally rise. In this connection, I would put forward to the Government eight proposals:

First, in developing the six industries with competitive edge, the Government must provide a quantitative indicator and a timetable of progress instead of engaging in empty talks or even repeating the previous attempts of developing the so and so ports, which were reduced to empty talks with nothing coming out of them in the end. This is vitally important. If the Government wishes to exercise strong governance and develop the six industries with

competitive edge, it has to reassert its determination and strive for achievements. Therefore, there must be a quantitative indicator specifying the number of employment opportunities to be created.

Second, I strongly urge that the two loan guarantee schemes be extended for one year because this involves the livelihood of 240 000 to 250 000 people engaged in SME businesses, and the schemes are about to expire.

Third, I consider that the authorities should continue to provide the transport subsidies until the implementation of the legislation on minimum wage because the biggest problem faced by grassroots living in remote new towns is the high travel expenses. The Government should not allow this problem to exist. As it is unable to curb the surge of travel expenses, it has to provide subsidies or else the public will have no choice but to apply for Comprehensive Social Security Assistance (CSSA), right?

Fourth, I hope the Government will vigorously develop the recovery and recycling industries and support their development. Unfortunately, the Environment Bureau has not given much attention to it this time.

Fifth, as the 10 major infrastructure projects have commenced one after the other, the issue of talent training, that is, how to attract more people to join the relevant industry, is involved. Actually, the Hong Kong Construction Industry Employees General Union (CIEGU) has expressed their hope for the Government to offer some subsidized training to attract more young people to join the industry. We should never allow the importation of workers, technicians or professionals who could otherwise be employed locally as a result of the training problems arising from the 10 major infrastructure projects.

Sixth, the FTU urges the Government to set up an emergency unemployment assistance fund because there are actually people who, unable to find a job, are extremely reluctant to apply for CSSA. Can the Government provide them with any safety valve? If not, I think this will only aggravate public discontent.

Seventh, in the forthcoming review of the market tenancy renewal exercise, the Government must avoid imposing huge rent increases or else a series of chain

reaction will certainly be triggered and definitely add to public discontent. The Government should exercise caution in this regard.

Eighth, for remote new towns, I think the Government should make additional provision, both in resources and support, to them. In the residents' meeting held in Tung Chung yesterday evening, I was told that the Government would close the library in Yat Tung Estate. Although the Government plans to build a bigger one in Citygate, as the travel expenses for residents of Yat Tung Estate are exceptionally high due to the planning imbalance of Yat Tung Estate, what can the children in Yat Tung Estate do when the library there is closed? This is one of the examples. Besides, they said that "one-stop vocational training", which is provided in Tin Shui Wai, should also be provided in Tung Chung. When the travel expenses may amount to tens of dollars, why is such training not provided in Tung Chung? Therefore, I hope that besides expediting the construction of the vocational training centre in Tin Shui Wai, the Labour and Welfare Bureau should also construct such centres in new towns with such a need without delay.

All of these are my major views, criticisms and proposals in relation to this policy address, and I would like to hear the Government's responses. Besides, I would like to mention that family and elderly services are highlighted in this policy address, and the Government will allocate additional resources to build five additional care and attention homes for elderly people with disabilities and demented elderly and increase the number of bought places. To this, I would like to express my commendation, welcome and support. In particular, I appreciate and greatly support the Government's plan to promote ageing in place. As the Government encourages ageing in place, why does it impose a permissible limit of absence of only 240 days from Hong Kong for elderly recipients of "fruit grant" who opt for returning to their hometowns, which is in the same country, to spend their twilight years? This is not reasonable at all. Under "one country, two systems", they are also still residing within the boundary of the People's Republic of China. For many of them, their hometowns are in Dongguan, Shenzhen or Huiyang, where prices may be lower and they may have grandchildren to look after them, which is indeed very desirable. They may spend the \$1,000 "fruit grant" provided by the Government in their hometowns. Why can we not further relax and ultimately abolish this permissible limit of absence from Hong Kong? I consider this unreasonable and it is discrimination against the elderly people of Hong Kong. In his response, the Secretary said the

proposals, that is, the 28 proposals I outlined just now, would be examined. I hope the Government will have the results ready as soon as possible in order to bring this approach in line with the concept of "ageing in place" proposed in the policy address and the integration between Hong Kong and China we advocate.

As we are in one country, why do we have to put a divide before us? I really do not understand. It would be understandable if this was the era of the colonial government, but this is already the era of the Government of the Hong Kong Special Administrative Region (SAR). As all of us are subject to the Constitution of the People's Republic of China, why do we have to impose such a restriction? It beats me really. Therefore, I hope the Secretary will explain the legal issues or difficulties involved, if any. If we are convinced, we will support this approach. The Secretary owes us an explanation. So, regarding this key question, I hope the Government will identify a remedy to the permissible limit of absence from Hong Kong for recipients of "fruit grant" as soon as possible.

President, I would also like to raise a third issue. At present, with economic transformation, labour relations in Hong Kong have changed drastically. The major characteristic of the current labour relations in Hong Kong is the "ELIMINATION of labour relations". Our original intention was to establish strong, stable and harmonious labour relations and co-operation between employees and employers through the Employment Ordinance and related labour legislation, thereby developing this capitalist society of Hong Kong. Unfortunately, however, some irresponsible and unscrupulous people have been advocating the elimination of labour relations. How? By encouraging everyone to become the boss, and workers will then turn into bosses. However, they are only bogus bosses, and the result is that labour relations and employer-employee relationships will be eliminated through bogus self-employment, and all related rights of the workers under the labour legislation are lost and eliminated. The Government advised that the Courts will make reference to case laws and modernize existing legislation, but I consider this most inadequate. Therefore, I strongly urge the Government, in particular, the Labour and Welfare Bureau, to examine the problem of labour exploitation in relation to the "elimination of labour relations" with the present economic transformation in Hong Kong and identify remedies as soon as possible, instead of turning a blind eye to this problem and remain indifferent.

To improve the labour relations in Hong Kong, I think the Government must set an example of a good employer because it is the largest employer in Hong Kong employing the largest number of employees. I notice that with our persistent demand over the years, the Government has become a bit lenient, especially in the appointment of civil servants. The ceiling of 160 000 civil servants has been lifted, and I am glad to see this outcome. There are now a few thousand more than 160 000 civil servants, which is indeed a breakthrough. A few years ago, the Government was very reluctant to remove this cap, but now it has been removed and the Government is finally prepared to employ additional staff. While employing additional staff, it has adopted an unscrupulous employment system and set a very bad example, such as implementing the contract system, employing temporary staff and engaging non-civil servant employees to fill civil servant positions originally being permanent posts, thereby giving rise to a trend of "eliminating the labour relations in the Civil Service". I hope my remarks today will curb this undesirable trend.

What is most saddening is that, as shown by the facts over the past year — they may be accumulated over the past few years — not only does the Government employ temporary staff and contract staff to fill otherwise permanent civil servant posts, but some government departments have also entered into contracts with recruitment agencies and intermediaries on providing the Government with necessary employees, such as junior clerks. These employees are neither directly employed by nor contract staff of the Government, but employees of a certain intermediary or recruitment agency. I think this is really ridiculous.

When I raised this question at the briefing, the Secretary for the Civil Service said that although she was not aware of this situation, she would conduct an investigation into it in response to our request and would provide us with a paper for discussion later. I hope this will really be the case because the staff members employed by those recruitment agencies only receive a salary of \$4,900-odd, which is pathetically meagre. Why does the SAR Government, being the largest employer in Hong Kong, not set an example of a good employer? Seeing that the Government has adopted this practice, those large organizations, with the MTR Corporation Limited (MTRCL) being the first one, simply follow suit. Why are there frequent rail accidents? Why are there so many maintenance problems? Because the MTRCL implements the contract

system and follows the Government's example of relying on recruitment agencies for the provision of workers (*The buzzer sounded*)

PRESIDENT (in Cantonese): Mr WONG Kwok-hing, time is up.

MR WONG KWOK-HING (in Cantonese): Time is up, then I can only stop here. Thank you.

DR DAVID LI: President, for too many years, preparation of the annual policy address has been sidetracked by short-term issues. Instead of a roadmap for the way forward, we got hodgepodge of relief measures. Instead of a strong foundation for future growth, we got temporary band-aids.

This year, the Chief Executive has very wisely put Hong Kong on a new course. His policy address put the focus squarely on policy. He outlined his Government's priorities, and provided a vision for a more sustainable, a more inclusive and a more globally competitive Hong Kong.

It is easy to announce giveaways and short-term fixes. It takes a brave and visionary leader to develop a policy framework that aims squarely at strengthening our economy, enhancing the quality of life, and addressing the root causes of the challenges faced by individuals and by society at large.

Further, I believe that the Chief Executive's policy address will be welcomed by our neighbours on the Mainland. By clarifying priorities of the Government and the future direction of the Hong Kong economy, the Chief Executive has provided a framework that allows our neighbours to work in tandem with us to develop win-win strategies.

This policy address has shown that we are listening to aspirations of our neighbours. Importantly, the address has highlighted how Hong Kong can contribute to regional prosperity. The six industries are very much part of this new strategic vision.

The global financial crisis has battered the financial services industry. Nevertheless, the Chief Executive very wisely recognized that the global crisis is not a reason to turn our backs on financial services. Rather, this crisis presents us with new opportunities. The banking sector is very much encouraged by the Chief Executive's reaffirmation of the financial sector's leading role in the economy. The financial crisis has taught us that we cannot rely on other countries and other regulatory regimes to safeguard the global financial system. Our country, including Hong Kong, must strive to take a leading role on the global stage.

The Chief Executive outlined a series of policy initiatives that will allow us to assist our country in this regard. He highlighted how we can serve as a testing ground for the liberalization of our country's capital account and the internationalization of the Renminbi. Further, he committed the Government to enhancing the two-way flow of capital and talent between Hong Kong and the Pearl River Delta Region. His Government will work to strengthen co-operation in financial market infrastructure, and to promote the further development of our financial markets. These are important measures which will generate long-term benefits for Hong Kong and for the region as a whole.

The banking industry welcomes the ongoing review of regulatory standards and practice. Events of the past year have revealed significant shortcomings in the operation of the existing regulatory regime, in particular in relation to the sale of retail investment products. In conducting this review, the aim must be to ensure a transparent operating environment, in order that the sanctity of the contract will never again be subject to political pressure. We must strive for a regime that facilitates the consistent exercise of regulatory oversight. We must ensure that all parties consider the regime to be fair and balanced. At the same time, it is important that regulation does not become a burden, neither in terms of cost nor in terms of administrative overhead. In our rush to impose new standards, there is a danger that we may stray from the proven practices of the past. This would be a mistake.

We would do well to remember that Hong Kong has weathered the financial tsunami much better than other financial centres. Our banks remain strong. They are well prepared — and able — to support local businesses to pursue future growth opportunities. The same cannot be said of banks elsewhere. Therefore, we should keep to our established practice of setting out

clear principles, and resist the temptation to impose an increasing number of inflexible and bureaucratic rules.

Many of the measures already implemented, or are in the final stages of consideration, will add considerable cost to bank operations. If we do not proceed with care, this could result in changes in the way that banks deliver their services. For example, physical separation of retail banking and investment advisory services is desirable from a prudential point of view. However, it may mean a reduction in the space allocated to retail banking services in some branches. It may also have an impact on the cost of providing such services to the general public.

Discussion is well-advanced on the proposal to raise the standard deposit insurance level to \$500,000 from \$100,000. The Government makes several good proposals in its consultation document aimed at reducing the cost impact of this increase. Nevertheless, there will be additional costs. Banks operate in a highly competitive environment, and will do everything in their power to deliver their services as competitively and efficiently as possible. Still, the rise in costs may be passed on to the end user in some form, if the burden becomes too great.

I must also highlight that the banking sector warmly welcomes the conservation and the harbourfront enhancement proposals for the Central District. Our city's competitiveness is not only reliant on how much new infrastructure we create to link Hong Kong to the Pearl River Delta Region. Our competitiveness is also closely linked to the attractiveness and the living environment of our city. The Central Business District is the hub of the banking industry in Hong Kong. The Central conservation and revitalization projects will not only enhance the quality of life in our city; they will also have a direct economic benefit, by making Central a more attractive district in which to work. This will make Hong Kong more competitive internationally, and will assist in our efforts to attract talented individuals to Hong Kong.

Indeed, I was very much encouraged that the Chief Executive reaffirmed his Government's commitment to welcome men and women of talent from the region and from overseas. This is a very different response from the Government's approach when we last faced an economic downturn. At that time, the Hong Kong Government introduced restrictions that made it more difficult for talented individuals to work in Hong Kong. It is a reflection of the

maturity and wisdom of our present Government that, not only has the open-door policy been maintained, but it is also being opened wider.

President, I take great pleasure in supporting the Motion of Thanks.

Thank you.

MR ALBERT HO (in Cantonese): In discussing policies on the macroeconomic development of Hong Kong, we will inevitably touch upon five basic considerations: firstly, who will benefit from the fruit of economic development; secondly, whether we can uphold the principle of fair competition in promoting economic development; thirdly, whether we have protected the environment and culture in a balanced and adequate manner in the course of economic development; fourthly, whether the Government can perform its regulatory function appropriately and adopt strategies to ensure balanced development; and fifthly, whether the Government can maintain an effective governance in the course of development, especially in rapid development.

I will elaborate these considerations one by one. First of all, who will benefit? This is closely related to the philosophy of governance and values of the Chief Executive. In paragraph 51 of the policy address, the Chief Executive reiterated his concept of progressive development. He mentioned that a rich pool of talents was required for economic development and hoped that a diversified culture and a quality living environment could be developed in Hong Kong. In paragraph 123, he talked about the fundamental solution, saying that as a city economy, Hong Kong must strive for economic growth and wealth creation to address the employment and poverty issues. If we were to maintain welfare-based relief measures on a long-term basis, we would have to increase tax rates and the public might not agree with this approach. These few sentences have already concluded his whole philosophy. And for this reason, we can see that over these years — the Chief Executive has adopted the concept of his predecessor — the Hong Kong economy, undoubtedly, has a steady development and many rich people continue to be ranked among the world's billionaires. But what is the life of the grassroots in Hong Kong? All we can see is that, as pointed out in a report released by the Hong Kong Council of Social Service, 1.3 million people are living below the poverty line. If the Government is

reluctant to agree to the definition of this poverty line, we can take a look at a globally recognized standard: the Gini Coefficient. Our current Gini Coefficient has kept rising to 0.533, which ranks the top few in the world, making us feel ashamed about it.

That the Chief Executive turns a blind eye to the disparity between the rich and the poor and the poverty of the grassroots has clearly shown that the whole philosophy of the Chief Executive's governance is in lack of social justice and has no concern about the grassroots at all. Therefore, among his five policy addresses, this one is the least supported by the public. And for this reason, according to an opinion survey released by the University of Hong Kong (HKU) yesterday, 64% of the interviewees, in response to one of the questions on whether they were satisfied with the Chief Executive's measures to address poverty, answered in the negative. At present, as we can see, the overwhelming majority — the majority — is very dissatisfied with the Chief Executive's policy address. In fact, the Chief Executive should ask himself these questions. What is the objective of promoting economic development and bringing wealth to society? Shall we share the fruit of economic development in a reasonable manner? If he cannot figure out these questions and arrive at answers acceptable to all of us, how can he expect himself to get support from the public?

The second point is about fair competition. I particularly wish to talk about the six industries. The Democratic Party has all along been supporting Hong Kong to develop towards diversification of industries. As we all know, regarding the existing four pillar industries, it is necessary for us to adopt a new thinking to see if they can be developed in a diversified manner. We certainly do not dispute the need to reinforce and uphold the existing four pillars. However, in commencing the development of new industries, the Government has a role to play in maintaining a level playing field. If concessionary policies are proposed for the promotion of new industries, these rules and measures should be rule-based, adequately transparent and fair to all participants. The Government has selected six industries only. First of all, does the Government consider that it is wise enough and has made a sound choice? Second, as for the seventh and eighth industries, if there is evidence to show that they have innovative ideas and can create a new market, why are they being excluded from some of these concessionary policies? Therefore, when we met with the Financial Secretary, we had, time and again, stated our support for the Government's active role in its industrial policies to promote diversification of

industries. However, the level playing field should in no way be undermined, otherwise, numerous problems may follow.

Third, in respect of conservation of environment and culture, we of course find that there is a new awareness in the whole community. Moreover, frankly, we should also admit that many Members from the democratic camp in the Legislative Council are also learning or accepting new ideas about this issue. In the past, many policies, due to rapid development, have ruined a lot of precious physical features, such as the Victoria Harbour, and failed to preserve some monuments. However, precisely for this reason, we are even more aware of the need of cherishing some rare monuments and public spaces, and preserving spaces or buildings that carry our collective memory. Regarding this point, I have to praise Secretary Carrie LAM for her overall preservation policy in Central. We can see from an opinion survey conducted by the HKU that 70% of the interviewees sang praises of this policy which embodies three-dimensional concepts and long-term considerations. In particular, the Central Market, as we all know, although the Government cherishes the value of this land very much, it is still prepared to carry out conservation. As such, we can also see that the Government has changed its mindset. However, as we all know, there are still many problems, especially the one relating to public spaces. We still have to make much improvement in such conservation. We hope that the many development projects in future can carry a sufficient awareness of conservation.

The fourth point is related to the regulatory function. In a capitalist society, we face ups and downs of the economic cycle. Inevitably, a lot of bubbles will be seen and on many occasions, such bubbles will burst. However, it is the Government's responsibility to have a good regulatory structure in place and make sound judgment, and intervene whenever appropriate, so as to prevent asset bubbles from being formed and bursting rapidly, resulting in a hard landing which causes losses to the public. If the Government wants to achieve this, apart from making instant judgments of the conditions, long-term planning is also very important. After the release of this policy address, the Government has heard many voices, that is, public grievances about the inadequate supply of housing. In particular, many people from the middle class cannot afford home ownership and professionals can only sigh at the idea of home ownership. As a matter of fact, the Government is well aware of the shortage of land supply in recent years, which is mainly attributed to the existing Application List system. We have also advised time and again that the Government should reconsider

adopting the policy on sale of land by auction on a regular basis, improving the existing Application List system and lowering the threshold. I have also suggested that the Government should consider providing flats again under the Home Ownership Scheme and constructing more public housing. In my opinion, meeting the housing demand of people from the middle and lower strata is very important to stabilizing society as a whole. I hope the Government can lend an ear to the public's views.

The fifth point is about governance capability. We may query the relationship between economic development and governance capability. This relates to a comment frequently made by the Government, that they have to race against time. Very often, development should be conducted in a timely manner, so that it can tie in with the surrounding environment. As such, rapid development is always an issue for our Government to consider in its governance. However, very often, we find that in case the Government wants to strive for speed and has made wrong judgments or decisions, there will be more a loss than gain to us. Recently, on the issue of constructing an express rail link, some people have raised many queries, many basic queries. For example, should the station be located in that place? This is a most basic consideration. As far as I can remember, the Government's first reaction was that: if we kept on thinking in this way, there would be a delay for two to three years. However, we told the Government: Sorry, this is a very basic strategic consideration. If the station is located correctly, not only will this bring about many changes to the entire mode of transportation, it can also stimulate economic development of the whole region. Therefore, the Democratic Party cannot evade this question in our consideration. Recently, an alternative option has been proposed regarding the development of the express rail link, suggesting that the station should be located at Kam Sheung Road. This is a significant topic. We should never say that as we have to strive for rapid development and race against time, we can only evade from considering some significant alternatives. In this connection, it is not acceptable to us.

Moreover, without such capability, many things should not be proceeded with. As far as I can remember, when some financial products were put on sale in the Hong Kong market about a couple of decades ago, the Government said that we had a sound regulatory system and there was no need to worry. But later, we found that we failed to do so. When the market is flooded with these structural products, we then find that our regulatory body is absolutely incapable

of protecting consumers' interests. As such, I understand why in many advanced countries, including the United Kingdom and the United States, retail sale of some structural products to the general public is not allowed in their markets. If Hong Kong does not have such capability, the Government should make reference to the practice adopted by other countries. In view of this, I think governance capability is important.

Moreover, the Secretary for Development has also put forward many new ideas, such as releasing the potential of industrial buildings this time. I think this policy may be in the right direction. But we are really very worried, upon implementation in future, whether many loopholes in law will be exploited, resulting that some original intentions of planning are distorted and some people making ill-gotten gains. All these are also matters of concern to us. In particular, there are many examples recently in which developers have exploited such loopholes cunningly. An example was cited at a panel meeting in the Legislative Council yesterday. A building, which was 30-storeyed, could be taken as 88-storeyed. But surprisingly, the Director of the department concerned said that he could do nothing about this. It seems that our law has failed to perform its regulatory function. I am really puzzled. A building plan should tell people the number of storeys, but how can the numbering be placed in such an illogical order. Ridiculously, it is allowed (or interpreted as allowed) in our law. This makes me query the Government's governance capability.

As I have already talked a lot about economic development, I would like to spend a few minutes on financial matters. Firstly, the Government has mentioned how to handle the Lehman Brothers minibond incident, that is, the so-called sale of financial products. Many knotty problems have emerged in the wake of the financial tsunami. Now, as for the handling of the Lehman Brothers minibond incident, the Government has come up with some solutions. However, some problems still remain to be resolved, as someone has challenged if the Securities and Futures Commission (SFC) is empowered to give up its power to conduct a systematic investigation of banks. In this regard, I think there is a genuine need for the Government to make a serious consideration. Of course, I do not want to talk about it anymore, as legal proceedings may follow in future. However, this point is most crucial as a regulatory body should not give up its statutory responsibilities and powers as it wishes. Therefore, I hope the

Government can bear this point in mind. This cannot be taken as a condition for settlement. This is the first point.

The second point is, as for the Lehman Brothers minibond, we of course know that it is a very complicated product. However, we have to bear in mind that it is not only the Lehman Brothers which put such minibonds as the Lehman Brothers minibond on sale. There are also other minibonds, such as Constellation issued by the DBS Bank, which is entirely of the same design. Besides, there is a minibond called Octave Notes, which is also of the same design. Many people have suffered great losses because of the unscrupulous sale practice. I think the Government, in applying a fair principle, should consider clearly why these cases cannot be resolved altogether in a reasonable manner. We really have no solution. If the Government does not stipulate the principle in an impartial manner, I believe many people who have purchased these similar minibond products will be extremely discontented.

Moreover, when the Lehman Brothers products were launched in the market, there was a period of time during which the entire financial sector knew that such sale was inappropriate. Particularly, in mid-2008 or at the beginning of 2008, the financial sector had even made it very clear that many financial institutions had issued internal guidelines that no more purchases of such minibonds must be made. But why did we fail to make some efforts in this regard? Why had our Government not alerted the general public at all? Regarding this point, has it revealed any systematic problem for which the Government should be held responsible? This is the first point I wish to raise.

The second point is about regulation of listed companies. In our opinion, there is a need to reform the laws in Hong Kong expeditiously. As for many powers currently being exercised by the Stock Exchange of Hong Kong, the Government should expeditiously formulate a legal basis and transfer them to the SFC, so as to avoid conflicts of interests. I am not going to elaborate on this point in detail here as this has been discussed for several times, especially regarding the listing rules.

On the other hand, I have all along had confidence in the work efficiency of the SFC. In particular, as we can see, in handling the PCCW incident

recently, it has worked promptly and managed to cope with the tight schedule. It has done everything it should. As such, I would like to praise it for this.

However, in a number of incidents, it was totally in lack of transparency. As far as I can remember, in many complaints relating to listed companies, the complainants have been kept entirely in the dark. Up till now, the outcomes have yet been made known to them. Some cases might have even been put aside and perhaps, no reply might be obtained forever. Recently, there was a case in which the CITIC Pacific announced last year that due to failures in speculation, half of its assets had been lost. At the same time, it was revealed that the management of the company had made some untrue declarations. Such faults were substantiated by a lot of evidence. The SFC had lodged a complaint immediately. But after a year, the company has yet given any account on it, making investors feel extremely discontented. Moreover, we also query the transparency of Hong Kong's work and operation as a financial centre.

We once raised a proposal to the Financial Secretary, hoping that he could invoke the power under the company law to conduct an investigation and make a disclosure appropriately. But to date, the Financial Secretary still refuses to invoke such power, saying that the SFC is fully capable of performing its regulatory duties. However, if the SFC continues to operate in a black box, how can it tell the public that it is performing its functions in a fair and impartial manner?

Lastly, I think there is much room for the Hong Kong Monetary Authority (HKMA) to make improvement. On the governance structure, from appointment to supervision, it is imperative that the HKMA be subject to checks and balances. As for the procedure of appointment, we have expressed a lot of queries. As regards the so-called selection procedure in the past, though it is history now, the Democratic Party will still follow it up as this is a matter of principle. We really want to know how such selection procedure was conducted at that time. Why did we consider that it was a fair procedure?

Another point is about the Banking Ordinance. We consider that a relatively comprehensive reform should be carried out in this regard. In particular, the HKMA has, earlier on, released a report on reform proposals, in which the major question is: Is it necessary for banks to be held responsible for

upholding consumers' interests? As we all know, in society, banks serve very important functions. In fact, the developments in recent years have made us come to the view that banks have taken profit-making as their principal goal. On the contrary, regarding many social responsibilities, banks are not prepared to shoulder them up. Examples include that banks in many remote districts have closed their branches and only provide some automatic teller machine services at most, making the whole community query whether banks have taken up their social responsibilities at all.

Moreover, as for many complaints lodged by consumers or clients, we also query whether banks have handled them impartially. However, whenever a complaint is referred to the HKMA, the HKMA will tell us that it has no power to handle such kind of complaints. I consider it is now time we reformed the Banking Ordinance. Of course, I have to reiterate that the same should also apply to the HKMA. We consider that there is a need for the Government to consider making a law for the HKMA, so as to stipulate its powers and duties under this framework.

My conclusion is, once again, about the fair competition law. I hope before it is tabled before the Legislative Council, the Government will listen to some of our views, especially the most important point — I hope the Under Secretaries can also lend an ear to it — that is, public organizations should not be exempted. During these days, we have received a lot of complaints, alleging that the Hong Kong Trade Development Council has manipulated the exhibition industry and gave rise to unfairness, and that The Hong Kong Mortgage Corporation Limited has manipulated the mortgage insurance market, about which great grievances are heard. I hope the Bureau can fully consider these views. When introducing the law, it can address some of our queries or take on board some proposals which I consider most reasonable.

I so submit.

MR ANDREW LEUNG (in Cantonese): President, the Chief Executive has mapped out the long-term economic development of Hong Kong in his policy address, in which the economic initiatives are not only innovative but also effective. Moreover, in view of the prevailing economic situation and competition in the neighbouring regions, he has changed his original mindset of

governance, pointing out that Hong Kong economy cannot only rely on financial services. Rather, we should move towards diversification. Both the Federation of Hong Kong Industries (FHKI) and I take the view that this is a correct direction, and hope that Hong Kong can take this opportunity to enhance its mid-to-long-term competitiveness, so as to lead Hong Kong to develop in the high valued-added direction.

The policy address proposes to adopt proactive policies to remove all unnecessary restrictions and lead the economy and industries to develop in a diversified manner. Apart from accepting the FHKI's request on the Government to take concrete actions to support industries to conduct research and development (R&D) over the past years, the Chief Executive also supports revitalizing industrial buildings and releasing their economic potential, which will be very conducive to the overall economy and employment.

President, in the following, I will speak on several items of economic development which the industrial sector is concerned about. The first one is expenditure on R&D.

This policy address proposes to allocate \$200 million to launch the R&D Cash Rebate Scheme (the Rebate Scheme), under which enterprises conducting applied R&D projects with the support of the Innovation and Technology Fund or in partnership with local designated research institutions will enjoy a cash rebate equivalent to 10% of their investments. Since 2001, the FHKI has requested the Government to encourage enterprises to inject more resources into R&D through tax concessions. After nearly 10 years, although the amount of the cash rebate is far less than the tax deduction of three times of the expenditure proposed by the FHKI, and the actual assistance for enterprises is relatively small, we hope that the Government can continue to support industries in their development towards high value-addedness as well as innovation and technology, and will never slow down its pace.

President, Hong Kong has all along been lagging behind other developed economies in terms of investments in R&D. Given that the existing local R&D expenditure accounts for less than 0.8% of the Gross Domestic Product, which is far lagging behind the average 2.3% of other member countries of the Organization for Economic Co-operation and Development, it is necessary for Hong Kong to rouse itself to catch up with the general trend of R&D and

innovation. In this way, it can maintain its competitive edge amid globalization of the world economy. The industrial sector has all along been stressing that as it is not the most effective way for the Government to make huge investments in R&D, coupled with the fact that R&D is mostly dominated by tertiary institutions, many R&D projects will thus put emphasis on academic researches. Very often, results can only be seen in academic journals. Most R&D projects can hardly step beyond academic researches into applied sciences. As there is a rich pool of technology talents in Hong Kong and ancillary facilities for R&D are quite good, we have all along been advocating that the Government should offer tax concessions to attract enterprises to inject more capitals into product R&D and fully utilize the talents, so as to facilitate R&D and innovation of local products.

With tremendous resources being injected by industrial and commercial enterprises, training and employment opportunities will be created for local graduates. This can not only attract overseas talents in R&D, creation and design to converge in Hong Kong, but also provide a sound platform for young talents in design and R&D, so that local and overseas talents can have exchanges. This will be conducive to opening up the horizons of the new generation, and will in turn foster Hong Kong into a design and R&D centre in the region. With huge investments and emergence of new opportunities and exchanges between countries, the young generation can understand the great potential and room for development of innovative and creative economy all over the world, hence opening up another career path for them, too. I believe that only if the young people are given opportunities, they can certainly make use of innovation to upgrade Hong Kong's competitiveness.

The FHKI and I believe that the Rebate Scheme has struck home a positive message, which is conducive to encouraging enterprises to make more investments in R&D, thereby strengthening our capability of innovation and enhancing our competitiveness in the international market. At present, enterprises inject more than \$6 billion into R&D each year. I hope the \$200 million Rebate Scheme currently proposed by the Government is only a start. I also hope that this sum of money can be used up quickly, and the Government will conduct reviews when appropriate, make swift responses, allocate more funds or change its mentality and introduce tax concessions.

Moreover, running the risk of being long-winded, I wish to repeat to public officers once again that many countries all over the world have also offered tax concessions to enterprises for R&D and innovation and such arrangement is very effective. I hope the Government can gradually extend the coverage of its concessionary measures and enhance its intensity, including offering enterprises a tax deduction of three times of the expenditure on R&D, product design and brand promotion, so as to adopt a more flexible way to promote innovation and applied technology among enterprises.

The second item I would like to talk about is the revitalization of industrial buildings. President, in the policy address, there is a policy about which the industrial sector is very concerned, and that is, adopting a package of measures to encourage the redevelopment or conversion of industrial buildings by owners, with a view to releasing the potential of over 1 100 old industrial buildings. This policy has also answered the aspiration of the FHKI and even the whole industrial sector over the past years.

During the past two to three decades, many factories in Hong Kong have moved to the north or relocated their manufacturing processes to other developing countries. Hong Kong has thus changed from a manufacturing base into a service hub for product design, development and marketing. Many service industries, such as transportation, logistics, financial and financing industries began to spring up, serving as support for the economic development of Hong Kong. However, it has all along been strictly required by the Lands Department that an industrial building should use at least 70% of its floor area as manufacturing and production plants, and the remaining 30% can be used for conducting support activities for industries. Once the ratio of non-manufacturing and non-production activities exceeds 30%, owners are required to pay regrant premiums. As the regrant premiums payable are very high, coupled with the fact that the formalities for modification of use are very complicated, owners are invariably deterred. As a result, many units in industrial buildings are left vacant, causing wastage of social resources.

The Chief Executive proposes to lower the threshold for redevelopment and allow owners to pay regrant premiums based on a "pay for what you build" approach. Moreover, he has accepted the opinions given by me and the FHKI, allowing owners of industrial buildings under redevelopment to pay regrant premiums in instalments over a period of five years at a fixed interest rate. As

for the Government's proposal to exempt owners who opt for the wholesale conversion of a building from paying the waiver fee, I think this is a very forward-looking measure which can really revitalize old districts. I hope by that time, there will be more factory outlets, book cities, arts districts, creation centres, audio sales exhibition centres, electrical appliances wholesale and procurement centres and even yoga schools, fitness centres, cookery schools, and red wine tasting centres and warehouses, such that greater economic impetus and employment opportunities can be created to push the development of whole communities.

President, regarding the six industries that have an edge, over the past half year, discussions on these industries have begun and a consensus has been reached in the community that Hong Kong cannot merely rely on the financial industry. In developing the six industries, we should, based on the structure of the existing industries, incorporate the traditional industries with the certification services, creative industries, innovation and even environmental industries, so as to develop new high valued-added products. For example, the traditional manufacturing industry can "make a difference" from manufacturing simple electronic equipment to energy-saving light bulbs or LED lamps, the "sky eyes" surveillance systems, and even automotive parts or plane parts, as well as environmentally-friendly electric vehicles. Textile products can also become fashions and build up their brands, and by means of nanotechnology, new cloth materials can also be produced. We may even mix and match the six industries. For example, medical services can mate with testing and certification services, so as to enhance the confidence of users of such services and products in and outside Hong Kong in these industries. I have all along been stressing that with rapid development and increasing competition all over the world, Hong Kong is now in face of economic transformation. The Government is duty-bound to examine the utilization of the original social resources, see if they can cope with the new economic structure, and provide appropriate support in terms of policy.

Among the six industries, I think testing and certification services, after development for ten-odd years, have gained international recognition and are well-established now. In order to further promote this industry, the testing and certification services in Hong Kong should grasp the keen demand for quality and efficient testing and certification services of Hong Kong businessmen's huge manufacturing base in the Pearl River Delta (PRD) Region. In the past, they

conducted testing and certification of products and parts for the manufacturing and services industries. In recent years, the scope of their services has even extended to testing of food and medicines. The testing standards of Hong Kong and other countries all over the world will continue to be upgraded and reformed in future, and certification schemes in various countries are also different. As we have professional edges in testing and certification, the Hong Kong Council for Testing and Certification should draw up a development plan expeditiously, so as to assist Hong Kong in becoming an important testing and certification centre in the region.

I hope that the Council, in its proposal on enhancing promotion internationally and assisting testing institutions to participate in international exchanges and interactions, should not lose sight of opening up the Mainland market. We should negotiate with the Guangdong Provincial Government, under the Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020), to strive for recognition of certificates issued by laboratories and certification institutions in Hong Kong on an early and pilot implementation basis in Guangdong Province. In this way, it will obviate the need for Hong Kong businessmen to undergo complicated formalities on repeated testings and certifications of their products manufactured in the PRD. Moreover, with the sound credibility of certification by Hong Kong, we can strive for recognition by customers in the Mainland, which will then serve as an important tool for us in opening up the domestic sales market.

President, regarding loans for small and medium enterprises (SMEs), economic development can in no way ignore SMEs. In Hong Kong, 98% of the companies are SMEs. Whether Hong Kong's economy can recover depends on how the Hong Kong Government offers assistance to SMEs in its policies. At the end of last year, the Government launched the Special Loan Guarantee Scheme for SMEs, which supported over 20 000 enterprises and kept the "rice bowls" of over 240 000 wage earners during the financial tsunami. Thanks to repeated discussions among me, the industrial and commercial sector, banks and the Government, the loan interest rate offered by banks has been lowered gradually from the level at the launch of the Scheme which was far higher than the prime rate to the prime rate level which is affordable to SMEs, or even to a level lower than the prime rate. Moreover, the Government eventually accepted our proposal in June to raise its loan guarantee ratio to 80%. The highest loan provided to each enterprise was also increased from \$6 million to \$12 million, in which the amount of revolving loan was also doubled to \$6 million. These

measures have encouraged banks to lend money to SMEs, which in turn enables enterprises to operate their businesses at a reasonable interest rate.

Although export orders have shown a rising trend recently, SMEs still face tremendous difficulties in operation. It is really hard for external and local economies to rebound by the end of this year, and the confidence of banks and lending institutions have yet been restored. I deeply believe that, if the Scheme were cancelled at the end of this year, it would very likely deal a great blow to the operation of SMEs. We proposed to the Chief Executive in September that the deadline for applications under the Special Loan Guarantee Scheme be further extended to the end of 2010, so as to enable enterprises to have a stable supply of loans and make long-term financial planning and operational arrangements in the light of the recovery.

In the long run, I think the Government should consider setting up a formal lending mechanism for SMEs, so as to provide them with stable lending support, no matter the economic situation is favourable or not. This will also be conducive to the survival and development of SMEs. The Government should make reference to the loan guarantee company under the Guangdong Provincial Government and set up a loan guarantee company limited for SMEs, so as to provide up to 90% of loan guarantee and export credit insurance to enterprises engaging in the exports trade. It may even provide loans for overseas buyers at a low interest rate direct, with SMEs being its major beneficiary.

Lastly, I would like to talk about cross-boundary infrastructure. Over the past few years, the planning of infrastructure for transportation and logistics in Hong Kong and the Great-PRD Region has been quite comprehensive, and most of the planning has already been commenced. Hong Kong, under the framework of "one country, two systems" and as an autonomous customs territory, should implement various measures, including those of software and hardware, to relieve contrived hindrance at the boundary between Shenzhen and Hong Kong.

Efficiency in enhancing flows of people and goods across the boundary mainly lies in the efforts put into the hardware and software. In order to realize free flows of people and goods in the region, the crux is convenience and effectiveness of cross-boundary transportation. In other words, the software in

management of border control points and transport infrastructure should be upgraded in tandem with the hardware.

These measures include: extending the hours of operation or implementing 24-hour operation at various border control points expeditiously; implementing one-stop clearance; planning new border control points in line with the regional economic development; and issuing business visas to foreigners stationed in Hong Kong. With all this, seamless operation at the boundary can be genuinely achieved.

In future, with economic integration between Guangdong and Hong Kong, coupled with the comprehensive cross-boundary transport facilities, including the Guangzhou-Shenzhen-Hong Kong Express Rail Link (ERL) which will soon be constructed, for purposes of ensuring that the ERL can stimulate flows of people between the two places, it is necessary for the Government to implement one-stop clearance at the ERL station in Hong Kong, so that travellers will not have to queue up for immigration clearance upon arrival. In this way, there will be smooth transportation across the boundary and long queues at the border control points between the Mainland and Hong Kong can be avoided.

Moreover, with the continuous improvement of cross-boundary transport infrastructure, if we can use one single card, say the Octopus, in the whole PRD Region, so that passengers can use one stored value card to take various modes of transport in Hong Kong and in the PRD Region, this will bring more convenience to passengers on interchange.

President, I so submit.

DR LAM TAI-FAI (in Cantonese): President, before the release of his policy address, the Chief Executive stated in a high profile that since the financial tsunami, the SAR Government had spent tens of billion dollars to implement relief measures, and so, this year's policy address would no longer adopt the tactic of "handing out candies". Rather, it would take development of the six industries as its theme and put emphasis on improving the economy.

President, I in fact have no objection to the Government's vigorous development of the six industries. Indeed, I also fully agree that these industries will lead Hong Kong's economy to develop in a more diversified and balanced direction. However, these six industries, after all, are very long-term planning. The Government has to inject a lot of manpower, resources, money and time in order to get a chance of success, and there is no way to achieve the desired result overnight. If the Government, under the prevailing economic situation, puts too much emphasis on these six industries, is it aiming at distant goals rather than addressing immediate concerns? Has the Government ever considered that in doing so, Hong Kong's economy will, on the contrary, lose balance and be exposed to great risks?

President, I consider that in order to develop the six industries effectively, the Government should draw up concrete plans and measures, clear objectives and performance indicators. Of course, there should also be a timetable for development. However, I feel the Government still fails to deliver in these aspects. As we should know, it is very hard to make any achievement or strike success if we only have great aspirations and directions without any concrete methods and measures.

The Chief Executive has stressed time and again that in developing the six industries, he would never forget the development of the four pillar industries. But why is nothing mentioned of the industrial development? As a matter of fact, the Government has all along been looking down upon our industrial sector. Over the years, the Government has simply turned a deaf ear to our request for the formulation of a comprehensive policy on industrial development. The industrial sector has seldom been mentioned in policy addresses and budgets over the years, and not a single word has been mentioned this year. Even such a lip-service of encouragement is not paid.

In fact, the industrial sector and the lower stratum are facing the same plight, both being the "three have-nots": without any support policies, development direction and material benefits. The industrial sector, to me, is just like an orphan abandoned by the Government. This really makes us feel disappointed and furious. The Government belittles the industrial sector in this way. It is not surprising that no more youngsters are willing to work in the industries in Hong Kong. As they find that there will be no future or prospect, they do not want to work in the industries. As time passes, our industrial sector

will be short of talents and new blood. By that time, I believe it is very hard for the industries in Hong Kong not to disappear automatically.

President, although Hong Kong is no longer a suitable place for the development of the labour-intensive manufacturing industry, it does not imply that industries have no potential to develop in the direction of high value-addedness, high quality and high technology. Let us take a look at other places with prosperous economic development all over the world, such as the G7 countries, that is, Canada, the United States, France, Germany, Italy, Japan and so on. They are all developing their industries with tremendous efforts and have a full package of development policies. Why has Hong Kong not drawn up any policies in respect of industries? The governments of all these countries understand that industry is a major part of the real economy, which is essential to any balanced and stable economy. However, our Government is very short-sighted, which belittles industrial development and simply lets the industrial sector stew in our own juice, without drawing up any development policy for us.

President, the Chief Executive uses the slogan of "Breaking New Ground Together" as the theme of this year's policy address, giving us an impression that it should be full of vigour and dreams. But I think he has no heart at all. Before breaking new ground, I hold that we should review the past and understand the prevailing situation. Hong Kong has such achievement and foundation now is fully attributed to the contribution and efforts made by us in the industrial sector all along. As the Government should know, the industrial sector has fed many families. Moreover, it has also paid a lot of taxes and nurtured many outstanding talents in the community. The Government should appreciate the contribution made by the industrial sector and continue to support our development. It should draw up policies for us, assist us to upgrade and transform and help us to seek ways out and breakthroughs. For example, the Government should assist the industrial sector to identify more overseas markets and help Hong Kong businessmen to take part in exhibitions and promote domestic sales. As for the upgrading of Hong Kong businesses from enterprises engaged in processing with supplied materials to enterprises engaged in processing imported materials, they should enjoy the same concessions and status in taxation. The Government should not adopt an across-the-board approach in an indiscriminate manner and refuse to offer the depreciation allowance to those enterprises engaged in processing imported materials for using machinery and industrial equipment, including moulds, in the Mainland. Moreover, it should

not penalize these enterprises in future and recover taxes in default for the past years from them. In fact, the Government has made a mistake, taking our law-abiding enterprises as companies which evade tax in invoking section 39E of the relevant ordinance wrongly to penalize the industrial sector.

I believe that as we all know, the industrial sector is now facing a very difficult operating environment. If the Government adopts an across-the-board approach again to implement this ordinance and penalize our innocent enterprises, it is no different from rubbing salt into our wounds. Our sector is now living in fears as we do not know when we will receive notices from the Government for recovery of taxes in default. In fact, many members of the manufacturers' association have also suffered and been penalized. If the Government keeps on ignoring this issue — I have reflected it for several times — I am sure it will greatly reduce enterprises' desire of upgrading, transforming and investing in machinery and equipment. This will deal a great blow to the survival and competitiveness of enterprises and hinder the development of Hong Kong economy. Such a move is in fact against the policy of the Mainland authorities, and also runs counter to the direction of upgrading the level of economic development advocated by the Chief Executive recently. Obviously, you are provoking a confrontation. Therefore, I keenly hope that the government departments concerned can mend the fold after a sheep is lost and stop recovering taxes in default from our innocent sector immediately. At the same time, it should review this outdated ordinance at once and make amendments according to the actual situation.

President, when the financial tsunami occurred last year, the Government had dealt with special tasks with special means and launched the Special Loan Guarantee Scheme. This is really praiseworthy. Later, Secretary Rita LAU heard many voices from the sector and heeded sound advice to increase the amount of loan guarantee from 70% to 80%. This is also praiseworthy. However, regrettably, Secretary Rita LAU is not here today. I hope Under Secretary Gregory SO can convey my message to her.

The Chief Executive, just like many senior public officers, always says that "SMEs are an economic pillar of Hong Kong". But surprisingly, in this year's policy address, nothing has been mentioned of how best this economic pillar can be helped. The Special Loan Guarantee Scheme particularly mentioned by me just now will expire by the end of this year. The Government told me at the last

panel meeting that it would review the Scheme in mid-November. I really hope that the several Secretaries can bring their influence and wisdom into full play again this time and announce expeditiously whether this Scheme can be extended for one more year or even a longer period, and see if this Scheme can be made a standing one to support our SMEs persistently until the economy is fully recovered. If you can really do so, Under Secretary Gregory SO, your kindness and merits are beyond bounds. The SMEs will thank you for offering us a helping hand.

President, the economic co-operation between Guangdong and Hong Kong mentioned in the policy address this time is to establish a "one hour living sphere". In fact, what has been mentioned is merely an outline. It seems that complementary measures are not ready yet. As stated in my proposal to the Chief Executive earlier on, there should be much room for improvement in respect of taxation. According to the agreement signed between Hong Kong and the Mainland now, if a Hong Kong resident works or stays in the Mainland for a continuous period of over 183 days, incomes earned from institutions in and outside the Mainland (including Hong Kong) should all be taxable. After such assessment, he should pay tax to the State Administration of Taxation as well and the amount of tax payable will be calculated according to the length of his stay in the Mainland. Hong Kong people will, very easily, pay a tremendous sum of tax, as the tax rate in the Mainland is higher than that in Hong Kong. On the other hand, the Hong Kong Government will receive much less in tax.

With the enhanced economic co-operation between Guangdong and Hong Kong, coupled with the implementation of the scheme of "one hour living sphere", it is believed that many Hong Kong people will travel between the Mainland and Hong Kong to work or live. Therefore, the 183-day requirement is not suitable indeed. I do hope that the Government can negotiate with the Mainland authorities immediately to increase the number of days for tax exemption from 183 days to, say, 260 days. With 52 weeks a year and five days a week, we will come up with 260 days. Only in doing so can we realistically cope with the actual need of development. In this way, it will not hinder Hong Kong people from working and living in the Mainland and can ensure the effective implementation of the scheme of "one hour living sphere".

President, after mentioning so many shortcomings or deficiencies of the policy address, I would like to talk about some areas which are relatively

satisfactory to me. After reading the whole policy address, the project of revitalizing industrial buildings should be the most desirable one. At present, the total floor area of industrial buildings in Hong Kong is about 17 million sq m, which is even higher than that of office buildings by dozens of percentage points. With the relocation of the manufacturing industry to the north, such floor area will be far more than enough in view of the demand of the manufacturing processes. All along, due to various reasons such as restrictions in law, complicated formalities and high waiver fees and payment of regrant premiums, industrial buildings can hardly be converted for other purposes. Many industrial buildings are left vacant and their functions cannot be fully utilized. As we all know, Hong Kong is a small place with a large population, land and space are the most valuable resources in Hong Kong. In fact, it is most regrettable to have such wastage. If we can, through this revitalization project, utilize these valuable resources, and have a new positioning, packaging and beautification of these factories, I believe the industrial and commercial development can be boosted as a whole. We can certainly attract more enterprises and people to visit these newly revitalized districts. In this way, we can bring about prosperous development of the whole region and create more employment opportunities. However, in implementing this project, the Government should take the overall interests of Hong Kong as the basis and ensure that various sectors and industries can be benefited. It should neither focus on a certain party nor tilt towards a certain industry. Rather, it should achieve the objective of "supporting enterprises, preserving employment and creating a new community". I know Secretary Carrie LAM I also understand that she will be subject to certain pressure in this project. However, in the long run, such pressure will certainly bring about many advantages to the development and competitiveness of Hong Kong. Therefore, I hope the Secretary should by all means adopt a fearless spirit in implementing this project and work on the premise of the overall interest of Hong Kong.

President, I so submit.

MRS REGINA IP (in Cantonese): President, in this early part of the debate, I would like to comment on the policy address from the macroscopic angle. As one of the themes of this year's policy address is "Economic Development, Our Priority", I would like to make some comments from the macroeconomic angle

first. But regrettably, the Financial Secretary and his aides have already left the Chamber.

Although the Chief Executive emphasizes that economic development is his priority, the policy address has not given a comprehensive account on the Government's philosophy of macroeconomics. Despite Hong Kong's long-established tradition of upholding the so-called "positive non-intervention" policy and advocating free economy and the market-led principle, the Chief Executive's unwitting comment made three years ago, that the "positive non-intervention" policy had long since not been mentioned by the Hong Kong Government raised great doubts in society. However, the Chief Executive and the Financial Secretary have never given any detailed explanation on this. The Government's current active promotion of the six industries is apparently diametrically different from its previous market-led policy. However, in the fifth paragraph of the policy address, the Chief Executive once again makes it clear that the Government will adhere to the principle of "big market, small government". How can the Government possibly uphold this principle while promoting its industrial policy? There is indeed a need for the Government to give the public a detailed explanation.

Actually, the Government needs not feel embarrassed for abandoning the active non-intervention policy. There is simply no absolutely free economy in this world. Apart from Hong Kong, the governments of the world's freest economies, such as Singapore and the United States, have often been found making suitable intervention or leading industrial development with their visible hands. Taking an overview of the realm of economics and the economic policies adopted by various countries, we can see a great variety of models of economic growth. Every government can choose its most suitable policy in the light of its actual social circumstances. Let me cite *MITI and the Japanese Miracle*, a western classic, as an example — although the Financial Secretary is not present, other government officials may also take a look at it — this book, which is about Japan's Ministry of International Trade and Industry (MITI) and the country's economic miracles, tells of how the MITI nurtured Japanese industries through close collaboration with the business sector during the post-war period. Through an integrated industrial policy and comprehensive support measures, such as tariff protection, investments in scientific research, executive guidance, and so on, the MITI eventually did miracles for Japan's automobile and electronics industries. Today, Japan's automobile industry has

even surpassed the United States' automobile industry to occupy the world's number one position.

Looking back at Hong Kong, its favourable geographical position made it a gateway to South China and a hub between the East and West during the colonial era. Coupled with its excellent rule of law and management systems, the trading and manufacturing sectors managed to enjoy prosperous growth so long as the free market and zero tariff arrangement were in force. This is why the Government had been found indulging in talks about the non-intervention policy. However, such a mentality has now become outdated with the reform and opening up of China 30 years ago. Today, Hong Kong can no longer monopolize the Mainland's external trade. Moreover, it is no longer the only channel through which the Mainland can introduce foreign capital and management expertise. Alongside the northward shift of the local manufacturing industries a long time ago and the logistics and transport industries' gradual loss of their edges, the service industry has also been overtaken by a number of fast-emerging Mainland cities. At this juncture, the Government must face the reality and explain, in an upright manner, to the public the reasons for adjusting its economic policy. Subsequent to the announcement on developing the six major industries made by the Chief Executive after a meeting of the Task Force on Economic Challenges (TFEC) in April, Miss Tanya CHAN asked for an explanation on the reasons and criteria for selecting these six industries. Judging from the written reply given by the Financial Secretary in April, I believe it was only drafted by government officials at the working level (probably my former D2 colleagues), and it did not represent the thoughts of the senior leadership of the Government. So far, the Government still owes us a comprehensive and up to standard explanation.

In shortlisting new industries and major industries, I think the Government should consider the following factors:

First, the industries to be developed must complement Hong Kong's edges. Our existing edges include proximity to the Mainland's huge market and resources, our geographical position as a hub between China and the West, the sound rule of law system, a clean government and an excellent management system. Our edges have absolutely nothing to do with low prices. In other words, we cannot compete by relying on our cost advantage, or compete with others in terms of price. For instance, Yiwu, Zhejiang is internationally renowned for being a very successful exhibition and sales centre for small

commodities. The entire Yiwu Municipality actually functions as an exhibition and sales centre. Its success lies in its extensive land and low cost, thus achieving the economies of scale. It is, however, not suitable for Hong Kong, owing to its high business cost and land prices, to adopt the model of Yiwu as an exhibition and sales city. Instead, we should develop high value-added industries by exploiting our geographical and management edges. Apart from services industries, Hong Kong also delivers outstanding performance in the scientific research domain, such as the prevention, treatment and monitoring of infectious diseases. Our new industries should capitalize on these edges, too.

Second, the Government's industrial policy should seek not only to assist Hong Kong enterprises in exploring the Mainland market, but also, as pointed out by Mr WONG Kwok-hing just now, to pay attention to the impact on local employment. Subsequent to the northward shift of Hong Kong's manufacturing industries after China's reform and opening, there has been a substantial loss of jobs and an increasingly unitary industrial structure in Hong Kong, with the economy of Hong Kong led by the financial and real estate sectors. According to a United Nations report published recently, among all the advanced regions in the world, Hong Kong is the place where the disparity between the rich and the poor is the greatest. This is definitely not a "number one" record that we should be proud of. Therefore, in selecting industries, the Government must consider whether the industries can prevent the economy of Hong Kong from hollowing out and being marginalized, and whether they can promote economic transformation and move in the high value-added direction for the purpose of creating diversified job opportunities in Hong Kong, thereby enabling people with different skills and educational levels to bring their capabilities into play, so that they can have a chance to achieve upward mobility and improving their lot.

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

The objective of developing the civil aircraft manufacturing industry in Tianjin is to form an industrial chain for the purpose of giving a boost to various ancillary businesses. Apart from manufacturing and assembling services, there are also financing, design, maintenance and customer services, thus creating all sorts of openings. It is worthwhile for us to learn from this. Given the high

operating cost in Hong Kong, there is even a greater need for industries with room for adding value to be developed before the wages and living standard of the public can be raised in the long run.

Lastly, I would like to say a few words about implementation. Unlike Hong Kong, many countries and places in the world, such as Japan, Korea, France, the Mainland and Taiwan, adopt a development-oriented mechanism. In order to promote economic transformation, the governments of these countries and places have introduced comprehensive complementary measures, including tax concessions, tariff arrangements, manpower training, immigration policies, education and investment, injection of funds into R&D, and the abolition of all sorts of regulation that pose obstacles to industries. In other words, if we were really to develop industries in which we have an edge, a lot more would have to be done by the Hong Kong Government. As pointed out by Mr Andrew LEUNG and Dr LAM Tai-fai in their speeches just now, all this cannot be achieved by merely allocating \$200 million to encourage R&D. Not only has the policy address failed to give a comprehensive account on the Government's economic philosophy, it has also failed to propose specific and comprehensive complementary measures. Such a lack of vigour has inevitably given rise to serious doubts among the people.

I so submit. Thank you, Deputy President.

MR TAM YIU-CHUNG (in Cantonese): Deputy President, in the past year, the whole world was swept by the financial tsunami, and Hong Kong was also profoundly affected. Although we have finally seen the dawn of recovery following the efforts made by the SAR Government and various sectors of the community, we can see through this crisis the fragility of our economic pillars. In the future, Hong Kong needs to have more comprehensive and healthy industrial pillars, expand its economic scale, and provide more jobs. We can see that China is leading the pace of the global economy. In exploring Hong Kong's future development, we need to further deepen our collaboration with the Mainland. We have also seen that Hong Kong has not yet fully recovered. More comprehensive public services are thus required, so that society can recuperate and people can improve their quality of life.

In the policy address of the Chief Executive this year, "Economic Development, Our Priority" is made the axis, upon which emphasis is placed on the importance of consolidating the four traditional pillar industries, strengthening economic collaboration and development between Hong Kong and the Pearl River Delta (PRD) and other parts of the Mainland, and vigorously developing the six industries in which we have an edge, with a view to promoting the sustainable development of our economy and creating more jobs. In particular, a number of specific policies and initiatives are proposed for the development of the six industries, with a view to removing barriers to these industries and exploring new markets. Compared with last year's policy address, this progress made in this year's policy address is definitely the most remarkable.

Over the years, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) has conducted numerous in-depth studies on a number of issues related to economic development, including the development of education and medical services in conjunction with the development of Chinese medicine, transformation of old industrial buildings, enhanced collaboration with the PRD, and so on. Moreover, reports containing a number of specific policies and proposals have been submitted to the Government. In this policy address, the Government has heeded our views in many ways, and we welcome this. For the sake of meeting the demands of various industries, we must nurture a sufficient pool of talents and make short- and long-term planning for this purpose. In terms of land supply, comprehensive complementary measures will be required. For instance, proper planning has to be made to meet demands for additional land for the purpose of developing the education industry.

But regrettably, the focus of the community after the delivery of the policy address is not on the numerous new initiatives proposed by the Government. On the contrary, the public is more concerned about the phenomenon of "high property prices", which makes it difficult for people to buy their first homes. Furthermore, the "compact fluorescent light bulb" incident and the controversy centred on the preferential treatment received by the Chief Executive's sister-in-law, which have stirred up a lot of troubles, must have not been anticipated by the SAR Government. Despite the lack of concrete evidence to substantiate the accusations made by some of the media in connection with the two incidents, the social phenomenon and the psychology of the masses, disregarding the false media reports and fabrications, warrant careful deliberation by the SAR Government.

According to the General Household Survey conducted by the Census and Statistics Department, the poverty phenomenon in Hong Kong has continued to worsen over the past two years. At present, 185 000, or 8.2%, of the 2.5 million-plus households in Hong Kong earn a monthly income of less than \$4,000. The Commission on Poverty set up by the Government proposed a series of recommendations to alleviate poverty the year before last. Under the current dire economic and social conditions, the Government must take proactive steps to fully implement the recommendations. According to the report published by the Commission, to ameliorate the poverty problem, the Government must strengthen policy co-ordination and adopt more sustainable strategies. We hope the SAR Government can adopt this as the criterion and implement various poverty alleviation initiatives timely. Furthermore, we propose that a wealth gap assessment index be introduced in formulating various public policies, thereby preventing the new policies from further widening the wealth gap and making it compulsory for corresponding alleviating measures to be formulated.

Caring for the lower and middle classes and the disadvantaged should be the key policy objectives of the SAR Government. The initiatives contained in the policy address aside, the DAB considers that the Government should improve the people's livelihood on various fronts with more vigour, including providing more assistance to young people in seeking employment, caring for the elderly, and expeditiously abolishing restrictions on the permitted period of absence from Hong Kong for applicants of the Old Age Allowance, thus giving the elderly more choices so that they can live out their lives with peace of mind. In addition to nursing homes, the Government should also expedite the construction of various kinds of elderly homes and increase the number of subsidized places in elderly homes; improve medical services by providing additional resources and employing additional manpower, ameliorating problems encountered by patients waiting for the first consultation appointments for psychiatric service as well as general and specialist out-patient services and improving the care provided to discharged psychiatric patients; enhance protection for consumers by legislating on comprehensive regulation of unfair trade practices, and so on. Furthermore, we have noticed that the current property prices are detached from the economic conditions and the burden of home ownership has continued to aggravate. All this might affect social stability. In our opinion, the authorities should adjust the land supply policy and stabilize the market through irregular land sales to make up for the inadequacy of the Application List system. Efforts should also be

stepped up to monitor the sales information on first-hand properties to prevent consumers from being misled. On the other hand, the Government should resume the construction of Home Ownership Scheme (HOS) flats in the light of actual circumstances and demands. Moreover, the Housing Authority should review the income restrictions on HOS applicants in due course. Unsold HOS flats and Sandwich Class Housing should now be launched expeditiously to enable people with limited financial means to resolve their housing problems. Honourable colleagues belonging to the DAB will further express the views of the DAB on this later.

The special emphasis placed in this year's policy address on policies concerning quality life and the environmental protection and conservation aspects is, relatively speaking, welcomed by the public. Conserving Central is one of the highlights of this year's policy address. This policy gives us an entirely new impression in terms of concept, contents, implementation and assessment of future development. In addition to its commercial value, the historical and humanistic face of Central is also vividly portrayed. However, as a Member representing New Territories West, I wish to ask: What about the conservation of the various districts in New Territories West?

During the period between 2006 and 2007, New Territories West District Council members and district officers belonging to the DAB joined me in conducting extensive and in-depth studies on the development of such districts as Tuen Mun, Yuen Long, Tsuen Wan and Islands. We were also joined by some professionals in putting forth a series of proposals. The studies and initiatives were generally welcomed by the people. For the purpose of revitalizing Tuen Mun River alone, we have made a number of proposals on beautifying the river and constructing a riverside promenade.

Improvements to Tuen Mun River must begin with water quality, landscape and water sports. First of all, in order to improve water quality, the Government must formulate cleaning programmes for the river course, remove refuse and sludge from the river, reduce accumulation of silt and foul smell, and prevent untreated sewage from being illegally channelled to Tuen Mun River. The next step will be landscaping. This includes commissioning landscaping experts to improve a number of untreated vehicular and pedestrian bridges at Tuen Mun River, beautifying the Tuen Mun station of the West Rail, and greening the slopes on both banks of the river course. After improvements are

made to water quality, all sorts of water sports can then be organized. A water sports centre can also be built at the estuary of Tuen Mun River.

Our studies also propose linking up the entire riverside promenade with three themes and erecting landmarks for Tuen Mun with different characteristic themes to enrich Tuen Mun River. Along the west bank of Tuen Mun River, stretching from Pui To Road in the north to Wong Chu Road in the south, that is, in the vicinity of Tin Hau Temple, a section of the riverside promenade, measuring approximately 900 m in length, featuring Tin Hau and other Chinese legendary characters with a traditional Chinese garden design, will be built. Then, a section of the riverside promenade, measuring approximately 1 km in length and stretching from an open space beside Lung Mun Oasis and the flyover at Hoi Wong Road, will be designed as a time corridor showcasing the history of development of Tuen Mun. Sculptures, information panels and street installations will be employed to present the history of Tuen Mun for enhanced public knowledge of the town. On the west bank of the estuary of Tuen Mun River, stretching from the flyover at Hoi Wong Road in the north to Marina Gardens in the south, a section of the riverside promenade, measuring approximately 1.1 km, will feature Chinese White Dolphins. Along this section, sculptures of and explanation notes on Chinese White Dolphins and all kinds of marine creatures will be featured, and an observatory deck for Chinese White Dolphins will be erected on the southern tip of the riverside promenade presenting the Castle Peak Bay vista to visitors.

These proposals will be instrumental in improving the environment of the community of Tuen Mun and upgrading the living standard of local residents. This is why they were included in the policy agenda in October 2007 with the Government specifying "priority will be given to the beautification works along the Tuen Mun River". However, when the policy agenda reached the executive departments in the past two years, only the proposal of building an additional footbridge spanning Tuen Mun Park and the Tin Hau Square is found. This year, the proposal of carrying out beautification works along the Tuen Mun River is no longer found on the policy agenda. Could the conservation of Tuen Mun have come to an end so rashly?

Many Tuen Mun District Council members and residents have queried why Tuen Mun will always spring to the mind of the Government whenever major obnoxious facilities, such as refuse incinerators, columbariums and kerosene

depots, are considered. However, nothing has been done so far for beautifying the environment of Tuen Mun, providing additional rail services to connect Tuen Mun with other parts of the territory and installing facilities for enhancing the attractiveness of Tuen Mun. Therefore, we hope the Government can put forth a comprehensive conservation programme for Tuen Mun and even other districts in the light of actual circumstances.

Summing up this year's policy address, we can see that the SAR Government is capable of facing up to crises and proposing initiatives on many fronts to promote economic development. We affirm the Chief Executive's efforts and hope that the SAR Government can effectively keep its finger on the pulse of society and people's expectations, care about the needs of the public, face squarely to the disparity between the rich and the poor and, in the budget for the coming year, put forth proposals to further improve public services and upgrade the living standard of people in many ways. This is definitely the earnest hope of the people.

With these remarks, I support the original motion.

MR RONNY TONG (in Cantonese): Deputy President, yesterday, the Chief Executive openly challenged press freedom by accusing the mass media of fabrication but at any rate, fabrication is better than looking without seeing. If a policymaker looks at the important issues in society without seeing anything and hears without listening, this is the greatest failure of a policymaker.

Deputy President, on the day the Chief Executive delivered his policy address, I already unceremoniously criticized this policy address as the worst one that I had seen throughout all these years. Deputy President, yesterday, the Public Opinion Programme of the University of Hong Kong confirmed that the majority of Hong Kong people subscribe to this view. For this reason, on hearing Mr TAM Yiu-chung sing praises of the policy address just now, I felt somewhat astonished, wondering if we are really living in the same city and in the same time and space.

Deputy President, I believe that if a Member spends half an hour on discussing the policy address, most of it will not be spent on talking about the initiatives proposed in the policy address, rather, it will be spent on important

social issues that are not covered by this policy address. Deputy President, when listening to and reading this policy address for the first time, I wondered if I was still in a dream. In this policy address, why does it look as though the once-in-a-century financial crisis had never happened? Although the Chief Executive mentioned the economic recession and the financial tsunami in the introduction, complacency pervades the entire policy address and it seems there is no need to do anything further. Unfortunately, the majority Hong Kong public does not share this feeling.

Deputy President, most importantly, it turned out that the entire policy address has not touched on the revitalization of the economy or any measure to stimulate the economy at all. On the proposal on which various political parties and groupings in the legislature have reached an agreement and consensus, that is, the introduction of unemployment assistance, no mention was made of it, nor was any reference made to the unemployment problem. Regarding members of the general public who are caught in dire straits, no measure was proposed to ease their hardship. Deputy President, I think it is really difficult for such a policy address to win the approval of the public and live up to the basic requirement of being people-oriented.

Deputy President, in the financial domain, the unprecedented Lehman Brothers minibonds incident happened and hammered our financial system. Only three paragraphs in the policy address are devoted to the regulation of the financial industry. Moreover, they amount only to empty talk that does not reach the core of the problem or propose any macro policy capable of preventing a recurrence of the problem. Deputy President, last year, I moved a motion that was passed by the legislature, namely, to review the system under which a number of regulatory bodies carry out regulation and to follow the latest global trend of assigning all the regulatory duties to a single regulatory body, instead of allowing the Hong Kong Monetary Authority and the Securities and Futures Commission to shift their responsibilities to one another, thus giving rise to inconsistencies in investigation and compensation. So far, we can only see some proposals put forward for resolving the problems of the victims in the Lehman Brothers minibonds incident, but as regards other members of the public who have suffered losses due to the purchase of other kinds of equity linked notes, no solution is in sight with regard to the request made by them to the Government seeking investigation and assistance. Deputy President, I do not know if this is in any way related to the sister-in-law of the Chief Executive but at least, the

Government should assume responsibility by dealing with the problems caused by this financial crisis comprehensively, instead of dealing solely with the problems relating to the Lehman Brothers minibonds incident.

Deputy President, when it comes to a fair competition law, I do not wish to say too much either. Each time, the Chief Executive would say that it would be introduced soon and so would Under Secretary Gregory SO. However, Deputy President, given the credibility of the Chief Executive currently, it is really difficult to believe in his promises and we really have to see the relevant papers before we can believe that the legislation will really be introduced soon. Mr Albert HO also pointed out clearly earlier that there is now a pressing need for Hong Kong to pass and implement such a law. We must resolve such issues as the monopolization of exhibition venues by public organizations like the Trade Development Council as soon as possible. However, after two rounds of consultation, the Government has still not disclosed to the Hong Kong public the outcomes of the consultation or the overall direction, nor is any legislative timetable available. As I said last week, it seems that our hope for a fair competition law, just like universal suffrage, cannot become a reality no matter how.

Deputy President, the Chief Executive also mentioned the problem of a property bubble in his policy address. If we want to look at the relevant details, they can be found in fifth paragraph. However, having read the entire policy address, I cannot find any targeted measure or strategy to support members of the public in the lower and middle classes who cannot afford to buy properties or move into public housing. Deputy President, in the past six months, property prices have been rising all the time. In particular, the prices of luxury properties have reached a record high of \$70,000 or \$100,000 per sq ft, thus fuelling the price rises of medium-priced flats in the vicinity. My assistant told me that now old flats in the ordinary residential market commanded a price of \$5,500 per sq ft and newly completed flats in the urban area even commanded a price of \$8,000 or more per sq ft. An ordinary 400-square-foot residential flat commonly costs \$3 million to \$4 million. If a mortgage equivalent to 70% of the value of a property is taken out, one must have a down payment of at least over \$1 million at one's disposal before he should look for a flat. How can families with an income of just \$10,000 to \$20,000 afford the down payment? Little wonder that even doctors and lawyers said they could not find a suitable flat.

Deputy President, at present, soaring property prices have also directly fuelled an increase in rents. Since the lifting of rent control or repeal of the legislation protecting tenants, in fact, these people also find themselves in deep water. Take a 30-year-old and 300-square-foot unit in the urban area, such as Amoy Garden in Kowloon Bay, as an example, at present, the monthly rent is as high as \$7,000 or \$8,000. If a family with an income of \$10,000 monthly is not allocated a public housing unit, they cannot even afford to rent a 300-square-foot flat. Had they lived in the age of mine, they would have had to make do with living in cubicles or cage-homes.

What we should do about the property market is precisely the issue that the Chief Executive should deal with in his policy address. Deputy President, at present, the potential total supply of residential developments in the primary market is the lowest since 2004 and it has now dropped to 47 000 units. Even the land reserves readily available for property development at the disposal of property developers are also drying up gradually and can be used to build only 5 000 flats. The number of completed but unsold properties has also dropped to a record low of 7 000 units. Since 2004, only two sites have been successfully triggered for auction. In view of this, Deputy President, it is obvious that the Government should expeditiously reintroduce regular land auctions and enhance the transparency of the triggering mechanism. At the same time, the Government should put more smaller sites up for auction, so as to enable small property developers to play a part in property development instead of letting major developers monopolize the market. Moreover, the supply of flats should not be restricted to luxury ones and more cheaper flats affordable to the lower and middle classes should be offered.

Deputy President, other measures that the Government can consider include those relating to stamp duty. I am not suggesting that the stamp duty be increased across the board but in fact, the Government can consider and study the imposition of punitive stamp duty on instances of short-term speculation in the property market. In this regard, I think this will surely have some effect on the speculation on properties.

In addition, Members may also notice that of late, the Government has proposed the so-called "capital investment entrant scheme" to facilitate the settlement of our Mainland compatriots in Hong Kong. Deputy President, under

the existing scheme, it is only necessary for one to reach 18 years of age and to invest \$6.5 million in permissible investment assets (including pre-sale flats) for two years to be granted the right of abode in Hong Kong. Deputy President, is it now time that this measure was reviewed comprehensively? Is this scheme affecting the supply in the property market? Deputy President, I wish to remind the Government that in the 1990s, when there was a trend of emigration in Hong Kong, we had many classmates and friends who went to Canada in droves. The present situation bears some resemblance to that in Canada then. At that time, the property market in Canada was affected by Hong Kong people seriously and speculation was rampant, thus affecting the living of the general public. In order to suppress excessive speculation in property, the Canadian Government tightened the requirements for investment immigration and required each investor to create five employment opportunities when making investments in Canada. Deputy President, I think it is worthwhile for the SAR Government to make reference to this measure. However, I wonder why, after reading this policy address, I could not find any measure targeting the core of the problem.

Deputy President, at the economic level, the only thing mentioned in this policy address is the promotion of the six industries. However, no matter how I searched, the only truly significant proposal that I could find was the conversion of industrial buildings. Deputy President, of course, I understand the determination or goal of the Government in this regard but we must not forget that in fact, when property prices are high, old industrial buildings can serve to ameliorate such a problem. Deputy President, not to mention examples far removed from us, to take the Civic Party as an example, we also have to move into an old industrial building because of the low cost. The same amount of rent can fetch us twice the floor area. Apart from the Civic Party, in fact, many creative industries also use old industrial buildings as art studios, exhibition venues, and so on. As a result, these buildings have become the incubators for businesses. If the conversion of all industrial buildings is permitted, it is possible that we may see these industrial buildings being converted into shopping malls, hotels and even residential buildings, particularly given the lack of details in the present proposal. Yesterday, the Secretary said that these would not happen and that we should not mislead the Hong Kong public. However, at present, I cannot find any detailed planning that will enable the public to understand how the conversion of old industrial buildings can actually help promote the six industries.

Deputy President, I wish to reserve a considerable amount of time to talk about other subjects. I think that in this regard, that is, at the economic level, the policy address has completely failed to make the grade.

MR LEE WING-TAT (in Cantonese): Deputy President, I think there is one thing that the Government has never expected since the delivery of the policy address. What I mean is that while Chief Executive Donald TSANG had expected public discussions to focus on the main theme of his thinking, namely, the six industries, what has been discussed most by the public since the release of the policy address turns out to be property prices and housing. This is actually within our expectation, just that the Government has failed to see this coming.

I am going to spend more time discussing property prices and housing, because it is indeed a very difficult issue to deal with. If no step is taken to deal with it, the problem of property prices and housing would escalate in society; and if it is not addressed properly, the market would overreact, which would in turn affect property prices and even economic activities. The Government now wants to do something but it does not know what it should do and so, recently, the Government has cleverly employed "verbal coercion". We can see that the Financial Secretary is in high spirits, and he made some comments yesterday but I am not too sure about what he said. Anyway, some of his remarks were quoted in the press.

Deputy President, in fact, this problem has begun to surface since the middle of this year. I usually do not pay too much attention to the prices of luxury flats, for members of the general public do not live in these flats, even though a trickle-down effect will be created if their prices surge to an exceedingly high level. The Chief Executive did not admit this at first but he still admitted later that certain effects will be created. If luxury flat prices are too high, middle-priced residential flats will be affected. I have all along been concerned about the prices of flats for the middle class and the general public. As the Financial Secretary and Honourable colleagues may recall, apart from the data of the Rating and Valuation Department, the two major real estate agencies (which I am not going to name) have compiled their own indices. These two major agencies are not property developers. Their indices show that since January this year, property prices have risen by 20% to 25%, and even 30% in some cases, depending on the locations of secondary market flats. It should be noted that the

indices do not concern new flats. They are indices for old flats and flats not located in luxury residential districts.

Come to about this: Over the past nine or 10 months, the prices of old flats have risen by 20% to 30% and if this trend continues, in another nine months, the prices may further rise at a more conservative estimate, even if there is just a further increase of 10% to 20%, it would mean that in 18 months' time, the prices of old flats would have risen by 50%, which means that a bubble would already take shape.

As I said on radio and television and also in newspapers, the Democratic Party hopes that the problem of property prices can be tackled by way of a soft landing — Let me say this again: We support that a soft-landing approach be adopted to address this problem. As I also said on television and radio and also in newspapers, I do not agree that "a heavy dose" be prescribed, because a too drastic upward or downward movement in property prices would not do any good to all members of the public, as those who have yet to own their own homes or those who are already property owners will be affected alike. However, this is a very difficult task. How can some minor adjustments be made or certain measures taken to cause property prices to rise but at the same time, keeping the rate of increase at an acceptable level? Many economists have said that if the year-on-year rise of property prices, when compared to inflation, is or, if the year-on-year increase is 1% to 2% higher than the inflation rate, that would be the fittest, or the best. Because firstly, property prices have not dropped, which means that there is guaranteed property value; secondly, if the year-on-year increase is 1% to 2% higher than the inflation rate, it would mean that the investment made by the public can at least be guaranteed against loss, as the prices have not come down.

What is happening now? First, I think the mistake made in the policy back in 2003 is moving from one extreme to the other by turning land supply from an exercise which used to be completely Government-led to one led by property developers. In fact, the Application List system has shown clearly the domination by property developers and represented a major change in the policy in respect of both quality and quantity. Such a change happened because the Government has all along held the view that there is no reason for property developers not to make applications to trigger land sale if they wish to make a

profit. However, it has turned out that they do not necessarily have to turn to the Application List in order for housing construction.

Just take a look at their annual reports and one will know that the four major real estate developers in Hong Kong, namely Cheung Kong, Sun Hung Kai, Henderson and New World Development, have a land reserves ranging from 10 million sq ft to 40 million sq ft each, a vast majority of which being agricultural land. However, they can make applications for modification of use from agricultural to residential purposes. Of course, we understand that an application will not be approved immediately but they can do it in a very simple way — "on the pipeline". That is, they submitted an application 10 years ago and now, they can turn an agricultural site into a residential site. They simply submit such applications every year and then they will negotiate with the Government slowly, and when they consider the price suitable, they will then pay the regrant premium. They are still required to pay a regrant premium.

However, Financial Secretary, you must remember that the amount of regrant premium payable for a site through such process of negotiation is always smaller than the amount payable for a site sold through auction. If you are a property developer, you would definitely adopt this strategy, rather than playing the role of "a great bull", like a certain gentleman who always puts up his hand to make a bid in all land auctions until he is the last bidder. Even if I do not name this gentleman, I think Members all know his surname — he is "a great bull". However, not all property developers will do the same. If a property developer owns 40 million sq ft of agricultural land, why would it bother to take part in auctions of other residential sites in the urban areas? It might as well concentrate on making applications for land use modification and when the applications are approved, it can proceed with its residential development projects. This is why we can see that in recent years, the overall profits of property developers have not dropped much, even though there has not been any land auction. This is the reason.

If the Government ceases to supply land, coupled with the fact that the exchange rate of the Hong Kong dollar has dropped considerably recently, assets in Hong Kong have become less expensive when compared with the value of other currencies. This we all know. Furthermore, as the public always have expectations of the market and if the value of certain things is expected to rise, the people will swarm to purchase them. Had there not been such a crazy rise in

property prices, the public's mindset or the news circulating in the market would not have been like this. This is why I think the Government must do something before the so-called bubble starts to take shape. This is definitely better than allowing the bubble to grow to become very crazy at a later stage, say, in six to 12 months, when the Government would be forced to prescribe "a heavy dose" to handle the situation and hence bearing again the consequences of "a heavy dose", just as what happened during the TUNG Che-hwa era. The public will not welcome such a move.

Therefore, I wish to reiterate the position of the Democratic Party. We hope that there can be a soft landing of property prices. The Government must do something when the bubble begins to take shape. The objective is to prevent the bubble from becoming bigger and bigger or even bursting, like air bubbles do, and this can also obviate the need for the Government to prescribe "a heavy dose" to suppress property prices in the middle of next year. Our suggestion is in no way ingenious. This is just "ABC" in economics. Land supply should not be totally monopolized by property developers. Someone said to me earlier in the Ante-Chamber, "Ah Tat, is it possible that property developers face no competition? They do face competition even after they have built the flats." I know. But the Financial Secretary should also know that the whole theory is very simple. A decade or two ago I started to pay attention to the housing issue. The property developers then had one principle in selling their flats and that is, "small profit, quick return", or selling as many flats as possible with a small profit margin. A flat would be sold at some \$3,000 to \$4,000 per sq ft. As Members may know, each flat could generate a profit of about 20% after deducting the construction cost, including the regrant premium. The property developers would inject an amount of money for a return of 20% to 25% in four years. Such investment was already considered quite good.

The principle of "small profit, quick return" no longer applies nowadays. On the contrary, property developers want to sell a small number of flats with a huge profit margin. That is, the profit is sizable. A fortnight ago I saw on television a property developer say when a residential property project in Ngau Chi Wan was put up for sale that if the market could afford a flat at some \$8,000 to \$9,000 per sq ft, why should it be sold at some \$4,000 to \$5,000? He was honest in saying that there are people willing to pay some \$8,000 to \$9,000 per sq ft. The flats of a building in Tsuen Wan are already sold at \$11,000 per sq ft. It is located just ahead of Sham Tseng and on a site near the

Bay Bridge serviced apartments. The flats are sold at \$11,000 per sq ft. The building is located at the fringe of Tsuen Wan, not in the urban area. Since there are buyers in the market who are prepared to pay this price, property developers will simply sell their flats at this price to make colossal profits. So, they are not just making a 20% profit, but a profit of 30%, 40% or even 50%. The Financial Secretary is also aware of this situation. But how much longer can this cycle last? Some people said that even the property developers are worried now because since they have pushed up the prices to such a high level, the prices of residential flats are not generally affordable to the public. The prices that I have just cited are not the prices of luxury flats. They are for flats in Ngau Chi Wan and those on the fringe of Tsuen Wan. These flats are now sold at \$8,000 to \$11,000 per sq ft. Property developers are worried that if they further push up the prices, the bubble will burst.

What is happening now? This is a mind game. Each property developer is thinking that if this is the last "luxurious feast", there is no reason for it to be enjoyed only by "Brother Shing", as the one surnamed KWOK wants to have a share of it, so does "Uncle Four" — now that everyone is calling him "Uncle Eight" — Why can "Uncle Eight" not have a share of it? If "Uncle Eight" can have a share of it, why can Robert NG Chee-siong not have a share of it? Everyone is having a share of it but how much longer can this "luxurious feast" last? Nobody knows. This "banquet of luxury flats" — or a banquet in which all urban sites are turned into luxury flats for sale — has been going on for two or three months since the middle of the year. Everyone is worried about not being able to take part in this "luxurious feast" and so, everyone is putting up residential flats at the fringe of the urban area for sale now, setting the price at \$7,000 to over \$10,000 per sq ft. In fact, even the Financial Secretary knows that this is not sustainable. Honestly speaking, how can this price level sustain for two or three years? I am not sure whether or not it can sustain for even one year. But we must bear in mind that if we do not do something now, when flats in Tsuen Wan are sold at \$13,000 to \$14,000 per sq ft next year, and in the event of any unexpected incident causing their prices to drop to \$7,000 per sq ft, the economic activities of Hong Kong would face a severe blow. This is why I think it is never an easy task to achieve a soft landing of property prices by facilitating minor adjustments in property prices.

(THE PRESIDENT resumed the Chair)

We suggest that firstly, apart from the Application List, there should be land auctions held on an irregular basis. The Democratic Party does not oppose the position of the DAB. Whether or not land auctions should be held on a regular basis is not important. It is most important that when property developers have not made any application to trigger land sale for a long time, the authorities should take the initiative to sell land. We do not know the details of the negotiation between property developers and the Government the other day. We only heard Mr LEUNG say that they had not said that the price should be 100%, 80% or 60% of the price set in the Application List. He said that they had not discussed that and they only requested that the price be set at a level close to the market price.

As far as I understand it, this does not seem to be the case. I have great confidence in the colleagues of the Lands Department. They do fix the upset price at a level close to the market price, just that the property developers have not triggered any site for auction. Despite that the price is lowered to 80%, they still take no action to trigger any site for auction. However, regarding the two sites triggered from the Application List following their applications over the past 20 months, or even the sites triggered for auction 30 months ago, all were sold at a price close to 100% to 150% of the upset price. So, when some property developers hinted that they would apply to trigger a site for sale if the Government could lower the trigger price to 60%, I think what they said is not true. I do not know the reason. My interpretation is that this is an excuse, an excuse for not triggering sites for sale.

If the Financial Secretary puts a site to auction, I believe property developers will certainly bid for this site, because they have quite a large land reserve, so they do not wish to see that any site put to auction in the market will receive no bid at all. If nobody is interested in bidding for a site in an auction, it would greatly affect the price of properties. The prices of all properties would drop 5% to 10%. In that case, how much loss will be incurred by a property developer whose residential development is worth \$40 million?

Today, I heard another story about why the Government sometimes does not consider putting sites to auction. It is because every time when a site is put to auction, the property developers will bid for it at sky-high prices in an attempt to shore up the prices of the sites in their possession. Is this plausible? If this is plausible, is it necessary to increase the supply of land? For this will strike a right balance in land prices in the market, or to enable market participants to get the message from the market, knowing that there is no need to scramble for land and there is no need to worry about a shortage of flats available for sale in the private sector in future, as they are worried that prices will increase by 20% this year, another 20% next year and a further 20% in the year after next. When the market gives people the impression that if they do not buy a flat now, property prices will rise by 60% in three years, they would only be driven to buy properties, would they not?

But if the market does not put across such a message, and if it makes people think that even if they do not buy properties now, there will be sites put to auction and new flats provided next year, prices will come down slowly to a level more or less equivalent to the inflation rate, or close to it, then why would people have to swarm to buy flats at the same time? I understand that this involves a very complicated mind game, but Financial Secretary, if the Government says that it is not going to hold land auctions and that the sale of sites would have to be triggered by property developers, I hope that the verbal coercion that you used yesterday would be successful. As I said to the Financial Secretary during lunch earlier, this measure can last for two months at most. I do not know for how long he can hang on. I guess he can hang on for two months only.

After all, property developers are not doing charity. Recently, Chief Executive Norman CHAN said that the loan-to-value ratio for luxury flats should be substantially reduced. Then he went further to accuse property developers verbally and so, they have been showing some restraint recently. As I have said, all property developers are wondering for how long this luxurious feast can last, as they all know that property prices have risen too drastically in this round and this may not be able to last long and so, everyone just wishes to have a share of this luxurious feast. This is why I guess that the verbal coercion of the Financial Secretary may last for about two months, and two months later, I will just read the report of the Rating and Valuation Department for the third quarter and find out how much the indices have risen. On the last occasion the two Directors of

Bureau — I mean Secretary Mrs Carrie LAM and Secretary Eva CHENG, as this should also be related to the work of Secretary Mrs LAM — the statistics provided by the two Secretaries are those for the second quarter. The statistics for the third quarter as at the end of September will be released soon, and I am sure that the increase in the third quarter will certainly be faster and more drastic than that in the first and the second quarters. The same will happen in the fourth quarter. So, I think it is correct for the Financial Secretary to increase the supply of land.

Second, the message put across by the market. As I said to him during lunch, there is a strange phenomenon in the market of Hong Kong. Some time ago, we heard news about a shop selling barbeque pork deceiving customers by fiddling with the scale. The shop was reported and subsequently prosecuted by the Customs and Excise Department. However, in Hong Kong, property developers deceiving flat buyers by exaggerating the size of the flat have not been prosecuted. Two years ago when I was the Chairman of the Panel on Housing, I spent two years striving for the specification of the saleable area in the property sales brochure, and we had to make very strenuous efforts to argue for this proposal at that time. It is true that in the end, thanks to the Government, this proposal was accepted, but this is not attributed to my own efforts, as many colleagues in the Legislative Council and members of the public had contributed their efforts, too.

But let us think about this: Financial Secretary, how unfair this world is. For people who sell barbeque pork, they would be prosecuted if they claim to have sold one catty of pork but the actual weight is short by two taels. But when it comes to the gross floor area of flats with inflated saleable area, this has been under the discussion of the Legislative Council Panel on Housing for two years. I had to work one whole year during my office as the Chairman before a policy could be successfully revised. Frankly speaking, President, all colleagues had made very strenuous efforts to argue for this before this could actually be achieved.

With regard to the current prices of residential flats — I am not referring to the sky-high price of \$70,000 per sq ft, as this is not really my concern. Rather, I will often pay attention to the prices of newly completed flats, and there is the so-called "intended price". Well, while I can understand that an intention is involved in the case of Mr James TO getting married, why is there an intended

price in the case of purchasing a flat? Secretary, this really beats me. And, the "intended price" will not be stated in the price list, Financial Secretary and Secretary. I really think that the real estate agencies are very smart as they only state in the price list that the flat costs \$10,000 per sq ft but then, there will be news about the second concubine or the fifth concubine of a certain person being willing to offer \$15,000 per sq ft. Newspaper will report the information as provided, stating that the price is \$10,000 per sq ft but one of the concubines of a certain person (I have no idea about her position according to the order of the concubines. Buddy, I just have no idea about it.) said that she would accept the intended price of \$13,000 to \$15,000 per sq ft. All these will be reported in newspapers, because there is no restriction on the publication of such information in Hong Kong. This is why we can read from newspapers that some flats are sold at only \$9,000 per sq ft but a concubine of a certain person said that she would accept an intended price of \$15,000 per sq ft. No one knows whether this is true or not. Will the people feel worried? They will certainly feel worried, because in just a few months, the price of a flat has risen from \$9,000 to \$15,000 per sq ft. Is this not something to be worried about?

As to whether the flat is eventually sold at the intended price or whether there is any transaction, nobody would trace it. This is very simple nowadays. Although I seldom buy property, I do know all these tricks. No one will trace whether, after submitting the intended price, any provisional sale and purchase agreement has been signed, whether a formal sale and purchase agreement has been signed, whether this transaction is registered with the Land Registry and whether the stamp duty is paid. No one will bother to follow up. To put it plainly, they are deliberately making false claims. Because the Government gives them a free hand in the dissemination of information. The Government does not require property developers to state the prices only after completion of formal transactions when they put up new flats in the market for sale. Although the flats are uncompleted, under the regulations, there is still the consent scheme. In fact, the Director of Lands can impose restrictions on them in many ways. But Financial Secretary, sorry, I must say that the Government is too lenient to property developers. While someone is prosecuted for deceiving customers by selling barbeque pork two taels short of a catty, nobody bothers to follow up whether any transaction is truly concluded at the intended price.

In the year before last, I debated with a major property developer on radio whether there was "bundle sale" in the transactions of The Arch three years ago.

He actually knows a concubine of a certain person and he knows that he can do it this way. Although I do not know all the concubines, I know that there is a way to do it. How does it work? The average price of a flat of The Arch is \$15,000 per sq ft, and assuming that I am a concubine of a certain person and I am interested in a flat which costs \$20,000 per sq ft, the property developer then really sold the flat to me at \$20,000 per sq ft and stamp duty is also paid. A week later, this concubine, together with her relatives, purchased the adjacent flat one floor below the one that she had purchased earlier in the same development at \$10,000 per sq ft. It means that the price she paid is \$15,000 per sq ft on average. But since she purchased the first flat at \$20,000 per sq ft, this news will be reported. To this concubine, she has nothing to lose at all. So, she has actually engaged in a "bundle sale", and all she needs to do is not to complete these two transactions on the same day. She is a good friend of this property developer and so, she first purchased a flat at \$20,000 per sq ft but in fact, she has actually purchased two flats at the average price of \$15,000 per sq ft. Is anyone aware of this? No. I debated with the public relations officer — a Director — of this property developer for half an hour. He thought that what he had said was right but when I revealed the true facts, he was left speechless.

Honestly speaking, these are not new tricks. Financial Secretary, I do not understand why you said only now that something must be done. I always think that with regard to uncompleted flats, the Lands Department and the Secretary are duty-bound to guard the final gate, because these are uncompleted flats. Insofar as the consent scheme is concerned, the Lands Department has the powers to include the relevant terms in the consent scheme, and if property developers play foul, the Government can impose penalty on them, which can include a warning, and the strictest penalty can be imposing a ban on the sale and purchase of their flats.

However, our Government just will never do this. What has it done? It has requested "Ah Kin" (not "Uncle Kin"), or Mr LEUNG Chi-kin, Vice Chairman of the Real Estate Developers Association (REDA), to urge property developers to exercise self-regulation and to issue some guidelines. Yesterday when I attended the meeting of the Panel on Development, I was sitting beside Abraham SHEK and I said, "Mr SHEK, it seems that I have become a policeman overseeing property developers as I would launch 'covert operations' when I have time, and I launch such operations a few times a year" — certainly, I do not carry

out the operations myself. Two weeks ago, my staff launched a covert operation when a residential property development was put up for sale and found that they breached the regulation and so, we reported it to the press. This will be discussed when I meet with "EA" on Friday.

But Financial Secretary, I would like to know if it is my duty to conduct these operations. Should it be the duty of the public to carry out "covert operations" but not yours to do so? It is very easy to launch these operations. I do not understand why the Government does not do it. Is it because this has to do with the business of the major property developers that you are afraid of them? Or is it because your boss, Donald TSANG, is afraid of them and you are therefore also afraid of them? It is in fact not difficult to identify the loopholes by launching "covert operations", and we can always detect problems in every such operation. This does not mean that I am smart or my staff are smart, only that these irregularities can be found everywhere and all property developments have these problems.

Financial Secretary, on the point that you made to the property developers yesterday, stressing the need to disseminate accurate information to the market, I hope you can really incorporate these suggestions into the consent scheme so that they can become terms and conditions of the sales brochure. Only in this way can the Government have the authority to impose regulation. I do not wish to see that you would again ask the REDA to exercise self-regulation later, for this is something that only a toothless tiger will do.

President, I also wish to make another point about the sale of Home Ownership Scheme (HOS) flats and public rental housing (PRH) flats. As I just said, the position of the Democratic Party is that something must be done before the bubble takes shape, that there should be a soft landing and that "a heavy dose" is not desirable. We propose to resume the construction of a small number of HOS flats with an annual production of 2 000 to 3 000 flats, because many people cannot even afford those flats which cater for first-time home buyers now. I remember that when I was young, I bought my first flat in the secondary market (as also mentioned by your boss, Donald TSANG). I bought a flat in an old building in Kwai Chung. Three years later when I had saved up some money, I bought a new flat in Tsuen Wan. I do not have any problem with housing now.

But what is the case of our young people nowadays? Property prices were cheap when I bought my first property. The flat that I bought in the secondary market cost only a few hundred thousand dollars. That was the case back then. The flat, which measured 600 sq ft, cost me only three or four hundred thousand dollars. But now, one cannot quite possibly buy an old flat of 600 sq ft in the urban area, Tsuen Wan or Kwai Chung at a price lower than \$1.5 million. The price now ranges from \$1.5 million to \$2 million, depending on the location. In other words, if young people wish to buy their first home, sorry, Tsuen Wan or Kwai Tsing is not an option. As for young professionals, I think they can consider old flats in Yuen Long where there are still flats costing \$1.5 million for them to choose from. If the rising trend of property prices continues, someday you may have to tell them that if they wish to purchase their own home, they have to go to Shenzhen. I do not wish to see this happen but it is possible for this to happen. What happens now is that they can no longer afford buying their first home in the urban area.

So, I think it is appropriate to provide a few thousand HOS flats annually for those people in need of housing. This will give one more opportunity for people to address their housing needs.

President, let me explain one of the reasons why I propose the sale of PRH flats. I entirely do not understand why the Government has been so accommodating of property developers that even the policy allowing the grassroots to purchase the flats in which they live has to be abolished. In economics, the most rightist economists — I will not name those in Hong Kong — a number of them in the University of Hong Kong and many scholars of the Chicago school of economics support the sale of public housing to the tenants, and some newspapers even suggest granting these flats to the tenants for free. Because the recurrent account of rental units is mostly in the red, and if they are given to the tenants, the cost will then be borne by the tenants themselves.

However, I do not know whether the Government has heeded the view of property developers or it has other reasons in calling a halt even to the policy of selling PRH flats. I do not know the reason. Secretary Eva CHENG's explanation was very complicated. She said that after selling the PRH flats to the tenants, the maintenance and management work will be complicated. But I do not see how complicated such work is. All it takes is to contract out all such work. So, how could it be complicated? Nobody will raise any objection.

The Housing Authority (HA) discussed the issue of HOS flats just this morning. Members of the HA hold different views, and an announcement will be made in due course.

That said, to the grassroots, I think this means a warm, cozy home for them. I share the view of a Member of the Executive Council, Prof Anthony CHEUNG, who said that housing is actually more than a question of commodity and a dwelling place. In Hong Kong, over the years, although wages are sometimes very low, many people who live in PRH flats very much wish to own their homes. They think that no matter how hard they have to work, as long as they can live comfortably back in their homes, they are prepared to spend less on food, refrain from taking taxis when going out and put on mundane clothings. They will feel contented as long as they live comfortably at home. If the Hong Kong Government cannot properly address the issue of property prices, the sale of HOS flats and PRH flats, and so on, this will not only be a problem of commodity and property prices, but one that will greatly affect the prestige of the entire Government in governance and social stability.

Thank you, President.

MS LI FUNG-YING (in Cantonese): President, the policy address delivered by the Chief Executive this year is vital to the future development of Hong Kong. At the same time, it is very disappointing to the public. I consider it vital to Hong Kong's future development because the Chief Executive is convinced that economic integration with the Mainland, strengthening the four pillar industries and developing the six industries will be the direction for Hong Kong's future development. These policy declarations, once affirmed, will influence the destiny of people of the next generations. I say this is a disappointing policy address because the Chief Executive has failed to critically review where the deep-rooted problems of Hong Kong society lie. From what angle have the initiatives proposed in the policy address responded to these problems? Within the Chief Executive's vision, Hong Kong seems to be lacking fuel for propelling economic growth only. He believes the problems plaguing Hong Kong will be easily resolved just by stirring up the fire by adding oil, or launching the six industries when the four pillar industries are found to be inadequate.

In the past, I seldom spoke in the first debate session on the part of the policy address concerning economic development. However, the economic policies outlined in this policy address have formed the core of the entire policy address, or they can even be described as the essence of the entire policy address. Therefore, I cannot but express my views in this debate session. The first point I wish to raise is that I oppose the Chief Executive's economic-oriented strategies of governance. During the Question and Answer Session held after the release of the policy address, the Chief Executive even described the policy address as back to the basics. But, Chief Executive, please do not be mistaken. Only people are the basics of society. If the policy address is to go back to the basics, it cannot but go back to the livelihood of the public at large, ease the hardship of the people and share the worries of the people. This is precisely what the policy address is lacking.

The four pillars, six industries, and even reference to integration with the Mainland's economic development, so long as they are closely related to the impacts on people's livelihood, do not necessarily conflict with the people-oriented philosophy. For instance, when it comes to one of the four pillars, namely trading and logistics, the Chief Executive says, on the one hand, the Government attaches great importance to the sustainable development of the trading and logistics industry and stresses, on the other, the importance of a clear division of work, a reasonable layout and complementarities in respect of the facilities in Hong Kong and in the Mainland. In the end, he even points out that it is increasingly accepted that the trading and logistics sector in Hong Kong should gradually shift to high value-added goods and services. I do not know what the Chief Executive was referring to when he mentioned consensus in society. I only know that container truck drivers working in the transport sectors in China and Hong Kong have found their work constantly shrinking and their living standard deteriorating. I still recall when the logistics industry was confirmed to be one of the four pillars in Hong Kong in 2003 and 2004, the Government was even prepared to build container terminals and develop a new logistics park. At that time, workers in the transport industry were still holding high expectations for the future development of the industry. But now, the new container terminal is nowhere to be found; the logistics park has disappeared; and even the logistics industry has merged with trading and become the trading and logistics sector. The Chief Executive beat about the bush in the policy address when talking about the logistics industry. After all, there has been a change in the Government's policy on the logistics industry. Furthermore, there will be a clear division of work with our neighbours in terms of container transport and a

shift to high value-added goods and services. However, this change in policy cannot be fully explained by the simple allusion to consensus in the community, so to speak, in the policy address. Such a consensus has concealed the miseries of tens of millions of grass-roots people. The freight transport sector has shrunk from having more than 45 000 container truck drivers at its peak in 1990s to less than 10 000 now, with monthly wages having dropped from several hundred thousands dollars in the past to less than \$10,000 presently. If the Chief Executive describes this as consensus in the community, will the Government ask these drivers, who are filled with grievances, whether this is their consensus?

I do not mean to oppose the Government adjusting its economic policy. While I agree that a reasonable layout is essential to the facilities in Hong Kong and the PRD, all policy adjustments must be matched with corresponding complementary facilities. I am not merely referring to hardware relating to infrastructure facilities; software relating to manpower resources should be included, too. When TUNG Chee-hwa was the Chief Executive, an assessment of the impact of policy initiatives on employment would still be mentioned. Has the Government done any assessment of the impacts of the policy change on employment in the logistics sector? Have any specific initiatives been proposed to help affected employees in the industry? The Government's change in its policy on the logistics sector is not a matter of having consensus or not. Instead, it is an inevitable result subsequent to the economic development of the PRD. However, the Government describes the division of work under global competition as social consensus. It seems that it is a matter of mutual consent, and the Government no longer needs to assume any responsibility and take care of the livelihood of the tens of thousands of front-line logistics workers being affected.

People, the most fundamental element, is not taken into account when economic policies are mentioned in the policy address. This is the case with the four pillars as well as the six industries. My position was absolutely clear when I expressed my views on the development of the six industries proposed by the Task Force on Economic Challenges. In May this year, in a question put by me to the Chief Executive during a Question and Answer Session in the Legislative Council, I already requested the Chief Executive to clarify the impact of developing the six industries on the livelihood of the people. When the six major industries were debated in this Council in June this year, I proposed an amendment to the effect of avoiding affecting the resources for providing services to local residents while studying these six industries. Although the six industries

are the thrust of the policy address, they can still not answer my query. Take the education services sector as an example. Let me quote once again the views expressed by me during the debate that day, "The existing rate of Hong Kong students admitted to subsidized universities is only 18%, which is a far cry from the average admission rate of 58% of member countries of the Organization for Economic Co-operation and Development. The result of long freezing the rate of local students admitted to subsidized universities is that every year, thousands of local students who are qualified to be admitted into universities with their Hong Kong Advanced Level Examination results are being shut out. On the other hand, subsidized universities are keen to expand by all means the admission of non-local students. I think this is somewhat like putting the cart before the horse." Paragraph 29 of the policy address frankly admits that "developing our education services will make the best use of social resources in the non-government sector to provide more opportunities for local students to pursue degree education." While subsidized tertiary institutions are being exploited by the Government as education services, local students are compelled to pursue degree education with the social resources allocated to the non-government sector. I really cannot agree with the Government's positioning of education services in this manner.

It is even more baffling that the Government had decided the development of its education services policy before the University Grants Committee (UGC) began a new wave of education review of higher education institutions and examined the philosophy, role and trend of development of higher education in Hong Kong, and so on. While I have no intention to question the professionalism and independence of the UGC, I am greatly worried about the effectiveness when the policy direction for education services had already been determined even before a review was conducted.

Medical services are another area closely associated with the livelihood of the people. During a debate held in this Council in June, I made it very clear that 8 900 of the approximately 600 000 new specialist out-patient appointments in 2007-2008 had been waiting for more than three years. The waiting period for surgery services is the most badly hit, with the longest waiting period for patients lasting four years. If we are to develop specialist medical services, will the public medical sector be affected in a similar fashion? For instance, will the wastage of specialist doctors lead to an even longer wait for specialist medical services? In mentioning the development of medical services, the policy address

has failed to address the misgivings of the people about this. It is mentioned only in paragraph 32 of the policy address that the Government will provide 70 additional places for medical degree programmes, as well as 40 and 50 additional places respectively for nursing programmes at degree and sub-degree levels in the 2009-2010 academic year. However, should these additional places first be used for meeting the needs of the public medical sector, which is experiencing an acute shortage of manpower, or developing the medical services in the Chief Executive's mind? All this has a bearing on the well-being of the public at large, and no ambiguity whatsoever can be allowed.

President, in the concluding remarks of the policy address, the Chief Executive says that "as a city economy, Hong Kong must strive for economic growth and wealth creation to address the employment and poverty issues". He also adds that "the fundamental solution lies in our common efforts in promoting the development of our industries". I am strongly dissatisfied with the Chief Executive's obsession with relying on economic growth to address the employment and poverty issues in Hong Kong, because statistics can best explain this. During the period between the reunification in 1997 and 2008, the economy of Hong Kong recorded a real growth of 48.5%. However, in July 2009, the number of Comprehensive Social Security Assistance (CSSA) cases reached 290 000, or 100 000 more compared to the figure in 1997. In terms of the number of recipients, there were 500 000 CSSA recipients in 2007, or 210 000 more compared to 1997. The reality facing society now is that the number of poor people in Hong Kong will rise with increasing economic growth in Hong Kong. This also explains why Hong Kong has been ahead of other developed countries and regions in terms of the disparity between the rich and the poor. The policy address' proposals of developing the six industries and promoting economic growth for the sake of addressing the employment and poverty issues will only continue to move forward in the wrong direction.

Thank you, President.

MS MIRIAM LAU (in Cantonese): President, battered by the global financial tsunami, all countries in the world have left no stone unturned to stabilize their economy, endeavouring to achieve recovery. The Liberal Party supports the direction put forward by the Chief Executive in the policy address which lays stress on economic development. Because if we still do not make every effort to

identify a new way forward for economic development, we are concerned that there would be grave consequences to society and people's livelihood in various aspects.

For this reason, we consider that the Chief Executive has pointed to a correct direction in his policy address this year by stressing the need to enhance the flows of people, goods, capital and information that are related to the four pillar industries, and to develop the six innovation and knowledge-based industries where Hong Kong enjoys clear advantages. This is in line with the Liberal Party's view as expressed in our expectations of the policy address, which emphasizes the principle of consolidating old industries while creating new industries and the need to attach importance to both the new and old industries and hence benefiting from the two-pronged approach. The Liberal Party hopes that this spirit can be upheld and manifested continuously.

For this reason, we are very much concerned about the continuity of the Small and Medium Enterprise Loan Guarantee Scheme, which will expire at the end of the year, as its extension or otherwise has not been clearly stated in the policy address. It is because the external economic conditions have remained volatile, and this is like a time when heavy rainstorms persist despite the passing of the eye of the typhoon and it is not advisable to close the umbrella. We hope that this policy which is meant to provide support to the small and medium enterprises (SMEs) during the financial tsunami can be extended for some time. Mr Vincent FANG will further expound the views of the Liberal Party in this respect later.

President, the four pillar industries account for 60% of the Gross Domestic Product of Hong Kong and employ a workforce of over 1.6 million. So, their importance is imaginable. Take the logistics industry as an example. The Government has identified a number of permanent sites in the Kwai Tsing area, which is close to the container terminals and the airport, and planned to make them available to the market in phases from next year onwards to facilitate the development of a logistics cluster. The logistics industry welcomes this decision and hopes that the opportunity can be seized to develop high value-added and modernized logistics services, thereby attracting more local and even transnational corporations to develop cargo distribution centres in Hong Kong. However, the sites to be provided are still smaller in size than those initially proposed for the development of the Logistics Park. We very much hope that

the Government can make ongoing efforts to identify more suitable sites to facilitate the continuous development of the logistics industry.

In this policy address, we have seen that the only major support pledged by the Government for promoting the development of various industries is the provision of land, such as providing sites for logistics services as I have just mentioned, sites for private universities, sites for medical and health care services, and revitalizing industrial buildings. In Hong Kong where land is scarce and expensive, land is doubtlessly a very important hardware for the development of industries. But I think we must have regard to both software and hardware, and attach equal importance to software, including the training of talents, co-ordination of policies, and so on.

Speaking of co-ordination of policies, I would like to illustrate this point by looking at Hong Kong's role as an aviation hub. In view of the continuous development of airports in places surrounding Hong Kong and considering that air passenger and cargo services are also an area where Hong Kong enjoys an advantage, it is imperative to start building the third runway at the Hong Kong Airport expeditiously, rather than just conducting studies over and over again. Besides, we should continue to negotiate with the Mainland on further relaxing airspace control in the Pearl River Delta (PRD) in order to facilitate the development of the industry.

With regard to removing barriers to the industries, I think there is still plenty of room for the Government to make improvement. For instance, the Import and Export Ordinance has obviously failed to progress with the times, because cargoes for transshipment via Hong Kong are required to make customs declarations twice, as they need to go through customs clearance on arrival and also departure, which is a waste of time and efforts. But in Singapore and Macao, in order to vigorously promote cargo transshipment service, similar requirements have been abolished and yet, Hong Kong has failed to catch up with them. Hong Kong should consider allowing cargoes in transit to make customs declaration just once. Moreover, following the development of technologies, many strategic commodities under control no longer pose any threat and such being the case, the Government should further review the control list of strategic commodities and even abolish the obsolete requirements, in order to cut down unnecessary procedures of declaration.

Another example is tourism. Universal Studios Singapore will open next year. On the contrary, if we look at Hong Kong, other than the new Kai Tak cruise terminal and the expansion of the Ocean Park and the Disneyland, there are no plans to develop new tourism facilities in the next few years. The Government should actively introduce new tourism facilities to provide a diversified range of tourism and entertainment attractions. It should also negotiate with the Mainland authorities on further improving the Individual Visit Scheme (IVS), such as striving for the implementation of the arrangement of permitting Shenzhen non-permanent residents to apply for IVS endorsements in Shenzhen to visit Hong Kong before end-2009, and also visa-free entry requirement for Taiwan residents to visit Hong Kong, with a view to boosting the number of inbound visitors and encouraging tourists to extend their stay in Hong Kong.

The development of the six industries also hinges on the support of government policies. For instance, in respect of education services, the policy address has only stated that the Government will explore the possibility of allowing Mainland senior secondary students to study in Hong Kong, and to this end, the Government may allow them to take short-term courses offered by local degree-awarding tertiary institutions, or pursue senior secondary education at non-public schools in Hong Kong. However, under the existing policy on granting student visa, primary and secondary students from the Mainland, Taiwan and Macao are still excluded, which is obsolete indeed. In respect of the testing and certification industry, the Liberal Party considers that the Government should step up negotiations with the Mainland, in order to strive for the Mainland's acceptance of local laboratories and testing and certification bodies to participate in the provision of compulsory testing and certification services in China, as well as recognition of the testing reports issued on this basis. In other words, the Government has to take on the role of the bellwether and proactively assist the development of the industry.

Moreover, young people are always highly creative. The cultural and creative industries or innovative technology industries offer avenues for young people to give play to their talents. However, they lack the experience and capital to transform their creativity into businesses or careers. The Liberal Party considers that if some venture capital funds can be set up, so that dedicated organizations can provide the young people with one-stop services covering capital financing, office premises and business consultant services such as

assisting them in writing proposals, this can certainly be of great help to a lot of young people, enabling them to open up new horizons for future development.

President, next, I would like to talk about the cultivation of talents. This is not just important software for the development of various industries, but also relates to the general social mobility and the ability to create wealth and hence get rid of poverty. The Liberal Party shares the view of the Chief Executive who said in the policy address that "Hong Kong must strive for economic growth and wealth creation to address the employment and poverty issues", and we think that the key lies in whether or not efforts in education and training are effectively carried out in tandem with economic growth or the employment opportunities brought about by the development of industries.

However, in the entire policy address, a more detailed account is given only in the part on medical services, saying that the training of medical personnel will be strengthened by, among other things, providing more medical degree programmes and nursing programmes at degree and sub-degree levels, and reopening some of the nursing schools, with a view to training more nursing manpower.

Apart from medical services, however, there is no specific proposal for other industries. The testing and certification industry with tremendous potentials for development and competitive advantages is an example. Despite that even the Central Policy Unit has drawn attention to a shortage of 15 000 talents in the industry, not a single word is mentioned in the policy address of how best training will be provided. In fact, many job types in the industry are suitable for students with Secondary Five education and also for university graduates. But given the lack of systematic programmes, training is mostly provided by way of mentoring in the industry, which is indeed undesirable. In this connection, the Government should expeditiously introduce formal testing and certification programmes to provide an additional path for the young people to pursue development.

In fact, it is still very difficult for young people to seek employment. Although the unemployment rate among youngsters aged 15 to 19 has dropped 2.5 percentage points, the figure still stands high at 25.7%, which means that a quarter of young people in this age group cannot land a job. Among the group of new university graduates aged 20 to 24, the unemployment rate has remained

at 13.2% with close to 40 000 graduates being jobless, showing no significant improvement and even outgrowing the overall unemployment rate. If we wish to develop a knowledge-based economy, but if we pay attention to the elimination of poverty to the neglect of the importance of upgrading job skills and popularization of education, that would hardly be convincing.

Some people have criticized this policy address for making no mention of poverty alleviation and lacking initiatives to help the poor. It is true that this policy address has not again provided welfare or distributed candies lavishly. But it has never been the view of the Liberal Party that the Government can thoroughly resolve the poverty problem by distributing candies or welfare extensively. While the Liberal Party does not support giving out candies indiscriminately, we do agree that the Government should provide practical and appropriate assistance to people who are genuinely in need, including the elderly in poverty, children of families in poverty, persons with disabilities or people who are incapable of self-care. Assistance can be provided by, for instance, paying the monthly internet subscription fees for families receiving Comprehensive Social Security Assistance with school children, so as to prevent a knowledge divide and inter-generational poverty. The Liberal Party supports these measures and hopes that the Government will implement them as soon as possible.

In other words, with regard to the development of industries, we do not wish to see the Government merely "drawing a cake to sate hunger" or making empty talk by telling people to endure hunger because they can have a cake to eat tomorrow. We hope that the Government can practically take actions and instead of just drawing a cake. It can really make a cake and endeavour to develop the economy, thereby creating wealth for all. We hope that through education, training and provision of more employment opportunities, the Government will assist the poor people to upgrade their quality and increase their income, thereby averting the adversities they face in life and helping them to get rid of poverty.

Moreover, we agree that the direction of the future development of Hong Kong is to step up efforts in complementing the economic development in the Mainland. While we have to enhance our co-operation with Guangdong Province, we also have to actively participate in the National 12th Five-Year Plan

and align our efforts with the policy of further opening up the Mainland economy. To this end, we can strive to make Hong Kong an offshore Renminbi (RMB) centre for conducting more RMB business.

President, next I would like to turn to the property market which has been of great concern to everyone recently. As the prices of luxury properties soar to sky-high levels, members of the public have been very concerned that the overall property prices will be pushed up, which will affect their affordability in home ownership. In fact, when the Liberal Party submitted our expectations of this year's policy address to the Chief Executive in September, we had already noticed this problem and made two proposals: First, the Government should reintroduce the Home Starter Loan Scheme to provide assistance to 5 000 applicants annually by granting them an interest-free loan, subject to a ceiling of \$400,000, to be repaid over a maximum of 20 years for making down payment for a flat costing not more than \$2 million, with a view to alleviating the burden of young people in home ownership. Second, the Government can conduct studies on the provision of an appropriate number of public rental flats for the middle class, so that young people in the middle class who are not eligible for public housing but cannot afford buying their own homes can have an additional choice.

The policy address has devoted only 200-odd words to the property market and the land price policy, stating that "the Government will closely monitor market changes in the coming months and when necessary, we will fine tune the land supply arrangements ". This, in the view of the Liberal Party, is a bit neglectful of the public's concern about soaring property prices. Obviously, the Government has recently taken steps continuously to keep a closer watch on the development of the property market. For instance, the Hong Kong Monetary Authority has targeted luxury flats with a value of over \$20 million and sought an agreement from banks on tightening the loan-to-value ratio for mortgage loans to 60%, while the Financial Secretary also met with representatives of the Real Estate Developers Association yesterday to exchange views on the property market.

The Liberal Party agrees that drastic fluctuations in property prices should be avoided but this cannot be an excuse for the Government not taking any action. The Government can actually increase the supply of land to stabilize the property market in many different ways, including making improvements to the existing Application List system expeditiously. For instance, the trigger price

can be lowered to 60% of the upset price to attract property developers to trigger sites for sale. Consideration can also be given to conducting land sale flexibly. The Government can, in the light of the market conditions, provide sites of different types and sizes and at different locations for the development of different types of residential flats, in order to respond to the demand in the market. Particularly, the Government can increase the supply of flats targeting first-time home buyers to specifically address the difficulties faced by the ordinary public in home ownership in a spiralling property market.

That said, the Liberal party would like to point out that we do not agree that measures be taken rashly to tackle individual problems in the property market. Members may recall that before 1997, people were all concerned about the drastic rise in property prices and there had been a strong appeal calling on the Government to care for the "shell-less snails", or people who cannot afford buying their homes. This had indirectly led to the Government's policy of building "85 000 residential flats", resulting in tens of thousand owners of negative equity assets. As Prof LI Ling-hin, Associate Professor of the Department of Real Estate and Construction of the University of Hong Kong, has said, since the Government has explicitly stated that the Home Ownership Scheme (HOS) has accomplished its historical mission, the Government should not consider resuming the construction of HOS flats because of high property prices. Otherwise, this would give people the impression of an inconsistent housing policy and the Government's attempt to intervene in the property market. There is more to this than meets the eye. I think all Members are well aware that once the Government has taken too drastic a step and caused a downturn of the property market, we would be worried about the serious consequences to follow. For this reason, the Liberal Party does not support the resumption of the construction of HOS flats.

The more pressing problem that we face now is that the supply of flats this year has indeed decreased, and this year's supply is very likely to even fall short of last year's production of some 8 000 units. We have heard that the number will be even less next year, as the production is originally estimated to be 2 000 units less than this year's, meaning that there is a chance for property prices to be further pushed up. In this connection, the Liberal Party considers that after completing the sale of surplus HOS flats in the coming phase to be launched at the end of the year, the Government should immediately conduct studies on

expediting the sale of the remaining stock of 4 000-odd surplus HOS flats to meet the needs of the market.

President, I so submit.

MR CHEUNG HOK-MING (in Cantonese): President, the Chief Executive's policy address this year puts great emphasis on infrastructure development which provides momentum for our economic development. It has especially referred to the major infrastructure projects in the 1970s and 1990s which were "magic wands" that saved our economy and helped Hong Kong reach another peak at that time. But today, Hong Kong has gone through the tests of the credit crisis triggered by the financial institutions in the United States and the global financial tsunami, our peripheral regions and countries have been challenged and threatened to different extent and Hong Kong people have recently made strong appeals for conservation, so the room for striking a balance between development and conservation has become increasingly narrower. Under such an international situation and the prevailing social atmosphere in Hong Kong, I really doubt if the 10 major infrastructure projects introduced by the Chief Executive in the year 2007-2008 would still be a miraculous cure that would enable Hong Kong to reach another peak.

My worry is not groundless and the latest heated argument over the development of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link is the best example. At last, to resolve the controversies over the rail link, the Administration tackled the special case with a special method. It has formulated a new compensation proposal that is more flexible and laxer, which precisely embodies the Chief Executive's idea as stated in page 16 of the policy agenda, that is, "Enhancing our capability to resolve cross-bureaux and cross-departmental issues relating to major infrastructure, to conduct high level public engagement, and to address strategic issues which might impede progress in the major infrastructure projects." This creates favourable conditions for the successful implementation of major infrastructure projects in the future. Otherwise, the Administration will still be engaging in idle theorizing in respect of major infrastructure projects, not knowing when they will be implemented.

President, the property prices have lately been a hot topic in town. To ease the demand for land for residential development, the Secretary for Development, Mrs Carrie LAM, has emphasized during a relevant briefing that the SAR Government is conducting several planning studies on Northeast New Territories, including Kwu Tung North, Fanling North and Ping Che/Ta Kwu Ling (3-in-1 Scheme), with a view to meeting the future housing and land demands. Also, the Administration will consider making further preparations for the Hung Shui Kiu New Development Area. The objective is to complete all studies on the New Development Areas in Northeast New Territories by 2011.

For a certain period in the past, owing to planning mismatch in the Government's development of such new towns as Tuen Mun, Tin Shui Wai and Tung Chung, quite a number of people cannot secure employment in the neighbourhood, and residents making long journeys to work across districts have to bear high travelling expenses. Thus, many people in these new towns ran into employment and family problems and tragedies even happened in some families. There are, in effect, bloody lessons to be learnt from these problems, and the Government should bear this in mind.

To explore better planning of the New Development Areas, the DAB published in May last year a study report on the New Territories Development Strategy; it is considered that the 3-in-1 Scheme should be implemented first and 10 major development concepts are tailor-made for the New Development Areas (NDAs), including the quality development concepts of lower density residential development, sufficient greening and enhancing quality of life. More importantly, it is pointed out that the NDAs should have commercial elements and elements of sufficient community facilities to create diversified new communities and increase employment opportunities within the districts. According to my understanding, quite a number of the future concepts of the NDAs that the Administration will announce soon are very similar to the proposals made by the DAB.

In the future, the DAB will also conduct a study on the Hung Shui Kiu NDA planning as stated in the policy agenda. Based on our experience of studying the 3-in-1 Scheme in the past, the successful development of a NDA hinges upon self-sufficiency, commercial elements and elements of economic development that are conducive to sustainable development. Since Hung Shui

Kiu is geographically located near Shenzhen and conveniently located along the railway line, the Hong Kong-Shenzhen Western Corridor and the Deep Bay Link, it is well-positioned to become an international gateway for the integration of the foreign economic relations, trade and commercial activities of China and Hong Kong.

For example, we can consider developing there a trade fair venue for organizing such functions as the China Import and Export Fair, for Hong Kong precisely lacks such a trade fair facility now. Information shows that the largest exhibition centre in the world is in Hannover, Germany, where the total area of the exhibition site is 500 000 sq m and there are 27 exhibition halls. But the site is fully booked for exhibitions every year. Furthermore, there are large trade fair centres in Frankfurt, France as well as Koln, which are often fully booked. Evidently, large trade fair activities have great potential for development in the international arena.

Looking round at various Asian regions, there is a very serious shortage of large trade fair venues. With rich experience in international trade fairs and the geographical advantage of having Mainland China as our hinterland, we really have the conditions for developing these trade fair activities. The Hung Shui Kiu NDA has 200 hectares of land for development, so if 40 to 60 hectares of the land are developed into large exhibition halls, Hong Kong will have the conditions in future to fight for the organization of major international trade fair activities, for example, large high-technology exhibitions on motor cars, home decor and furniture, and even aeroplanes and robots.

In addition, these large trade fair venues will be conducive to the further development of wine trading and distribution business in Hong Kong, providing adequate logistics support for wine storage. Since the implementation of the wine duty waiver in Hong Kong, several wine auctions have been held here. Up to early October this year, the three wine auctions held in Hong Kong have recorded transactions amounting to \$122 million. As described by an auction house, Hong Kong has become the most important wine auction centre and it has a higher status and larger transaction amounts than New York and London.

President, to develop the New Territories and promote the flows of people and goods which will push economic development, sound transportation network planning is very important. Having taken a broad view of the situation, I have

found that the passenger volume has all along been unsatisfactory after the commencement of West Rail services. Even after the commencement of the Kowloon South Line services in August this year which allowed New Territories West residents to inter-change between the East and West Rail Lines and travel to New Territories East and the urban area, new passenger sources have still not been effectively developed. Therefore, at this stage, I think the Government might as well consider further optimizing the West Rail network by enlarging and expanding the coverage of West Rail services to serve the residents in more districts. Among other things, the Government can actively consider following the example of the extension of the Island Line to the West Island Line and South Island Line, and extend southward the West Rail terminus in Tuen Mun with a view to developing a new area and serving more people. In fact, the areas to the south of the Tuen Mun terminus, for example, Butterfly Estate, Wu King Estate and the area around the Tuen Mun Ferry Pier have a population of over 100 000. The residents can only rely on Light Rail and bus services at present and the external transport network is very limited. Hence, the residents always want the introduction of a railway network to improve the present situation.

On the other hand, for the further development of the passenger source of the West Rail, the Administration can consider the southward extension of the West Rail terminus to the area around Siu Lang Shui and Black Point to tie up with the SAR Government's plan on the development of special industries such as a recovery park there. Besides, the SAR Government is planning for the Hong Kong-Shenzhen Airport Rail Link (ARL) and intends to develop it into a multi-functional cross-boundary railway. As such, while making plans for the alignment of the West Rail south of Tuen Mun, I think that the Administration should concurrently make plans for the ARL. It should consider establishing a strategic interchange station around Siu Lang Shui, connecting the West Rail extension to the ARL, thereby combining two regional and cross-boundary railways and attaining greater effectiveness. This new railway network concept has the merit of enhancing transport services and development south of the Tuen Mun terminus and linking up the Northwest New Territories and Shenzhen. I believe it can directly propel the development of the Northwest New Territories.

President, the Chief Executive has referred to the concept of "Progressive Development" in his policy address, according to which a balance has to be struck

between economic development and environmental conservation with a view to creating a better quality of life in this city. President, the Administration is endeavouring promote the use of electric vehicles and various emission reduction measures, which is worth appreciation; yet, I trust that it can do a better job in this connection.

Everybody knows that railway is one of the modes of transport in our society nowadays with the least environmental impact. It has a large carrying capacity and numerous merits such as punctuality and swiftness. Although there is one railway each in the east and west of the New Territories respectively, compared with the East Rail, the lengthier journey on the West Rail is naturally much less attractive to nearly 500 000 Tuen Mun residents. For this reason, the patronage has remained unsatisfactory since the commencement of West Rail services.

The DAB and I have made proposals to the Government time and again, hoping that it would develop a West Rail extension from Tsuen Wan to Tuen Wan via Tsing Lung Tau and the area along Tuen Mun Highway, to save the residents' travelling time and benefit those in the Tuen Mun District. President, a better quality of life in this city should cover all aspects of life, for example, saving people's travelling time so that they can spend more time with family members, cultivate their interests, or take a rest and build up strength. In the past, it could be said that we were indebted to hundreds of thousands of Tuen Mun residents who had put up with a number of offensive facilities for years. I hope that the SAR Government will carefully consider the DAB's proposals and build a railway extension from Tuen Mun to Tsuen Wan.

President, the prices of luxury flats have steadily risen these days and our economy is coming out from the abyss, and even if the latest unemployment rate figure has indicated the price rise is slowing down, the figure is still fluctuating between 5% and 6%. The number of applicants under the Transport Support Scheme introduced by the Labour Department two years ago still keeps increasing currently, and there has been a substantial surge of 78% in the first half of this year compared with the same period last year. This reflects that many grass-roots residents are still struggling owing to the blow dealt by the financial turmoil and their financial position has not seen any significant improvement.

Travelling expenses are one of the essentials of daily living that include clothing, food and accommodation, and its importance is imaginable. We cannot underestimate the reduction of travelling expenses by a few cents to a dollar. For grass-roots families with a monthly income of just a few thousand dollars, if the travelling expenses of members of the family members can be reduced by a few cents to a dollar on each journey, the total savings each month will be equivalent to two to three days' meal expenses. Thus, reducing travelling expenses can directly help relieve the financial burden of the grassroots.

It is a great pity that, in the past year, it seemed that we had not found the SAR Government making any efforts in this connection. On the contrary, many transport operators announced fare increases one after another and even abolished concessions. For instance, a bus company successfully applied for a fare increase late last year and it gradually abolished return trip fare discounts afterwards; even the Star Ferry which scored a success through low fares had a fare increase. The MTR Corporation Limited with the Government as its majority shareholder also once proposed to abolish the elderly concessions but continued to offer the same due to pressure of various kinds.

We think that there is a close tie between travelling expenses and people's livelihood and the Government should certainly not use the "big market, small government" policy as a shield, overlooking the appeals of the grassroots for reduced travelling expenses. Precisely because of that, after proposing a motion on "Alleviating the burden of travelling expenses" last year, I have again proposed a similar motion this year in the hope that the Government would address the issue squarely.

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

MISS TANYA CHAN (in Cantonese): President, as I would like to speak in each and every session of this debate, I am going to speak a bit faster.

First of all, before the release of the policy address, all of us expect a lot from the six industries. Certainly, the democrats hope that the Government or the Chief Executive will give an account on the political reform package but it is a great pity that there has none. In my opinion, the six industries that we have conscientiously expected have become six real estate industries because all these

sectors such as cultural and creative industries, environmental industries, medical services, education services, testing and certification services and innovation and technology are connected with land.

Concerning the cultural industries, we have the West Kowloon Cultural District but it is too bad that the leading Secretary of Department cannot even name any of the small and medium performing groups and the policy direction for arts is not at all clear. As regards environmental industries, the Chief Executive has only touched upon green procurement and compact fluorescent lamps, and so on, but many of the Civic Party's proposals on a Green New Deal have not been adopted. In respect of medical services, education services and testing and certification services, as an Honourable Member has just said, there are many hardware measures and very little support insofar as software is mentioned. As a matter of fact, software is important to innovation and technology and cultural and creative industries where talents are the most important element, yet, little has been presented in the policy address in this connection. As regards innovation and technology, we can see that a cash rebate will be given but many small and medium enterprises will not be benefited as the scale of their research and development projects may not be big enough, thus, they will not be benefited in the end.

I said just now that the six industries may become six real estate industries, thus, I should say something about the property market. I believe this policy address has most widely covered Secretary Carrie LAM's area of work including industrial buildings as we have all noticed. At the meeting of the Panel on Development of the Legislative Council yesterday, the Secretary gave an explanation in response to our latest concern about the uses of industrial buildings. I am definitely grateful to the Secretary for carefully explaining the waiver fee yesterday. As Honourable colleagues have remarked, there is no direct support for the six industries in which Hong Kong has clear advantages. I have suggested earlier that, insofar as the waiver fee is concerned, the Administration should consider whether different forms of assistance would be given to different industries instead of giving a full waiver as in the case now.

Moreover, in respect of the residential property market frequently mentioned by Honourable colleagues today, I remember that I played a part in a drama entitled "Hong Kong real estate comic dialogue"; we still remember one of the lines, that is, "getting married and purchasing properties are two different

things." Of course, a lot of men will find this pleasing to the ear, that is, getting married should not be associated with home ownership. At present, when we think about the first-hand property market, we will be highly concerned. I recall that luxury properties were really luxurious in the past. What were people particular about luxury properties? People were particular about the locations of luxury properties. Taking blue blood as an example, blue blood used to be people of noble decent but that is no longer the case today for those who have pretty looks including those who wear make-up and even those who have undergone cosmetic surgery may be regarded as blue blood. The same applies to luxury properties; people are no longer particular about the locations now; not only properties on the Peak and at the Mid-levels are called luxury properties, a property at the Tai Hang Drive is also described as situated at Jardine's Lookout. In other words, the building is situated in a certain place if we can see that place from the building. The property is selling very well at the moment.

Another point, that is, creativity in Hong Kong is involved. Some have said that our properties display high creativity, I actually do not quite agree because we can see in the advertisements a few things: foreigners, Miss Universe holding a shawl blown off by the wind (I wonder why this is a property advertisement) or a song being played. The floor numbering of buildings aroused public concern some time ago because the numbers of the floors jumped in a special way, and the names of the buildings are very important, too. One example is that, when a person is asked where he lives, he answers that he lives in the Capitol (the capital) but it is not in Beijing but in Tseung Kwan O. I definitely think that these are very special matters but the practice of selling properties should be the most special. Nowadays, the practice of selling first-hand properties is very different from that in the past. When first-hand properties were sold in the past, we understood that — I learnt it from the others because I have not bought a flat yet and I am still a shell-less snail — first-hand properties in the past were not sold by estate agents but developers. The developers posted all the details including the date, property prices and the floor numbers, and provided one-stop property selling services. But, that is not the case nowadays. As Mr LEE Wing-tat has just said, there are intended prices. Since the intended price as published in newspapers and referred to by Mrs Who or Mr Who may be \$10,000, \$12,000 or \$13,000 per sq ft, if the selling price turns out to be \$7,000, people will think that they have made a fortune and they will rush to buy similar ones. Regardless of the intended price, the prospective buyers who have been waiting may be told by the property sellers at 12 midnight

that the selling price is \$7,000 per sq ft, which is a real bargain as there are sayings that the price will be \$12,000 per sq ft, and they will tell you to purchase the properties; the bewildered buyers may then purchase the properties. Is this practice of selling first-hand properties worth encouraging? Perhaps the Administration should examine the issue.

I am going to make another point about sales brochures that many Honourable colleagues have mentioned earlier. A vendor selling roast pork short-weight may give the customer a piece of roast pork bone but he will still be scolded. The shop concerned is in Wan Chai and I used to patronize it, too. If a customer only buys barbecue pork for \$20, the seller will throw the barbecue pork to him. Besides bearing children and rearing them, I think that buying a flat is the most important investment in one's life. However, why are there floor areas and gross floor areas in the sales brochures? How can we tell the true from the false? I really hope the Administration would regulate sales brochures. Of course, many first-time home buyers may not purchase first-hand properties. Nevertheless, as the supply of first-hand properties becomes increasingly less, the prices of these properties will directly affect the prices of second-hand properties in the same district, and they may also affect people's chances of buying their first homes. Next week, Mr LEE Wing-tat will propose a motion on the property market and we will have detailed discussions then.

Next, I am going to talk about my proposal of "a letter each day" connected with Secretary Carrie LAM's area of work. I have never thought that the Chief Executive would mention the issue of trees in his policy address. Nonetheless, there was a small paragraph on tree management which made me delighted and I thought that the Government had changed its mind. Yet, it is a great pity that the Government has not made any legislation on trees so far. I will try to introduce a Member's Bill on trees around November. I understand that it will be difficult because I must first obtain the President's consent and I may have to obtain the Chief Executive's consent as well. Anyway, I will carefully consider the matter lest it should become complicated. Furthermore, I do not want to put a heavier workload on the President before his wedding.

Having talked about a subject in Secretary Carrie LAM's area of work, I would like to talk about the area of work of Secretary Rita LAU, whom I have often contacted recently, that is, the Hong Kong Convention and Exhibition

Centre (HKCEC) Phase 3 development. This issue was mentioned in the previous policy addresses but little about this issue has been said in this policy address. Nonetheless, we have learnt from Secretary Rita LAU that a consultation may still be conducted on HKCEC Phase 3. I really hope that Secretary Rita LAU will pay attention to the report in an English newspaper last Sunday. Among other things, it was reported that, after the conclusion of the Mega Show, the transportation vehicles leaving the site had caused serious traffic congestion on Hong Kong Island Saturday afternoon — there was traffic congestion in the Wan Chai to Sheung Wan areas as revealed in the complaints lodged by many taxi drivers to me. I hope that the Government would consider all issues very carefully because that is our harbourfront after all, and we also hope that the harbourfront can really be preserved for people's enjoyment.

This issue has something to do with the conservation of Central and the preservation of the harbourfront for people's enjoyment, and the areas of some commercial sites at the harbourfront can be transferred to Site 5. Actually, I have brought along the plan today; Site 5 is on the diagonal opposite side of the future Legislative Council Building. I hope that Secretary Carrie LAM would give us an account as soon as possible. If the site is not for Government/Institute/Community use or to be used as a Comprehensive Development Area in the community but really becomes a commercial site, what will its development parameters be? Furthermore, where will the original facilities in the Comprehensive Development Area in the community be relocated? The public are very much concerned about these matters.

I so submit. Thank you, President.

MR LAU WONG-FAT (in Cantonese): President, in the first policy address delivered by Chief Executive Donald TSANG in 2007 after his successful re-election, he announced the 10 major infrastructure projects that heartened everyone. At that time, he pointed out that the slow progress in infrastructure development over the past decade in Hong Kong should be attributed to the ineffectual efforts made and he boldly asserted that he would push ahead with the 10 major infrastructure projects within his term of office. By now, half of the term of office of Chief Executive Donald TSANG has passed, and the time to assess the effectiveness of the plan is near.

It has never been an easy task to launch large-scale infrastructure projects in Hong Kong. Looking back at times past, from the construction of the mass transit railway and new towns to the new airport and the West Kowloon projects, the Government has to face a multitude of opposing voices and forces. With the changes in the political landscape of Hong Kong, the Government is subject to more restrictions in launching large-scale infrastructure projects, which render the execution of such projects more difficult. This is an undeniable fact.

"To get the job done", the Government has no choice but to rise to the challenges. The majority public has already acknowledged the significant impact to be brought about by the 10 major infrastructure projects in strengthening the economic strengths of Hong Kong, upgrading the development level of the city, increasing job opportunities and promoting the integration and exchange between Hong Kong and the Mainland. I think, first thing first, the Government should drum up its resolve, and in the course of implementing the projects concerned, it should strengthen and enhance its tactics in dealing with the issues. Moreover, on the premise of being reasonable, fair and lawful, the Government should address the aspirations of the people affected with greater flexibility with a view to achieving mutual understanding and accommodation, or at least minimizing the resistance.

President, the large-scale project that has aroused great controversy recently should be the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. I am glad to see that the Administration has been making persistent efforts in this respect, particularly on enhancing its communication with villagers affected in Choi Yuen Village, and proposed a series of compensation and relocation options in the light of the situation, so that new progress is achieved under the project. I believe the Government needs only to demonstrate its greatest sincerity in further exchanges with the villagers in an honest and interactive manner, then the difficulties in the Express Rail Link projects will be overcome.

As I mentioned earlier, the Government is encountering more and more obstacles in launching large-scale projects. As a long-term solution, I suggest that the authorities should consider conducting an in-depth and comprehensive review to study the establishment of an effective mechanism. Under the mechanism, before the launch of any large-scale project, an assessment of the complexity of the project will be conducted and solutions proposed, while upon

the introduction of the project, counter-measures should be co-ordinated according to the actual situation.

The establishment of such a mechanism will inevitably incur additional resources and manpower, but the delay in large-scale projects will result in an increase in construction cost which usually amounts to billions of dollars. Worse still, the longer a project is delayed, the higher the risk that something may go wrong. The credibility of the Government may thus be undermined, and the damage so inflicted can hardly be measured in money terms. Hence, the establishment of a mechanism to handle these issues is definitely essential and worthy.

President, the Tuen Mun District Council, Tsuen Wan District Council and residents of the districts concerned have been striving hard for the construction of a railway linking Tuen Mun and Tsuen Wan for many years, hoping that the transport problems of the districts will be completely solved. However, all along, the authorities have failed to give due attention to this aspiration. Though Tuen Mun is already linked by the West Rail, the route connecting Tuen Mun and the urban area requires residents to go pass both the downtown and uptown areas of Yuen Long that stretch over a large area, and it also fails to address the increasing demand of residents along the coast of Tuen Mun. In the long run, a rail link connecting Tuen Mun and Tsuen Wan is an indispensable link in the railway network of the territory. The Government had better make early planning by setting up a task force to conduct the relevant studies.

President, I so submit.

MR CHAN KAM-LAM (in Cantonese): President, all of us are very much concerned about the monetary and economic development of Hong Kong. Hong Kong has the advantages of a sturdy economic foundation, a stable monetary policy and a highly efficient financial infrastructure. However, we cannot neglect the fact that, in the wake of the continuous development of Hong Kong, our peripheral regions are developing at an astonishing pace. In particular, since the implementation of the Outline of the Plan for the Reform and Development of the Pearl River Delta, we have seen that various cities in the Pearl River Delta (PRD) Region have developed into functional regions with characteristics in succession built upon their specific conditions. Guangzhou and Shenzhen, the

two leaders in the PRD Region, are playing their roles by carrying out town planning with the objective of becoming comprehensive big cities and are devoted to the development of the financial industry. The development will have significant effects on Hong Kong in the future.

Recently, the community has been discussing the future economic development of Hong Kong, but it seems that there has been not much substantive discussion on the peripheral general environment. In this connection, when we discuss the integration of development areas and regions, we should discuss how the resources pooled together can achieve obvious results and how Hong Kong should address squarely its shortcomings and bring its strengths into full play so as to entrench its position as a regional financial centre. It seems that our discussions on various issues are not quite heated.

On the contrary, there have been some negative media reports about the Chief Executive recently, questioning whether the policy address involves a conflict of interest, causing negative effects on people's trust in the Government and fuelling the social atmosphere of making wilful criticisms. I think this is not conducive to the development of Hong Kong. The policy address contains the focal points of the Government's administration in a year, and we should carefully discuss and study the contents of the policy address, and give the Government more constructive suggestions so that the Government can introduce practicable measures to promote economic transformation and continuous economic development. Spending plenty of time discussing unfounded titbits will only waste time and resources, giving rise to unnecessary disputes that are unfavourable to the development of Hong Kong. In introducing policies, the Government has the objective of developing our economy and the policies are ultimately premised on the public interest. If we overlook the policies introduced by the Government and oppose all of them or try to nitpick, new measures cannot be implemented. If this situation continues and when officials feel that they will invite criticisms when they make efforts and they will be scolded when they do not make efforts, there will not be any social progress or development, and the public interest will eventually be jeopardized. As I said just now, with the rapid development of other places, if Hong Kong does not speed up and consider how developments should be taken forward and slow down because of unnecessary disputes instead, other places will catch up very soon. I really hope that the community will return to the subject and hold substantive discussions on the measures in the policy address with a view to expeditiously

putting the new measures in place and promoting the development of various economic sectors.

President, the SAR Government has explicitly stated in the policy address that the development of six industries in which Hong Kong has clear advantages will be supported, indicating that the Government wants to grasp the opportunity of economic recovery to take actions and provide new momentum for the long-term development of our economy. The DAB supports that as we think that it will be conducive to the upgrading of Hong Kong economy, the development towards a knowledge-based economy and increasing our productivity. The DAB thinks that support for the development of the six industries cannot be fulfilled through property development only, and more complementary concrete policies and resources are needed such as capital, manpower policy and incentive mechanisms. We can then gradually trigger changes to the industry players' lack of boldness and impetus at the outset and assist the industries in which Hong Kong has clear advantages in taking a new step forward in development. Apart from supporting the industries policy-wise, the Government should also change its way of thinking from being realistic to being boldly innovative, to promote the multi-directional and multi-modal development of new industries.

Taking Fung Kai Secondary School in Sheung Shui as an example; the school premise is quite big and it has an adjacent site pending development. It has the conditions for development into an outward-looking educational institution, but due to the constraints of the existing regulation, the redevelopment of the school premise has fallen through. In this connection, if the Government is determined to broaden the source of Mainland students for basic education in Hong Kong, it should formulate measures or provide facilitation for this kind of schools. Certainly, fighting for approval for primary and secondary school students from the Pearl River Delta and other Mainland provinces to attend schools in Hong Kong is an objective for the medium and long terms. The DAB urges various departments of the SAR Government to follow the policy direction of promoting the development of the six industries, conduct negotiations and introduce multi-level matching measures to assist enterprises or organizations interested in making investments to invest in development programmes.

President, having learnt a lesson from the Lehman Brothers closure, the Government and the regulatory authority have gradually enhanced the regulatory provisions on the sales of investment products, and conducted related reviews and market consultations. The DAB welcomes this and we also agree that Hong Kong should follow the example of the external markets in implementing the relevant quantified reform measures, and it should also put more resources into investor education and interest protection in the future. In spite of the fact that, after the financial tsunami, derivative products will be developed in the direction of simplicity in the future, we can never tell what is going to happen. When there are innovative financial products in the external markets, they can be introduced freely into the local market under the "disclosure-base" mode of regulation. Hence, the Government should more frequently review and adjust the sales procedures and provisions for investment products in the future in order to effectively protect the interests of investors and bank consumers, thereby preventing the recurrence of the Lehman Brothers incident in future.

President, we often discuss whether Hong Kong can maintain its position as a financial centre. In the light of the positioning of our financial industry in the policy address and the market development in these few years, we think that Hong Kong will become an international financial centre in Greater China, an asset management centre in the Asia-Pacific Region and an offshore Renminbi (RMB) centre serving the whole world in the future.

Along with the mature development of RMB trade settlement business, we suggest that the two places should expand and comprehensively implement the small-scale RMB call loan activities currently conducted between Guangdong and Hong Kong banks in the future so that the banks on both sides can provide financing services to the opposite side across the boundary. Moreover, channels should be established for the purchase of Hong Kong shares by Guangdong residents on a restricted basis. Similarly, channels should be established for the purchase of A shares by Hong Kong people on the Mainland, and Hong Kong-invested securities companies should be allowed to establish securities trading companies in Guangdong Province. On the other hand, pinpointing the local demand for RMB insurance policies, we think that the Government should fight for RMB business with a larger scope and limit, and this should include urging the Central Authorities to allow the Hong Kong insurance sector to open specific deposit accounts that will facilitate the further development of RMB insurance business by the sector. Furthermore, the Government should consider

relaxing further the daily maximum limit for conversion of RMB into Hong Kong dollar, which is RMB 20,000 yuan currently.

After the financial tsunami, the internationalization of RMB has become a focal point of concern continuously. The realization of internationalization is worth waiting for because China has become the third largest economy; its trade volume ranks third in the world and is taken very seriously in the international arena. Also, given that RMB has always been under appreciation pressure, offshore investors are ready to continue to hold RMB. These are positive factors contributing to the internationalization of RMB, yet, it takes time to achieve the fully free conversion of RMB after all. Hong Kong must equip itself well and enhance the present RMB trade settlement and RMB sovereign debt businesses so that the Central Authorities can exactly make use of our position as an international financial centre to continue to introduce through Hong Kong more diversified RMB-related investment products, as well as establishing an offshore RMB financial market for the Mainland to accumulate experience in capital openness, thus promoting the progress of RMB internationalization.

President, given the continuous deepening of the reform of the Mainland financial market and the normalization of cross-strait relations in recent years, it is generally believed that the Greater China market will keep growing and the positioning of our securities market should be improved in the future. Following the normalization of cross-strait relations, the co-operation between Hong Kong and Taiwan will deepen swiftly. For example, in August this year, exchange traded funds from Hong Kong and Taiwan were listed in the other side's markets and there was active trading. Looking to the future, we anticipate that the Mainland will allow investment in Taiwan shares while Taiwan investors will invest in the Mainland market. Moreover, the Mainland and Taiwan authorities will in the future allow securities dealers in the two places to progressively establish agencies on both sides of the Taiwan Strait. Despite competition and challenges from the peripheral markets, we believe the positive development on both sides of the Taiwan Strait will certainly create unlimited business opportunities for Hong Kong.

Therefore, we think the SAR Government should continue to implement the infrastructure reform and reduce the transaction cost in our market so as to enhance its efficiency and competitiveness. The DAB suggests that the SAR Government should proactively strive for a more open Taiwan market to

consolidate Hong Kong's position as the financing centre for Taiwan-invested enterprises, and note the differences between the financial and securities markets in the three places across the Taiwan Strait with a view to promoting co-operation between their exchanges. Furthermore, the Government must pay close attention to the development of cross-strait relations to facilitate the making of appropriate policy adjustments.

President, the community is generally concerned about the disparity between the rich and the poor. On the one hand, rich people can spend tens of millions of dollars to purchase properties without turning a hair, and on the other, some people can hardly have three meals a day and some families do not have their own homes. According to unofficial statistics, there are nearly 100 000 Hong Kong people living in bedspace apartments, partitioned flats or suites.

In general, a caged bedspace has an area of only 18 sq ft, and the exercise space is restricted to the small bedspace, and around 10 persons in the whole apartment take turns to use a common toilet and kitchen. Even if a family rents a suite or partitioned flat with better facilities, it is very often the case that the place only has an area of 70 to 100 sq ft. With five to six persons living in a tiny space, one of them may have to sleep on the floor at night. Since they only have a monthly income of a few thousand dollars, paying some \$1,000 to \$2,000 and even \$3,000 in rent is a strain for them.

These places have poor living and hygiene conditions and serious problems with ventilation and fire protection equipment are frequently found. Also, a large number of people living together will give rise to a lot of disputes. We often read in the newspapers that people living in caged homes will have disputes and fights because of trivial matters, and some of them are even knife-wielding; fires and incidents in which people died due to the hot weather in summer occur very often. Nevertheless, these problems should not be underestimated. These partitioned flats and caged homes still exist in society and there is a good market for such flats. Recently, the District Council members of the DAB have visited quite a few residents of these places with poor living conditions to find out more about their lives. We found that the rent per sq ft of these flats are rather high, ranging from \$15 to \$25, higher than the rent per sq ft of small and medium

private housing estate flats at \$17 to \$18. It can thus be imagined that the rent per sq ft of partitioned flats is even more expensive.

President, most of those people living in partitioned flats or caged homes are the grassroots in Hong Kong and some of them are eligible applicants waiting for public rental housing (PRH) allocation. Some are not eligible because some of their family members may not meet the seven-year residence requirement, therefore, their applications for PRH have been rejected. There are also some single elderly persons who feel uneasy with their present way of life, so they can only live in caged homes or partitioned flats in the urban areas. Thus, these problems have long existed in our society, and we find it necessary to help these people improve their lives and move into PRH flats as quickly as possible so that they will have their own homes. This is the Government's unshirkable duty. Actually, the supply of PRH flats has greatly improved in recent years. Information currently provided by the Government shows that the average waiting time is just 1.9 years. It is thus clear that it is not very difficult to help these residents move into public rental housing flats. Only that the relevant government policy has failed to fully consider and cater for the needs of these residents, giving rise to such a weird social phenomenon.

President, we think the authorities must formulate policies to help these residents move into public rental housing flats. While continuing to speed up the construction of PRH flats, the Government should flexibly handle the cases and exercise discretion according to the urgency of the applications to allow them to be expeditiously allocated PRH and put an end to their lives in caged homes or partitioned flats. In addition, the Government should appropriately increase the quota for the allocation of PRH flats for single persons in response to their needs, as well as speed up the turnover of PRH flats in the urban areas to facilitate local rehousing of those living in caged homes and partitioned flats.

As regards the problem of partitioned flats or caged homes with poor living conditions, we believe that the authorities can hardly ban all these flats within a short time. Nonetheless, it does not mean that the authorities can stand by with folded hands. On the contrary, they should expeditiously review the existing Bedspace Apartments Ordinance such that the scope of regulation can include

partitioned flats for 12 persons or less, as well as re-examining the areas of these flats, the number of tenant households, ventilation and fire protection equipment, in order to further improve the living conditions of these very crowded flats.

President, in the past few months, the prices of luxury properties have hit new heights time and again; while we think that \$30,000 per sq ft is hard to believe, the price of a property in the market reaches \$70,000 per sq ft very soon. Regardless of the background of the transactions, other properties have evidently been infected with these prices, including new properties or second-hand properties. For example, a new property in the urban area has recently been sold at \$9,000 or more per sq ft. I believe the prices are not affordable to ordinary people, and even for professionals, the prices of the new properties or residential areas that they wanted or considered satisfactory in the past have become hardly affordable now.

Leaving aside first-hand new properties, we also think that the rate of increase in the prices of second-hand properties should not be neglected. In particular, some large residential estates have always been prime choices for the middle class and ordinary people buying their first homes. But the property prices have increased quite a lot recently.

Taking Taikoo Shing, a traditional housing estate on Hong Kong Island as an example, the average price per sq ft was \$2,848 as recorded on 5 January 2003 and it increased to \$8,021 as recorded on 11 October this year, and the rate of increase is 182%. In the past year alone, the rate of increase was more than 20%. For City One Sha Tin, the rate of increase in the past year was 10% to 20%. We think that the situation warrants the Government's attention.

The DAB had conducted an opinion poll some time ago, in which more than 90% of the respondents considered that the property prices were too high, and more than 60% of the respondents thought that there was serious speculation. Over half of the respondents indicated that they or their family members would not purchase properties in the coming year unless there was a genuine need mainly because they could not afford the mortgage repayments. President, we think that it is time for the Government to take appropriate actions. The result of the opinion poll conducted by the DAB revealed very clearly that people generally think that property prices are high and hardly affordable, to such an extent that they have affected their home ownership plans. On the other hand, if

property prices incessantly rise, even property owners will worry about being in negative equity because of the collapse of the property market. In view of a possible property bubble, the shadow of an interest rate increase next year and the resultant impacts on the financial system, the Administration must pay close attention.

Before the release of the policy address, the DAB already expressed to the Government its concerns about the impacts and threats of a surge in private property prices on the economy and people's livelihood. The SAR Government has lately been highly concerned and the Financial Secretary and the Secretary for Transport and Housing have met with property developers. This we think is the right move. The general public have witnessed the development of the housing policy from the time before the housing bubble burst in 1997 till now, and we do not want them to keep holding back. We think that the haze in their minds must be removed in order to maintain a healthy property market, which is important to our economy and people's livelihood.

In respect of the current land and housing policies, the views of the DAB are: first, for nearly two years from 2008 till now, only three "tiny" sites on the Application List have been triggered, which reflects a great difference between the prices fixed by the property developers and the Government. It is time for the Administration to consider adjusting downward the upset price for a site on the Application List to be triggered to enable more sites to be triggered. We trust that, through the market bidding mechanism, we can ensure that government revenue will not dwindle.

Second, to avoid substantial increase in land supply as a result of regular land sales and the impact on the market when there is an unsatisfactory response, we suggest that the Government should introduce a measure on irregular land sales in the light of the market situation, so that there will be more flexible land supply in Hong Kong.

Third, the DAB is concerned about members of the community who have exceeded the income and asset limits for PRH applicants but fail to purchase properties in the private market. They belong to the sandwich class and it is difficult for them to purchase their own homes. The DAB hopes that the Government will consider resuming the construction of an appropriate amount of Home Ownership Scheme (HOS) flats, and supply these flats at the right time and

amount according to market demand. Apart from the introduction of HOS flats, the Administration should consider lifting the income limit on HOS flat applicants to benefit some people who have just exceeded the income limit but cannot afford private properties.

Fourth, the Government can consider imposing some special provisions on land sales, requiring the construction of a certain proportion of small and medium flats, and imposing certain restrictions on the prices, so as to ensure that there is supply of a certain proportion of affordable residential flats in the market. Beijing, Shenzhen and some regions in the United Kingdom have similar measures to ensure that some low-income or low- and middle-income people can purchase suitable flats in the market. We think Hong Kong can draw on their experience with a view to solving the problem of a major gap in the supply of flats in the property market.

The last point is about the difficulty in identifying suitable sites in the urban area. The DAB supports the Administration's lowering the compulsory auction threshold as quickly as possible. On the one hand, this can improve the living conditions of residents in old districts, and on the other, this can release more valuable land and alleviate the problem of a tense land supply.

President, the Government frequently makes a comparison with the property market peak in 1997; however, is it reasonable to use the value before the property market bubble burst in 1997 as the base? We think that the Government should set a higher alert standard insofar as the property market is concerned. Through the above measures, the Government should be able to pre-empt a volatile property market and ensure that the market develops in a steadier manner.

President, we have recently been very delighted to see the introduction of some measures by the SAR Government for the revitalization of some industrial buildings in old industrial areas. We believe these measures can induce the release of plenty of land resources in old industrial areas to better serve the new economic transformation in Hong Kong. We hope the SAR Government will constantly optimize these new measures to enable old industrial areas to show the economic viability that they should have as quickly as possible.

Thank you, President.

MS STARRY LEE (in Cantonese): President, the Chief Executive's policy address this year is entitled "Breaking New Ground Together" and I agree very much that it is necessary for Hong Kong to break new ground.

In the past three decades, the global economic situation has been in a period of flux. China has seen rapid development and after weathering the battering of the financial tsunami, Hong Kong people also understand that they cannot be over-reliant on such industries as finance and property. It is necessary for Hong Kong to adopt a new thinking and develop new industries to cope with the highly competitive environment nowadays.

If we look at the regions around Hong Kong, we will find that they are developing in leaps and bounds. For example, Shanghai and Guangdong in China and the more distant Singapore are all performing better than Hong Kong. From 2003 to 2007, the annual real economic growth rate in Hong Kong was about 6.4% on average, whereas that of Shanghai was as high as 12.8% and the performance of Guangdong, standing at 14.5%, was even better. Hong Kong's rival, Singapore, also had a growth rate of 7.3%. Each year within this period, these places all outstripped Hong Kong a little.

Competitiveness is always relative. Although economic development in Hong Kong during this period of time can be considered quite good, we can see that other places are catching up fast. With this wax and wane in competitiveness, if Hong Kong wants to continue to compete in the region and maintain its advantages, it must acquire a new way of thinking. All of us have to consider what Hong Kong can rely on in the next 10 or 30 years to support the living of 7 million people.

We can see that our neighbouring regions have all introduced industrial policies, so Hong Kong can no longer go on using the market economy to deflect criticism, hoping that it can get around the hurdle merely by improving its infrastructure and investment environment. If Hong Kong continues to maintain its old mode of development, its relative advantages will surely be undermined. In the end, it will be marginalized.

This time, the Chief Executive's policy address marks a return to the basics by proposing the consolidation of the four pillar industries and the development

of six industries with clear advantages. With these 10 pillar industries, he is telling Hong Kong people what direction Hong Kong will take in the future and the DAB supports this move. However, proposing the direction is only the first step. Ever since the Task Force on Economic Challenges (TFEC) proposed that the development of six industries with clear advantages in Hong Kong be examined, five months have actually elapsed but even after the delivery of the policy address, the specific policies and measures are still unavailable. I have taken a brief look at this year's policy address and found that the six industries are covered in paragraphs 21 to 43, that is, a total of 23 paragraphs. Among them, one paragraph dwells on the innovation and technology industry, two on the testing and certification services industry, three on the cultural and creative industries, three on the medical services industry and four on the environmental industries. The rest is on education services. However, in the policy address, there are indeed few complementary measures on the promotion of these six industries with clear advantages, other than the supply of land.

Take the testing and certification services industry as an example, the relevant part can be found in paragraphs 34 and 35. Despite the deliberations made by the TFEC, the developments in the past few months and the delivery of the policy address, all that the authorities have told us is that the Hong Kong Council for Testing and Certification was established in Hong Kong in September and that a three-year development blueprint would be formulated. This gives people an impression that even now, the Government still lacks overall planning in promoting these industries and the effort appear to be rather perfunctory. This can neither show the Government's resolve in promoting the six industries with clear advantages nor inspire confidence in the public and companies to jointly promote the six industries. I hope that the policy address only marks a starting point for the promotion of the six industries, that the Government still has many tricks up its sleeves and that it will continue to promote and explore more specific and feasible measures for the development of more new industries.

In order to develop these six industries with clear advantages, the policy address mainly offers land as an incentive. I agree that land is precious in Hong Kong and the provision of land is a very important incentive. However, this is not good enough and there is a need to link up the industrial chains in order to promote the development of the relevant industries.

Allow me to talk about another industry, namely, the innovation and technology industry. To promote the development of this industry, many complementary factors are required, including training of workers, capital, industry/academic collaboration, marketing, and so on. However, I have heard many friends in the business sector say that although they have devoted a great deal of time and effort to research and development (R&D), there is a lack of government and market support for the results. They point out that other countries are willing to procure products that are the fruits of local R&D but the Hong Kong Government is an exception in that it would rather procure products of well-known brands from overseas countries than using the products derived from R&D in Hong Kong, even though these products have attained international standards. Of course, some people may query whether or not the latter procurement policy would violate World Trade Organization (WTO) agreements. However, we know that many member states of the WTO have also adopted similar practices. I hope that in Hong Kong, the voices of the business sector can be heeded and more incentives offered, so that the industry can devote more efforts to innovation and technology.

The policy address has not set quantifiable targets for the promotion of the six industries with clear advantages. However, I am concerned that without clear development targets, the public will not be able to monitor the effectiveness of the promotional efforts and even the Government itself will not be able to judge whether or not the progress made in respect of various industries is satisfactory and whether or not greater effort is called for. Earlier on, I made a visit to Taiwan and learnt that it was also eager to promote the cultural and creative industries. There, the percentages of expenses and incomes as shares of the GDP each year are clearly specified and the goals are set down clearly, so that everyone can monitor the situation. Despite this, I believe the Government would not include the targets in the policy address. However, I hope the Government can at least tell us the contribution made by these six industries to the GDP and how many employment opportunities are created by them in the information provided by the Census and Statistics Department (C&SD). I have looked up the information of the C&SD and found in it, the proportion to the local GDP accounted for by the four pillar industries is set out clearly. However, in the information provided by the C&SD, I cannot confirm the claim made in the policy address that the six industries accounted for 7% of the local

GDP. I hope the Government can at least take this challenge by including the information relating to these industries in the information provided by the C&SD, so that the public can exercise oversight together.

The Government, in coping with the challenges of globalization, has changed its past mode of thinking. This deserves our support. However, I think that it also has to adopt new thinking in dealing with many social issues. For example, with regard to such issues as the wealth disparity problem mentioned by many Honourable colleagues and the misery of tenants living in cubicles, as mentioned by Mr CHAN Kam-lam, new thinking has to be adopted in dealing with them.

Today, I wish to discuss in particular the unemployment problem among young people here because I believe the problem of youth unemployment has developed to critical proportions and it cannot be dealt with by Secretary Matthew CHEUNG alone by merely implementing the Youth Work Experience and Training Scheme or the Youth Pre-employment Training Programme. I have raised this matter specifically on this occasion because I hope all of us and the Secretary can make it a focal issue. Why is the problem of drug abuse among young people so serious? Why do young people think that compensated dating — that is, prostitution — is perfectly alright? These problems precisely reflect the fact that our next generation is finding itself at a time in which they have no sense of direction. Basically, it is possible that they cannot even find a job. In fact, the SAR Government is aware of this situation and paragraph 88 of the policy address also talks about social mobility, "Personal factors aside, young people may feel lost amidst the strong social undercurrents. In the 1960s and 1970s, opportunities abounded for young people to climb the social ladder. Those who worked hard stood a good chance of success. In a mature economy like ours, opportunities for upward mobility tend to be increasingly tied to academic qualifications. Many young people are therefore under enormous pressure."

Paragraph 88 makes it clear that the SAR Government is actually aware of the problems and the situation facing young people. However, the authorities did not include the present precarious problem of youth unemployment in the policy address. Concerning the problem of youth unemployment, Members can get an idea from the figures. The overall unemployment rate from June to July this year is 5.4% and the SAR Government has also pointed out a number of

times that this figure has stabilized and shows no signs of further increase. However, unemployment among young people as a whole is very serious. The data for May to July published recently show that the unemployment rate for the group aged between 15 and 24 was 14.8%, an increase of 2.2% from 12.6% in the previous month. Among them, the unemployment rate among young people aged between 15 and 19 was even as high as 28.7%, an increase of 4.4% over the previous month. There were 16 300 unemployed people, a new high in three years. The unemployment rate for those aged between 20 and 24 was 12.1%, with 35 800 people seeking employment.

Young people are our next generation and also the most creative and energetic group. These figures tell us that almost one in four young people may not be able to find a job. Does this problem not call for new thinking on the part of the SAR Government in dealing with it? I believe a number of policymaking officials in the SAR Government can come up with many ways. So long as they think that this social problem warrants special attention and consider how this precarious social problem can be solved when considering various policies, I believe the youth unemployment problem can surely be alleviated.

Let me share with Members an example of success: In recent years, the Municipal Government of Hangzhou has established six tertiary institution venture business zones and provided financing and small loans to help young people there start their businesses. Due to the implementation of this policy by the local government, the success rate of venture business has increased significantly and both employment opportunities and social wealth have been created. In fact, since the Hong Kong Government has so many vacant industrial buildings as well as vacant markets and other venues at its disposal, has it ever thought of leasing them to young people at low rents, so that they can start their businesses and young entrepreneur cities can be developed? Alternatively, it can encourage young people to pursue a career in the cultural and creative industries, for example, in animated comics or forming musical bands. All that it needs are only new ideas. If there are new ideas, no one will allege that this measure is tantamount to competing with other companies for profit. I hope the public officers present today and the entire SAR Government will deal with the youth unemployment problem and the problems facing young people in earnest because young people are indeed the pillars of our society. If we do not address

their problems together with them, in future, society as a whole will suffer together.

Next, I wish to talk about the efforts in consumer protection in Hong Kong. Although Hong Kong is vaunted as a shoppers' paradise, it is lagging far behind other countries in consumer protection. A quarter of the 27 000 complaints received by the Consumer Council in the first three quarters of this year, that is, over 7 000 cases, were related to sales malpractices. Of these, over 3 000 involved pre-payment for goods and services and high-pressure sale practices, representing a 50% year-on-year increase. In the United Kingdom, legislation to provide protection to consumers in respect of services or sales practices was enacted long ago but the protection in this regard is almost non-existent in Hong Kong. As Members all know, and so does the Secretary, under the Consumer Council's present mode of operation, even if we refer a lot of complaints to it for action, settlement can be reached only in a very small number of cases eventually. Simply put, it is a tiger with no bite. I also know that the Government plans to include services in the scope of regulation. This represents some kind of progress and I hope that more comprehensive legislation for the protection of consumers can be put in place.

However, I remember that I once asked the Secretary a question in the relevant panel about whether or not the scope of protection for consumers would be extended to property transactions and the Secretary only replied that regulation in this regard was already in place because the Estate Agents Authority had been established to exercise oversight. Therefore, the legislation on consumer protection would not cover property transactions. In fact, we all know that property prices have become a hot topic in town lately. Apart from property prices, many Honourable colleagues also said just now that the sales practices of property developers selling new flats also made the public feel greatly outraged. I believe there must be a reason for all this. In recent days, the contradictions between the public and property developers have reached a boiling point and there are signs of an explosion. From the sky-high prices commanded by some properties to sales practices, all these issues have become reasons for outrage from the public. Why? Because nowadays, the amounts of money paid by the public for a flat are constantly on the increase but the actual floor area that they get are decreasing. They pay larger sums of money for a smaller area, so naturally, the public are feeling unhappy.

In addition, basically, it can be said that there is no regulation whatsoever on property sales brochures. In fact, no approval is required for the pictures that property developers want to use and given the imbalanced flow of information, it is very difficult for the public to verify whether the claims of property developers are correct. In addition, the sales practices are really over board. As we all know, the mass media often report the transactions relating to a development, but have property developers ever deliberately made intimations through the mass media to create the impression that a property development is highly sought after, so as to boost sales? I really feel very suspicious.

Next, I wish to talk about some transactions at sky-high prices. When a certain property development is put on sale, usually, property developers would give away hints to the mass media. Then they may create some cases of transactions at sky-high prices, in the hope of telling people that it is a bargain to buy other units. However, as we all know, there are in fact many ways to bring about such instances of transactions at sky-high prices, for example, by bundle price, that is, after someone has purchased a certain unit, he can buy several other units at lower prices. This approach is conducive to creating a sky-high price. In addition, does a transaction involve someone who is one of their own numbers? That is to say, A sells to B but in fact, A and B know each other and the transaction is made deliberately. Or is an agreement to buy first and sell later involved? I am very concerned that a lot of the information on property released in the past is actually fabricated in such circumstances. I can often see the Securities and Futures Commission carry out investigations on insider dealings or punish the parties involved severely, but in respect of property transactions, it seems nobody has ever been punished, nor have the public ever been apprised of such news. In fact, these are improper sales practices.

President, recently, the Secretary of Department and Director of Bureau concerned have met business associations in the property sector and asked them to exercise self-discipline. In fact, the public hope that the Government will play its role of a referee properly. I think it is a bit unrealistic of the Government to ask these people to exercise self-discipline. The public hope that the Government can put in place a fair transaction platform by such measures as enhancing the flow of information and meting out stiff punishment for improper sales practices, so that the public can carry out transactions in an equitable

setting. I hope that in consumer protection, including the sale of properties, the SAR Government can play its role as a referee properly.

President, I so submit.

MR IP WAI-MING (in Cantonese): President, today, many Honourable colleagues have spoken on the economic development of Hong Kong and referred to the six industries. Actually, I thought of delivering my speech tomorrow, but I would like to express my personal views now.

Many years ago, or indeed over the past few years, the Hong Kong Federation of Trade Unions (FTU) has repeatedly requested the Government, through exchanges and communications, to implement employment-based economic policies. In other words, any economic policy implemented by the Government should give due regard to employment needs.

However, the Government said that the financial industry was sufficient to provide for the living of the people of Hong Kong. We cautioned that reliance on a single industry might not be able to help Hong Kong overcome the difficulties or cater for the employment needs of many people. The financial tsunami last year finally revealed whether relying solely on the financial industry can really give greater impetus to the economy of Hong Kong. I think this is already evident to all.

The policy address mentioned the six industries, but what course of development should they take? The Government has not provided any detail on the development direction or definite timetable in both the policy address and the policy agenda.

On 10 June this year, I asked the Government a written question, requesting it to set out the respective percentage shares of the six industries in the Gross Domestic Product (GDP) and the number of people they employed. In response to my question, the Government only advised that for the cultural and creative industries, the share of value added to GDP for 2007 was 3.9%, and the number of persons engaged in the industries in the same year was some 172 000, while figures for the other five industries were not readily available.

When the policy address was announced, the six industries contributed about 7% to 8% of GDP, and the estimated number of persons employed was 350 000. These were the overall figures of the six industries, while figures on individual industries were not available. In its response to my question in June, the Government pointed out that the cultural and creative industries contributed 3.9% of GDP and employed over 170 000 workers. In other words, the other five industries — I may have got it wrong, may the Secretaries please correct my mistakes later — only contributed about 3.4% to 3.5% of GDP and employed only over 100 000 people. Under such circumstances, we really cannot see any ground for the Government to claim that these six industries are competitive or have great potential for development in the future. We are afraid that the Government would always be ambitious and determined at the beginning, become timid and recoiling as time goes by, and finally back out altogether.

Just now, our colleague, Mr WONG Kwok-hing, also highlighted his hope for the authorities not to build the so and so port anymore but to formulate practical policies that can really help the workers in Hong Kong to secure employment. We are afraid that before the implementation of the new policies, the existing ones will already be put aside. Take the tourism industry as an example. It was once one of the four pillar industries of Hong Kong, employing a large number of practitioners. It seems that the policy address has made no mention of measures to attract visitors to Hong Kong. I think a specific and detailed plan is lacking in the overall design for the Hong Kong tourism industry, which has made it difficult for us to upgrade our competitive edge as opposed to our neighbouring cities.

Take the Disneyland as an example. While the expansion project will soon commence, the new facilities will not be completed until three years later. Compared with the Disneylands in other places, our Disneyland is still the smallest in the world. What conditions can we rely on to compete with the Disneylands in other places in order to secure a certain market share? Another example is the cruise terminal. We have reiterated the need for its early completion, but the first berth will only commence operation in mid-2013, whereas the cruise terminal in Singapore will be completed in 2011 and commence operation in 2012. The cruise terminal of Hong Kong will commence operation at least one year after that. With the commencement and imminent completion of tourist attractions in neighbouring cities one after the other, how can Hong Kong compete with its neighbouring areas on this front?

Besides, the policy address mentioned striving for permission for Hong Kong travel agents to operate tours to Taiwan in the Mainland. Some members of the industry have already queried at this stage whether this is only empty talk. Hong Kong travel agents in the Mainland, to which no international licence would be granted, are actually not allowed to operate outbound tours, how will they be allowed to operate tours to Taiwan? Therefore, we hope the Government will give a response or a specific reply in this respect, explaining how it will assist the industry or various sectors of the community to create more employment opportunities.

President, I think the logistics industry is a relatively important industry in Hong Kong. It was affected by the financial tsunami to a certain extent last year. The air logistics industry, for example, has experienced a substantial decline. Although the decline has tapered over the past month or so and air logistics figures are beginning to rise, the industry still faces difficulties in business, with many workers still suffering from under-provision of work and some still unable to secure a job after having been laid off as a result of the financial tsunami last year. In the days to come, we believe the logistics industry will still face certain difficulties. Therefore, we welcome the Government's reference to facilities for the logistics industry in the policy address.

In this regard, we think problems concerning the impact of aviation restrictions have to be solved before the airport of Hong Kong can play the role of the leading airport among the airports in the Pan-Pearl River Delta. Although some helpful measures are mentioned in the policy address, how would the Government take concrete steps to expedite the implementation of these measures to maintain our leading position? We are greatly concerned about this because the aviation industry may create enormous employment opportunities. Therefore, we hope the Government will make expeditious efforts to examine the feasibility of building the third runway, provide additional aircraft stands and apron facilities, relax air traffic control and enhance co-operation with airports in the region in order to create more employment opportunities.

However, as I said just now, we are afraid that the Government would put all these aside after talking about them, without taking any follow-up actions. Take the Lantau Logistics Park as an example, despite our repeated communications with the Secretary at various meetings, it seems that the relevant

details are yet to be finalized, and it is only briefly mentioned in the policy address. The Government only advised that it would "continue to keep in view the development plan of the Lantau Logistics Park. [It would] take into account the need of the logistics sector and the global and local economic situation, including the market response to the said Kwai Tsing sites and how Hong Kong takes advantage of, and positions itself in, the rapid growth of the Mainland economy." Our question is: What does the Government mean by keeping the development plan in view? Has the Lantau Logistics Park we mentioned been nipped in the bud? Therefore, we hope the Government will give us a reply on these issues.

Regarding transport, President, we are very glad to know that in the policy address, the Chief Executive mentioned that the Government attaches great importance to the sustainable development of the trading and logistics industry. The Government advised that in order to enhance the handling capacity of the airport of Hong Kong, the Hong Kong Airport Authority would carry out a midfield expansion project to provide additional aircraft stands and apron facilities and a new passenger concourse to cope with air traffic demand in the following decade. We are concerned about the development of the aviation industry and hope the Government will enhance the development of the aviation industry and the logistics industry to cope with future demands.

However, the aviation industry has all along been facing a lot of problems, especially when there are only two runways currently. As I said just now, with regard to passenger throughput, although it is still way below the capacity, it will be reached one day. According to the statistics of the Civic Aviation Department, the runway of our airport provides for 58 movements per hour at present. Based on the current 5.4% annual growth rate, the number of movements will increase to 68 per hour by 2015, and the runway capacity will gradually be reached by then.

Therefore, I would like to reiterate here our hope for the Government to conduct a study on the building of the third runway expeditiously. We understand that this study would cause a great controversy, especially with regard to the environmental aspect. However, we hope the Government will step up its effort in this regard and introduce the relevant plan, having regard to the need to strike a right balance. We hope the third runway would not be sheer empty talk and further postponed because this would not only undermine the status of Hong

Kong as an international aviation hub but also impact on the employment opportunities of workers in related industries.

President, I so submit

MR JEFFREY LAM (in Cantonese): President, over the past year, Hong Kong has been struck by the global financial tsunami. Thanks to the joint efforts of the Government and people from all walks of life, we have finally managed to rebound from the trough and see the economy gradually stabilize. After learning this lesson, many people have come to realize that Hong Kong can absolutely not sit on its laurels in order to survive. Apart from strengthening its four major economic pillars, it must also develop new industries to give impetus to the economy. With the rapid development of our neighbours in recent years, Hong Kong faces increasingly keen competition. Fortunately, the direction of development of the policy address, with its focus on the long-term planning of developing the six major industries, is agreeable to us in the Economic Synergy. Now, the key lies in whether the detailed arrangements and implementation, co-ordination of other complementary measures, and collaboration among departments can yield the expected results. I will come back to this issue later.

There are indeed many long-term measures and planning in the policy address for the promotion of long-term development. However, the policy address seems to have neglected some immediate problems. First of all, I consider the attention given by the policy address to small and medium enterprises (SMEs) still inadequate. In fact, some short-term measures are still essential. For instance, various government charges related to business operation should continue to be frozen. Last year, many enterprises experienced cash flow problems because of the impact of the financial tsunami. Many of them were even forced to close down as they could no longer keep their heads above water. It was only after our repeated calls that a Special Finance Scheme was eventually launched by the Government to help the operation of enterprises. As a result, managed enterprises managed to survive the severe plights. In the middle of this year, we also succeeded in fighting for extending the Scheme to the end of this year and raising the percentage of guarantee from 70% to 80%. Now, Hong Kong is still far from fully recovered, and many uncertainties still lie ahead. In my opinion, the Government should continue to boost support for

SMEs. In particular, I hope the Scheme can be extended further by six months to the middle of next year. Why should it be further extended for six months? Because we see that buyers around the world are still holding a wait-and-see attitude towards the markets in Christmas and New Year. During the low season at the end of this year, quite many enterprises will still require working capital to sustain their operation. It is predicted that the situation will become clearer in the second quarter of next year. We also believe there will be improvements in the placing of orders by then. Should the Special Finance Scheme be abolished at the end of this year as scheduled, enterprises will definitely be affected severely. The economy of Hong Kong will also suffer as well. Furthermore, I also hope the Government can expand the scope of the Hong Kong Export Credit Insurance Corporation (ECIC) to cover trade conducted locally as well. Although I appreciate the difficulties confronting the Government, I still hope the Government can, by all possible means, work out solutions to assist enterprises with such needs, in order to reduce the trading risks borne by SMEs, and continue to provide the existing support measures for exporters.

President, now I would like to turn to the development of the six industries. Although the Government has finalized the development blueprints and planned the major direction of the policy for promoting the development of new industries, I am very much concerned about whether the expected results can be achieved, because the proposal depends, to a very large extent, on the arrangements and implementation of the specific measures and the co-ordination and collaboration among relevant departments. I hope ultimately, the results will not run counter to the goal. For instance, the Government has decided to revitalize industrial buildings through a series of initiatives aimed at "removing barriers" and preferential measures, including exempting the payment of the waiver fee for change of land use for the purpose of encouraging the redevelopment or conversion of industrial buildings and the development of creative industries or other new industries. As we have all along been advocating these proposals, we will certainly give them vigorous support. This may reduce vacancies of industrial buildings, thereby preventing wastage of resources and, what is more, promoting the development of various creative industries. Take the 798 Art District in Beijing as an example. It has turned from a deserted industrial area into a creative bazaar full of galleries and even driven the development of the catering and hotel industries of its adjoining areas. This is why we support the Government's proposal.

However, I am a bit worried about the implementation of this proposal. Actually, I already pointed out earlier that some owners might seize the opportunity to increase rents, thereby stifling the room for artists to launch their businesses. Furthermore, through redevelopment, some industrial buildings might change into commercial property projects and become hotels, serviced apartments or restaurants. In that eventuality, the proposal will turn farther and farther away from the Government's original goal of promoting creative industries. A developer has recently packaged an industrial building project in Tai Kok Tsui as a quasi-residential project for sales. I believe similar acts will continue to increase. The Government should bear such possibilities in mind and contemplate further counter-measures and complementary measures for the purpose of encouraging and promoting creative industries and preventing the original intentions from turning sour.

President, very often, due to the Government's past failure to give careful consideration beforehand, many of its well-intentioned development programmes encountered difficulties or other obstacles in the course of implementation and subsequently failed to achieve the expected results. Sometimes, the programmes might be delayed again and again, thus missing the best opportunity for development. One such example is the Phase 3 expansion of the Hong Kong Convention and Exhibition Centre (HKCEC), which has been discussed for a long time. Actually, a proposal was already raised in the policy address two years ago on conducting a study on the siting of the Phase 3 expansion, expeditiously launching public consultation and finalizing the siting. Now, two years have passed but, according to the authorities, there is still no specific proposal for the proposed expansion, and the public consultation is still not in sight. Actually, major exhibitions are lining up for staging in the coming year, and many manufacturers rely on these exhibitions to get major orders. Whether the HKCEC can expand for more exhibitions to be staged is a matter of life and death for these manufacturers. It is the hope of many organizers and manufacturers that Phase 3 expansion can be implemented expeditiously because of the growing competition from our neighbours. Despite the presence of other exhibition venues, they are, after all, not the perfect choice for obtaining orders and attracting buyers. This view from the industry is extremely clear. Therefore, I hope the Phase 3 expansion can be launched expeditiously, for it is indeed a matter of great urgency. I remember that the Government has once vowed to vigorously develop the convention and exhibition industry as well as

the related business travel industry. In this connection, I hope the Government can expeditiously make a prompt decision and refrain from acting indecisively. Otherwise, we will lose the excellent opportunity and be overtaken gradually by other places.

On the other hand, I am glad that the Government has heeded our advice by giving more vigorous support to research and development (R&D) innovation and technology. The Chief Executive proposes to allocate \$200 million to provide enterprises conducting R&D projects a cash rebate equivalent to 10% of their investments. This will not only encourage enterprises to invest in R&D, but also stimulate employment. The recent announcement of Prof Charles KAO Kuen, former Vice-Chancellor of The Chinese University of Hong Kong, being awarded the Nobel Prize for Physics has also stimulated a major R&D fever in Hong Kong and proved that Hong Kong has the potential to develop innovation and technology. But the point is R&D is a long-term investment, and results and returns can only be obtained after many years. Therefore, the Government should give more vigorous support in promoting the development of innovation and technology. In the past, Hong Kong society failed to transform its R&D results into commodities with the maximum vigour, and promotional efforts were far from comprehensive. As a result, some R&D results failed to fully exploit their effectiveness. Sometimes, as some of the R&D results could not be fully exploited here, Hong Kong was overtaken by other countries in buying the relevant patents. The Government should play the co-ordination role in turning R&D results into commodities and build up relevant trading platforms to enable Hong Kong enterprises to acquire more knowledge of R&D results and give the industry more room of development. Faced with some R&D projects with excellent potential but lacking capital, the Government should work out solutions to provide support and training so that young and aspiring business starters will have a chance to develop their businesses.

President, to a certain extent, the Lehman Brothers incident has dealt a blow to the financial industry and exposed the problem of improper sales practices. Since then, regulatory bodies have adopted some stringent practices, greatly tightened the regulation of sales of investment products by banks and, from time to time, introduced proposals which have an impact on the industry without in-depth studies and consultation. Let me cite the issue of Renminbi bonds by the Bank of East Asia (China) Limited earlier as an example. There were many complaints from clients because the procedure, which had exceeded

the proper limits, made the subscription process too tedious, and many clients had thus given up their attempt of subscribing to the bonds.

Having learnt a lesson from the Lehman Brothers incident, the securities regulatory authorities have adopted a very harsh policy to prevent the recurrence of similar incidents and strive to maintain fair operation of the market and protect investors. This is understandable. However, there is a need for Hong Kong, as an international financial centre, to expand its sales businesses and maintain a good system. A proper balance must be struck between regulating and developing the financial market before we can effectively ensure the order of the market, protect investors and promote the healthy development of the market. Excessively stringent regulation will, on the contrary, stifle the development of the financial market. Before putting forth any proposals which may affect the market, the authorities should gain an in-depth understanding of the views of industry practitioners and discuss the matter at length. Only in doing so can the development of the financial industry be entrenched.

President, with the development of cross-boundary transport and the shortening distance between Hong Kong and the Mainland, Hong Kong people actually are living in a one-hour living sphere. Every day, there are a lot of people travelling between Hong Kong and China for employment, leisure or entertainment. In order to further upgrade Hong Kong's competitive edge, I propose that the Government continue to lobby the relevant Mainland departments to extend the exemption period of payment of income tax on the Mainland from 183 to 270 days.

In connection with the construction of a one-hour living sphere, the two important cross-boundary infrastructure projects, namely the Hong Kong sections of the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, will commence at the end of this year. At the same time, the planning of the rail linking the airports of Hong Kong and Shenzhen, that is, the Hong Kong-Shenzhen Western Express Line, is in full steam.

As part of the national express rail link, the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link will link up with the Beijing-Guangzhou Passenger Line and the Hangzhou-Fuzhou-Shenzhen Passenger Line. In order to provide a seamless connection between Guangzhou and Hong Kong, I think that co-location of clearance facilities should be provided

in West Kowloon to provide one-stop immigration clearance to travellers so that they will not be required to board or alight the trains, which will otherwise cause delay to their trips. I hope the SAR Government's inter-departmental task force can expeditiously study with the Mainland's expert group the legal problems involved, in order to achieve a win-win consensus proposal.

Talking about transport infrastructure, I would like to say a few words on another policy under the purview of Secretary Eva CHENG, that is, assisting young people in purchasing their homes. It is everyone's dream to live happily and work in contentment. Many Hong Kong people work hard every day. Their first wish is to buy a flat, or own their homes. However, young people nowadays very often find that they are unable to save enough money to pay for the 30% downpayment required, even though they have been working for many years, and they can hardly achieve their goal of home ownership. I hope the Government can accede to our proposal by relaunching the Home Starter Loan Scheme (HSLs) to assist people who pass the means test to become home owners. In the property market, private properties have always been more popular than Home Ownership Scheme flats. Through the low-interest loans provided under the HSLs, the Government can help the public purchase their favourite properties within their means. According to past experience, the price of flats bought by first-time home buyers ranged from \$1 million to \$2 million and would not have any major impact on the property market. Hence, there is no need for the Government to intervene by acting like a property developer and thus affect the property market.

President, I so submit.

MR CHAN HAK-KAN (in Cantonese): President, Ms Starry LEE has mentioned earlier on how the SAR Government should come up with new thinking and cope with the problem of youth unemployment. I agree very much with that. But now I would like to switch to another subject and talk about the housing problem which is a concern to many Honourable colleagues in this Council today.

As Mr Jeffrey LAM has said, the housing problem of the young people is a pressing concern to us. I recall the day after the Chief Executive had released his policy address, he attended a phone-in programme on the radio. At that time

there was this listener who said that she was a doctor, about to marry her lawyer boyfriend. They wanted to buy a home but they found that they could not afford one because the property prices were too high. The situation of that listener caused great repercussions in the community. Some people questioned whether she was exaggerating. In any case, the problem of housing among the young people is certainly a matter to which Secretary Eva CHENG and the Government should pay attention.

Recently I got an email from a young person and it shows precisely this kind of opinion. President, I would like to take an extract from the email and share it with Members. I now quote: "How can the policies launched by the Government now help the young people buy a home? The Chief Executive said that there were many affordable homes with a price tag of less than \$4,000 per sq ft. He told the professionals to buy flats in the New Territories. But what about those who are not professionals, what can they do? They cannot apply for public rental housing and HOS flats, then what can the Government do to help them?" End of quote. The story of that young man is actually the story of a lot of people.

This morning when I came to this building for the meeting, a group of young people outside handed me a letter. They also gave me two sets of information. They were the bank passbooks of two young men. One belongs to a graduate of an associate degree programme and the other of a graduate of a postsecondary institution. Let me first talk about that graduate of an associate degree programme. President, he is now 27 years old and he works as a salesman with a monthly salary of \$8,500. Each month he has to make a repayment of \$1,000 to government loans. He gives \$2,000 to his parents as household expenses. He spends \$1,200 on transport. Meals and other expenses cost \$2,000. And there are other sundry expenses of about \$1,500. Then how much is left each month? President, his bank passbook shows that he has only got \$800 left.

President, we can see that if this young man wants to buy a flat, it is actually very difficult. He now lives with his girlfriend and family. If he wants to get married and buy a flat, it is indeed very difficult for him. But he is lucky because his income is low and he can still apply for the unsold HOS flats or wait for other HOS flats to be launched by the Housing Department. He can try

his luck this way. But how is this young man going to solve the problem of down payment? President, he has to take his hand out and ask his parents.

Another young man with a better income is a university graduate who has worked for three or four years after graduation. He makes \$14,000 a month. He spends \$2,000 monthly to repay his student loans. He gives his family \$2,500 a month. He spends \$1,000 on transport. His rents a flat and the cost is actually \$7,000, but because he shares the rent with his girlfriend, he now pays \$3,500 a month. Sundry costs are \$3,000. President, after making the calculations, he has \$2,000 a month as savings. If this young man wants to buy a flat, he has to be on his own because he cannot apply for public rental housing or HOS flats. If both he and his girlfriend make some \$10,000 a month, then they can both contribute a share each and buy a private residential flat. But likewise, they have to solve the problem of down payment which ranges from some \$100,000 to several hundred thousand dollars.

President, these two examples show that the housing need has indeed become a big problem for working young people. They are not eligible for public rental housing. The production of HOS flats has ceased. They do not have the money to buy private residential flats despite their wish to do so. If the Government really wants to increase social mobility and raise the birth rate, solving the housing need of the young people is really very important and it must be addressed. Many young people choose to marry late because they do not have a flat of their own. In this way they are pushing back all their stages in life such as giving birth to children and retirement. Personally, I think this is one of the reasons of population ageing in Hong Kong.

President, I agree that the problem of the property market should be dealt with from a lot of approaches and it cannot be simplistically solved by increasing land supply or relaunching the HOS. However, it is difficult to ease the problem if the Government thinks that it can rely on the Urban Renewal Authority and the MTR Corporation Limited. As we all know, these two organizations operate as commercial entities in some measure. They have a large number of flats in hand, but when putting up these flats for sale in the market, they will aim at making profits. Moreover, the flats which they have sold or about to be sold are all at good locations. It can be said that the prices of these flats will only go up. Some of these flats now fetch \$7,000 or \$8,000 a square foot. Some even cost over \$10,000 a square foot because of speculative activities. How then can

ordinary members of the public afford them? Actually, some of those so-called medium-priced flats are often turned into luxury flats after some packaging. They become then the targets of speculators. Now the property market has begun to lose its balance, and prices are on the high side. The Government must suitably intervene and curb this rise in property prices.

If it is the Government's intention that there should be a greater supply of low- and medium-priced flats in the market, apart from asking the Housing Society and the Housing Authority to put up more of the unsold flats of the Sandwich Class Housing Scheme and HOS in the market in order to make the secondary market run better, resuming the production of flats under these schemes is also a viable option that merits consideration.

Also, President, I think in solving the housing problem of the young people, another measure that can be considered is relaunching the Home Starter Loan Scheme (HSLs) which I have always talked about. I think Secretary Eva CHENG has heard me talk about that many times. Why should I continue to talk about it? This is because with this loan, prospective young home buyers would have the money to make the down payment. The problem of home ownership of these two young people whom I have just talked about can also be solved. This will enable them to buy their first home. If the Government is worried that the borrowers defaulting on repayment, it can consider making the eligibility criteria for application stricter as appropriate, instead of flatly rejecting the idea of relaunching this scheme.

I recall Secretary Eva CHENG said in a reply to my written question last November that of the 33 000 applications for the HSLs in the past, close to half, that is, 15 500 applications have paid up all the loans under the Scheme, and in about 1 800 cases, the financial problems experienced by the borrowers resulted in bad debts or bankruptcy. They account for about 5% of the applications, which is a very low percentage. So from the figures, it is evident that the HSLs has really enabled many people to realize their dream of buying their first homes and hence turn a new page in their book of life.

If the Government can listen to the views of the young people and relaunch the HSLs, I think that the loan amount should be set at about 30% of the price of flats and it should be 60% applications made on a family basis. The price of

flats should be capped at about \$2 million and a low interest should be charged on the loans. The imposition of certain special terms and conditions should also be considered, such as restrictions on the transfer of flats after purchase, in order to prevent speculation.

Certainly, I wish to remind young people that home purchase is an important decision in their life and it is also a big decision to make, hence they should only make the decision according to their own financial situation and market trends.

President, I so submit.

MS EMILY LAU (in Cantonese): President, this morning, when Chairman of the House Committee, Ms Miriam LAU, moved this motion, one of the points raised by her was that she hoped Members could gain a better understanding of the development of the Mainland. President, you also led a delegation of Members on a visit to the Mainland from 15 to 18 May, but we came back empty-handed. The visit did not serve to strengthen communication between the two sides and enable us to get back our Home Visit Permits in any way.

Just now, one Member after another stood up and said that communication was very important, that we had to seize the opportunities or else, it would be very terrible because we would be marginalized. President, we, numbering more than a dozen people, have been marginalized in this legislature but outside, even more people have been marginalized. Yesterday, Ms LAU Ka-yee held a press conference again because she had been refused entry by the Mainland authorities for no apparent reason — the issue was just related to those so-called Tiananmen Mothers. In view of this, concerning the comments made by Chairman of the House and insofar as your well-intentioned efforts are concerned, and insofar as such issues as your well-intentioned efforts with regard to the visit to Sichuan and the failure to take "Long Hair" along are concerned, President, all these matters have to be discussed altogether.

Just now, I took a look at the motion debate on promoting co-operation between Hong Kong and Shenzhen sponsored by Mr LAU Kong-wah on 17 June, in which 12 proposals were made. On that occasion, there were eight or nine amendments but, eventually, all of them were negatived. What is even more laughable, President, is that after the delivery of the policy address, we had a

briefing session and Secretary Stephen LAM also came to answer questions. However, as is his wont, he replied to questions without answering them. Since paragraph 44 of the policy address talks about elevating co-operation between Hong Kong and Guangdong on all fronts to a national strategic level — wow, that really sounds great, President — I asked him when we would discuss those matters. In which committee would they be discussed?

And what was his reply? President, he said repeatedly that this would be done in a Council meeting and of course, he was referring to the motion debate on 17 June. However, have Members ever heard of any matter requiring deliberations would only be discussed in a Council meeting? Words fail me in expressing my feelings, President, but I think that the authorities perhaps dare not, are unwilling to, do not want to and are reluctant to refer such matters to the House Committee for discussion.

President, you and I both know that the House Committee will look at the details of various matters more closely. In contrast, we would just stand here and say a few words, then you would ask us to speak faster and not to ask lengthy questions. Moreover, there is hardly any discussion. Wow, here, several paragraphs are devoted to this matter and later on, it is said that the so-called "Early and Pilot Implementation" will be introduced in Guangdong first. It is also said that implementation would be expedited and this National 12th Five-Year Plan — well, President, I am not very familiar with it — is also mentioned. We are not familiar with a lot of these things. You people talk about the so-called development of Qianhai, but there is no further elaboration either. Only a few lines are devoted to these matters and there is hardly any substance (but, perhaps they actually lack substance). Given such a state of affairs, how can development be taken forward?

In fact, it is not necessarily the case that we want to stand in the way. However, if Members hark back to the motion debate in June, they can see that at that time, everyone was very eager to uphold the principles of "one country, two systems", "a high degree of autonomy" and "Hong Kong people ruling Hong Kong". In view of this, none of us will marginalize anyone. So long as we can hold discussions together, discussions can be held. Otherwise, even if a motion debate is proposed, it will still be negated. However, there are always reasons why a motion is negated.

President, what should be done now? I also understand that some Honourable colleagues have asked Secretary Eva CHENG to expedite the construction of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (the Express Rail Link). When it comes to the Express Rail Link, we in the Democratic Party will also hold a meeting with her on Sunday to discuss it and we take her proposals very seriously. However, President, Secretary Carrie LAM put it very well when she said that if there was a consensus in society, the Legislative Council would not stand in the way of the Government. At present, people outside are protesting loudly, does anyone mean that I have instigated them? Was it me who went to Choi Yuen Tsuen to tell residents there to wave banana leaves? In view of this, nothing can be done properly in Hong Kong and we are not allowed to go to the Mainland either. Now, it is said that the project has to be expedited or we will be marginalized, that our competitiveness will be completely lost, so on, so forth.

What should be done? Fortunately, Secretary Stephen LAM is here and he has given us a reply. Why we are not allowed to go to the Mainland? President, why is it that so many people why can Ms LAU Ka-yee not go back for no apparent reason? In fact, many people cannot go back either, only that some of them dare not say anything, President. The Mainland authorities often marginalize Chinese citizens, so how can discussions be held? How can co-operation be promoted? For this reason, I hope the authorities will give us an explanation of this matter.

Another issue that I want to raise is Radio Television Hong Kong (RTHK). I am glad that Mrs Rita LAU is now present. In fact, President, if you look at the dates, you will know that in January 2006, the authorities appointed Mr Raymond WONG as Chairman of the Committee on Review of Public Service Broadcasting and this matter had dragged on until March 2007, when a report was submitted. President, on 28 March, what did the then Secretary for Commerce, Industry and Technology, Mr Joseph WONG, say? He said that they would first conduct a study among themselves and then publish a consultation paper in the second half of 2007 to consult the general public and ensure that all stakeholders, the relevant organizations and even ordinary members of the public had ample opportunities to express their views. After they had collected and fully considered the views, they would then make a decision that would be in the best interest of Hong Kong society as a whole.

President, at that time, Mr Raymond WONG recommended that public service broadcasting be introduced but RTHK should not be the one to do so. He also stated the reasons why it should be introduced, why RTHK should go independent, and so on. Ha ha, now, after Mr Joseph WONG had said all those things, until when did we have to wait? Until September 2009. Therefore, when it comes to waiting for the Express Rail Link and the so-called Hong Kong-Zhuhai-Macao Bridge, the wait will be even longer. Even this sort of thing has taken us four or five years. What did a certain person say in September 2009? President, the Executive Council published this paper and everything was settled. When Secretary Mrs Rita LAM came here for a meeting, she said that a decision had been made, that it would surely be implemented and there was no room for discussion. If the green light for something has already been given, what is there for us to discuss? President, indeed, it is necessary to provide public service broadcasting. But, it will be provided by a government department called RTHK. So, some people say that this defies logic as it is believed throughout the world that public service broadcasting should be independent. That is all, and this is how the consultation is like. After carrying out the consultation for so many years, President, do you know how much time is given to Hong Kong people this time around? Two months. The consultation only takes two months. Moreover, it is not on how to promote public service broadcasting, rather, it is a consultation in a birdcage, that is, the approach is to determine the nature of RTHK as a government organ beforehand, then carry out consultation accordingly.

President, I think this is really most unfair to Hong Kong people. I asked the former Secretary, Mr Joseph WONG (I appeared in a television programme together with him) whether the Government was being very shameless in doing so. He said that the Government was very pragmatic. I wonder if these two words mean the same thing. I wonder if doing so is tantamount to deceiving the public. Why was Mr WONG so impatient? Because he could not deliver on what he personally promised back then and the outcome is entirely different. Although the Secretary has been replaced and even the title changed, this post is still under the control of the Donald TSANG clique.

For this reason, President, I think that if the authorities do not keep its promise, how can the public find this acceptable, even though it is only a matter of public service broadcasting? From a wider perspective, if we have been marginalized, and for almost two decades for that matter, and if it is now said that

communication, integration and co-operation are in order, do we have any basis for doing so? Are there the conditions? In fact, we have neither guns nor cannons, nor do we have any power. But what we have is our principles, our ideals and our perseverance. More importantly, we are representatives of the people, so do not treat us as being non-existent.

We hope that the SAR Government will lobby the Central Government. If these fundamental and deep-rooted conflicts are not resolved, how can we talk about economic and political development and other matters? Thank you, President.

MR CHAN KIN-POR (in Cantonese): President, in proposing the general direction of "Economic Development, Our Priority" in the policy address this year, the Chief Executive indicated clearly that we have to consolidate the four pillar industries and develop the six industries with clear advantages, so as to maintain Hong Kong's competitiveness and create new opportunities for the Hong Kong economy. The ultimate goal is to help Hong Kong evolve into a knowledge-based economy and create more quality jobs. I agree with the direction proposed by the Chief Executive and think that some of the proposals, such as developing Hong Kong into an offshore RMB business centre, are very far-sighted. In the following, I will give an analysis of some of the proposals.

The Chief Executive proposes in the policy address that we have to develop Hong Kong into a global financial centre, asset management centre and offshore RMB business centre attracting capital and talent from within and outside the country. In the process, special emphasis will be placed on strengthening our role as the testing ground for the liberalization of our country's capital account and the regionalization and internationalization of RMB and building a market offering a broad range of RMB products and services. I think this is a very far-sighted decision.

Since the onset of the financial tsunami, Hong Kong people have once again realized that the boom or bust of the financial industry in Hong Kong has a direct bearing on the stability and prosperity of society as a whole. In fact, the financial industry in Hong Kong is facing many uncertainties. The Central Authorities have decided to develop Shanghai into "an international financial centre by 2020 that is commensurate with the economic strength of the Mainland

and the international status of RMB". Therefore, Shanghai will surely become an international financial centre. In face of the new challenge, Hong Kong must upgrade its competitiveness.

The proposal to develop RMB business in Hong Kong has in fact been raised for quite some time. Now, it has come to the critical moment. After grappling with the financial tsunami, the Central Authorities are determined to speed up the internationalization of RMB to escape from the bind of being constrained by US dollar in the international financial market. Many economists have predicted that once RMB becomes an international currency, together with the full integration of China into the international community, the role of Hong Kong as an intermediary will be reduced significantly. In view of this, whether or not Hong Kong can seize this opportunity to develop RMB business successfully is crucial to the future of the financial industry in Hong Kong.

The financial industry has all along held that Hong Kong is the most suitable place to help RMB go global step by step because for the time being, RMB still cannot be exchanged freely, so Hong Kong possesses great advantages in carrying out off-shore clearance for RMB. The policy address proposes that Hong Kong has to assume the role of a "testing ground" and this means that hopefully, Hong Kong can actively help RMB enter the arena of international finance. I believe that if we can leverage on the established advantages of Hong Kong, coupled with the development of Hong Kong into an offshore RMB business centre, Hong Kong would still be highly competitive.

In fact, the insurance industry also wishes to develop RMB business because at present, many people in Hong Kong envisage a rise in the value of RMB, so there is a huge demand for RMB products. However, due to the many technical difficulties involved, such as the inability of insurance companies to open RMB accounts with banks and a serious shortage of long-term RMB investment instruments, such as RMB bonds to match the risks involved in doing RMB insurance policy business, it is impossible for insurance companies to enable Hong Kong people to take out RMB insurance policies. Although I agree with and support the development of diversified RMB business in Hong Kong, we cannot underestimate the actual difficulties we would face. The Government should try to help the financial industry break down barriers and streamline procedures and do its utmost to help the industry overcome the difficulties that it will encounter in developing RMB business.

Originally, the focus of the policy address is on the promotion of the six industries, with a view to charting a new course for the Hong Kong economy. In fact, the Chief Executive has proposed many specific measures, for example, to reserve land for the education services and medical services industry, to launch an "R&D Cash Rebate Scheme" and to encourage the redevelopment or conversion of industrial buildings by owners in terms of policy. He also stressed that barriers will be lifted and procedures streamlined to facilitate the development of these industries.

However, in order to adhere to the principle of "big market, small government", there is a lack of specific planning and work plans in the policy address, nor has any tax incentive been proposed. It seems the Government only wants to lend a helping hand from the sideline or provide an environment conducive to development instead of intervening actively in the development and planning of these industries, so as to avoid as far as possible intervention in the market. This is the conventional wisdom adopted by the Government all along. However, I believe that if the Government can step up its efforts and propose more development plans or even tax concessions, more investments from investors will be attracted and the six industries will also stand a greater chance of success.

I also wish to talk about the financial policy relating to the insurance industry. The Government has pointed out in the policy agenda that it would be looking into the establishment of an independent Insurance Authority in view of the international trend for financial regulators to be independent and in order to give the Insurance Authority with more flexibility in operations and staff recruitment to meet regulatory challenges. I would like to point out that insurance products and the operation of these products have unique characteristics and professional attributes that are different from other financial products. Therefore, when reviewing the relationships between and the powers and responsibilities of our financial regulators, including the Hong Kong Monetary Authority, the Securities and Futures Commission, the Office of the Commissioner of Insurance and the Mandatory Provident Fund Schemes Authority, the Government should take into account the unique characteristics of the insurance industry in various areas, including the unique characteristics of its products, sales process and clientele before making decisions.

Lastly, the policy agenda also mentioned the commencement of an actuarial consultancy study on the establishment of a Policyholders' Protection Fund (PPF) early next year to examine the scope of coverage, levy rates, target fund size, and other detailed arrangements for the proposed PPF. It is estimated that the detailed proposals can be prepared within this Legislative Session. However, I hope that the Government can speed up its work, for example, as it formulates the specific proposals, it can also prepare the draft legislation. Since this kind of legislation or similar legislation has been enacted in various parts of the world and similar legislation can also be found in Hong Kong, the Government can proceed with the drafting of the legislation at an earlier date, so as to establish the PPF and provide protection to the public as soon as possible.

President, I so submit.

DR SAMSON TAM (in Cantonese): President, in this year's policy address, I am most delighted to see that the Chief Executive has eventually agreed that Hong Kong can no longer merely rely on the financial industry but should pursue diversification of industries. In particular, he proposes that Hong Kong should develop the six industries with clear advantages. As such a policy decision has been made, I think the public are most concerned about how it can be implemented effectively, so that new industries can be enabled to create more employment and business opportunities.

Among the six industries, which one will develop rapidly and which one will develop slowly? I think even the Financial Secretary may not be able to tell us. However, I think we are all very clear and sure about one point, that is, the Internet economy is increasingly influential all over the world and will become the mainstream of the economy.

As shown by the relevant statistics, in recent years before the financial tsunami, the average rate of economic growth stood at 3% globally. However, the growth rate of the Internet economy and the Internet-related industries is its two to three folds. The Internet has brought about enormous opportunities. However, we should pay more attention to the Internet, as it has dealt a very great blow to us.

I think nowadays, we all agree that the Internet has laid a comprehensive network in the entire global village, fostering a new world with a higher level of

equality. This equitable, new world will ensure equality in information, culture and participation. But it will also cause certain impacts on Hong Kong. In particular, digitization has eliminated the geographical boundaries, causing Hong Kong's original edges to disappear without being noticed. For example, the value of Hong Kong as a window on China is diminishing, and the Internet is now reorganizing the global supply chain. In the past, Hong Kong relied on trading and the logistics industry for living. But these strengths will definitely be subject to the next wave of blow dealt by the Internet. I think the Government should understand that network technology will have such a great impact on the whole world. Moreover, it should figure out how Hong Kong can make use of network technology to strengthen its existing four major economic pillars and how best new industries can be developed. If Hong Kong does not do so, I believe Hong Kong's competitiveness will be lagging behind its neighbours.

As a matter of fact, looking back at the past 10 years, we would find the Government has not just sat back but explored how to enable Hong Kong to develop technologies. In 1998, the then Chief Executive TUNG appointed the Chief Executive's Commission on Innovation and Technology, which was chaired by Prof TIEN Chang-lin, an internationally renowned professor who has passed away. I have checked the information. Prof Charles KAO, who has won the Nobel Prize recently, is also one of its members. At that time, this Commission stated clearly in its report that Hong Kong should, in the 21st century, be repositioned in the knowledge-based global economy. Therefore, they proposed that Hong Kong should be developed into an innovation and technology centre. After the report was completed and submitted in 1999, the Government did not sit back, either. It allocated a huge sum of money to set up the \$5 billion Innovation and Technology Fund and established the Applied Science and Technology Research Institute.

However, why it seems that there was a lack of vigour later? I think it was mainly attributed to the fact that the Government only injected resources in one go and did not establish a structure to promote it on a sustained basis. In particular, Prof TIEN Chang-lin mentioned in the report that one of the crucial recommendations was to make the relevant institutional arrangements, which included setting up a policy group headed by the Financial Secretary and comprising relevant Bureau Secretaries to draw up and co-ordinate policies on innovation and technology. In the recommendations, he also advised the Chief

Executive to set up an advisory body and employ some full-time technology consultants in person. However, did the Government implement these recommendations eventually? I have checked the information on the Internet. The Government had really set up the Steering Committee on Innovation and Technology. But it was only led by a Bureau Secretary, which was much less significant than what was recommended.

Therefore, as we can see, in promoting technologies recently, the Government is really doing less well than before. In reshuffling the Policy Bureaux in 2007, the word "Technology" was even deleted from the name of the Policy Bureau, showing that investments made in technology by the Government went from bad to worse. It is not surprising to see that the ranking of Hong Kong in global competitiveness has dropped on various counts recently, which is attributed to the lack of policies on technological development, resulting in the lower overall ranking. I think none of us want to see such a result.

It is now exactly 10 years after the then Commission had submitted its report in 1999. We have certainly missed some opportunities in these 10 years. We do not have too many decades in our lives. Similarly, how many decades can Hong Kong afford to waste?

President, I have just led a deputation to Taiwan for an inspection in October, and it has given me a very deep impression. In fact, Taiwan is also promoting six new industries. I wonder if public officers of our SAR Government can guess what these six industries are and what strategies they have adopted to promote them. Actually, among the six major industries in Taiwan, three of them are the same as those in Hong Kong, namely, culture and creativity, medical and health care and green energy. They have overlapped with three of the industries to be promoted in Hong Kong. As for the other three industries, they are biotechnology, tourism and high-end agriculture.

A Taiwanese official had told me time and again that the secret weapon adopted in developing these six industries is their technological experience gained over the past 35 years, especially in information and communication technologies (ICT), used to foster the birth of new industries. Why do they have to use ICT to promote new industries? Actually, I think this is also correct. In the past, in order to develop industries up to an international standard, vessels and maritime

transport were required to export goods. However, in the knowledge economy nowadays, new industries are also knowledge-based. Exports are simply exports of knowledge, consultancy and technology. All these rely on ICT to promote them to the rest of the world. Therefore, leaders in Taiwan had such foresight and vision 30 years ago and made tremendous investments in ICT. At that time, many students studying abroad were attracted back to Taiwan.

They have also established a framework with concrete powers in their Executive Yuan. As far as I know, in the Science and Technology Advisory Group currently established under the Executive Yuan, the Premier has taken up the role as convenor himself. Moreover, a Minister without Portfolio, whose rank is equivalent to a Bureau Secretary in Hong Kong at present, has also been established to co-ordinate technological development among different ministries and departments.

In view of Taiwan's success in promoting technologies, there are a lot of lessons which are worthy reference for us, especially the determination and vision of the rulers in Taiwan. I think public officers of our SAR Government can borrow a page from them.

Having said that, President, I have two suggestions, which are some policies on technology, for the Government to consider. First of all, I hope the Government can set up a committee for strategic planning on science and technology again, similar to the Task Force on Economic Challenges set up by the Chief Executive last year. This Task Force has taken less than a year's time to come up with the proposal that Hong Kong should develop the six industries. I propose to set up this committee for strategic planning on science and technology, in the hope that the Government can, similar to what it did 10 years ago, set up a committee which is recognized internationally and has a global vision, so as to draw up a blueprint for Hong Kong's technological development in the next decade, in particular, as for the Internet economy, how Hong Kong can make use of these new technologies to face up with new challenges. Moreover, it should seriously examine and review the existing structural arrangement of the Bureaux to see if it is conducive to technological development. It should also consider afresh if there is a need to re-establish the "Technology Bureau", and study whether it is appropriate to, as proposed by Honourable Members just now, introduce into Hong Kong taxation concessions which are common strategies adopted internationally.

Secondly, in order to develop technologies properly, the Government should remove all the unnecessary restrictions and expedite its technological co-operation with Shenzhen. Why do I mention Shenzhen? It is because, as we all know, over the past ten-odd years, Shenzhen has developed from an industrial region to a technological city now. It has taken just ten-odd years to secure an international status in the telecommunications network, especially regarding mobile phones and 3G technology. Therefore, I do believe that the era we are now in is no longer suitable for lone fighters. As we have such a powerful neighbour, we should not let go of this opportunity. Therefore, I propose that the Government should consider removing all the unnecessary restrictions and expediting its technological co-operation with Shenzhen.

In the past, the Government did mention something, only that the progress was slow. Perhaps, it is attributed to many reasons. However, I trust technological co-operation between the two places will absolutely give rise to a win-win situation. It is because in course of co-operation between the two places, a very great attraction can absolutely be induced, no matter an influx of talents and capitals from all over the world or relocation of technological companies. Therefore, I hope the Government can formulate new policies or abolish those bad or unfavourable ones in the past. By removing all the unnecessary restrictions, we can foster mutual co-operation between local universities, institutes of R&D or semi-official organizations with enterprises in Hong Kong. This is, undoubtedly, a short-cut to expedite the technological development in Hong Kong.

President, I believe that in order to develop new industries, we should make use of even better network technology in future. If the Government really has the determination, vision and willingness to inject resources, enterprises, especially those small and medium ones, can definitely create more employment opportunities. As for university graduates, Hong Kong produces a lot of graduates each year. Those studying engineering subjects used to have no prospects in the past. I hope that when Hong Kong has its technological industries, these graduates can bring themselves into full play on the professional front. I also expect that Hong Kong can become the best place for starting up businesses. My expectation is, in promoting technologies, we can enable those youngsters who have potentials and enterprising spirit to start up their own

businesses. By that time, these new industries can allow the general public to share the fruit of such economic growth.

President, I so submit.

MR KAM NAI-WAI (in Cantonese): President, my speech today will focus on how the Government has been handling the issue of Lehman Brothers minibonds (minibonds) and the related products as well as the progress of the matter.

Very much the subject of heated discussions these days is the purchase of minibonds by a relative of the Chief Executive. Many victims of Lehman Brothers-related products, including Equity Linked Notes (ELNs), Constellation and Octave Notes, and also those minibond victims who are classified as experienced investors are both happy and worried. They are happy because they think that the whole incident can come to end after the rolling out of the buy-back scheme in July this year (But I must add that several thousand cases still remain outstanding despite the scheme). They are also worried because they are not relatives of the Chief Executive, so they do not know whether they can benefit from the buy-back scheme or receive any compensation. This is their worry.

In his statement yesterday, the Chief Executive said, to this effect, "As for the minibond incident, it is just a purely empty accusation. The Government has always hoped to see an early settlement of the Lehman Brothers minibonds incident. But the settlements reached between individual banks and individual minibond holders are strictly a matter between them. The Government has never taken any part in it." By claiming that "the Government has never taken any part in it", the Chief Executive actually wanted to distance himself totally from the issue of making settlements and to point out that the Government should have totally nothing to do with this matter. However, can the Chief Executive still recall the relevant question I asked during the Chief Executive's Question and Answer Session on 15 January 2009? I told him in this question that the authorities concerned, namely, the Securities and Futures Commission (SFC), the police, the Consumer Council and the Hong Kong Monetary Authority (HKMA), were characterized by "Four No's", and they could not possibly face the public with no qualms, as they had done absolutely nothing at all. The Chief Executive

replied at that time, "The SAR Government has been trying its best to co-ordinate work on that. Our work can be divided into four areas." I am not going to read out the entire reply. I will only read out the third area: "The third is to facilitate reconciliation between the distributors and the investors. I hope that there would be no need to take the cases to the Court before these disputes are resolved. There are 1 515 cases where the banks and distributors have reached reconciliation and that is by no means a zero result." The Chief Executive gave credit of the cases of reconciliation to the Government, saying that it had succeeded in bringing forth 1 515 cases of reconciliation. Today, however, the Government simply distances itself totally from the settlements.

We can observe that so far, the HKMA has not taken any punitive actions. I frankly do not know what has happened to the Government. It has been more than a year since the outbreak of the incident. But still, not even one single bank has been punished. How can the Government explain this? I hope that Under Secretary Julia LEUNG can give a reply. What has happened to the Government's efficiency? And, what efforts have the police made so far? Investigation work has been going on for one year, and cases of signature forgery and mis-selling have been uncovered, but still, no prosecutions have ever been instituted. "Nil prosecution" is not the only thing; there has not been any on-site investigation in the banks concerned either. What has happened anyway? What is the reason for the additional "Two No's" on top of the "Four No's"?

There has been a breakthrough of some kind, however. The Consumer Council has announced that it is going to take one case to Court. But it is only going to do so, and the case has not been brought to Court yet. What has happened to the Government? If the SFC if the top-to-bottom investigation into the banks is stopped as a result of the buy-back proposal, all victims of the minibonds incident who have not received any compensation, including the victims of ELNs, Constellation and Octave Notes, and also those who are classified as experienced investors, will be very, very disappointed.

Some victims have recently rung up my office to voice their views on the purchase of minibonds by a relative of the Chief Executive. They all want me to ask on their behalf, "There are so many Lehman Brothers-related products, but why has the Government accorded priority to Lehman Brothers minibonds only?" There are so many Lehman Brothers-related products, but why is there a blanket

buy-back package for minibonds only. The types of products I have mentioned involve several thousand cases. And, according to the latest statistics of the HKMA, the number of non-minibond cases actually amounts to 7 767. There are also 1 003 cases, in which the minibond buyers concerned are not qualified for the buy-back arrangement. In other words, more than 8 000 people want to ask this very question.

I wish to tell the Chief Executive that the approach he adopted yesterday, that is, assailing the mass media for making purely empty accusations, is not the best way of dispelling all the doubts surrounding the purchase of minibonds by his relative. Rather, the best way should be the taking of immediate actions to enable those who were misled into buying the related products to reach settlement and receive compensation. The HKMA has announced that the investigation into the complaints concerned cannot be completed until March next year. I must tell the Secretary and the Under Secretary that the victims cannot possibly wait so long. They have been waiting for one year. I think it will be totally inhuman for the Government to ask them to wait any longer. I maintain that the best way for the Chief Executive to dispel all doubts surrounding the purchase of minibonds by his relative should be the prompt settlement of all the cases involving victims who have not yet received any compensation.

President, I so submit.

DR PHILIP WONG (in Cantonese): President, I find the contents of the policy address delivered recently quite practical and comprehensive. It has pointed out the right direction of economic development that should be accorded priority. I wish to raise three points in this regard.

The first is on boosting our competitive advantages. In the past year, the financial tsunami engulfed the world and the Hong Kong economy has gone through trials and tribulations. The Central Government launched a timely economic stimulus package and announced a number of measures to support Hong Kong and they have a positive effect on economic recovery here. Not only has this underlined Hong Kong's unique advantage in leveraging on the Motherland, it also reflects the importance of Hong Kong's further integration with the Mainland, particularly with the Pearl River Delta (PRD). This has also

prompted us to change our way of thinking and acquire a greater sense of urgency in formulating new development strategies.

I agree with the policy of consolidating the four conventional pillar industries and promoting the six industries as proposed in the policy address. I hope the Government can consider our long-term development strategy earnestly and propose a larger number of specific complementary measures. The key of success lies in how they are implemented and how to yield the best results in the shortest time possible.

In view of the absence of a department in the SAR Government in charge of matters relating to the policies or planning formulated by the Central Government on the future development of Hong Kong, as a result of which Hong Kong finds itself in a passive position, I suggest that the Government consider the establishment of a dedicated office headed by the Chief Secretary for Administration to handle matters relating to national planning and regional co-operation. The main functions of this dedicated office include, firstly, to raise the views and proposals of the Hong Kong side concerning the major policies and planning drawn up by the State with the National Development and Reform Commission (NDRC), so as to tie in with the national development strategy and the long-term direction of development of Hong Kong and secondly, after the relevant policies or planning have been drawn up, to discuss specific implementation measures with the relevant departments of the Central Authorities or local authorities.

Since Hong Kong's degree of participation in the drafting stage of the National 11th Five-Year Plan was rather low, the part concerning Hong Kong is mainly in the form of a framework with hardly any specific policy or project, so I propose that the Government actively participate in the drafting of the National 12th Five-Year Plan (the Plan) and explore in earnest how Hong Kong can tie in with the overall direction of development of Hong Kong and the country, so as to assume a more appropriate role in view of the rapid economic development of our country and the increasing competition from our neighbouring regions. For example, efforts can be made to include the six industries with clear advantages in the Plan and turn Hong Kong into a pilot area of the national financial reform, to take part in the division of labour relating to major infrastructure projects on the Mainland and to examine with local authorities in the PRD how best Hong Kong-capital small and medium enterprises can be assisted in their transformation

and development of the domestic market, and so on. In addition, the Government should invite Mainland officials in the NDRC responsible for the surveys and studies relating to the Plan and the drafting of the Plan to visit Hong Kong and exchange views with Principal Officials and business sector representatives, so as to enhance mutual understanding and establish a sound mechanism of interaction.

Since the State Council has announced the Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020) to elevate the development of the PRD to a national strategic level and to give the PRD greater autonomy, in several years' time, a whole new scene will emerge in the PRD. In view of this, I propose that the SAR Government, having regard to the actual situation in Hong Kong, put forward "Early and Pilot Implementation" proposals conducive to the development of the two places to the Central Authorities and the local governments in the PRD. For example, we can model on the Suzhou Industrial Park jointly developed by Singapore and the Mainland when establishing development zones in the Qianhai and Houhai areas in Shenzhen and transplanting the Hong Kong mode of management to these places, so as to support the development of Hong Kong companies and service industries in these areas and jointly develop the border area, so that under the jurisdiction of the SAR Government, Mainland residents can enter and leave the area freely and the further integration of Hong Kong and Shenzhen can be promoted.

Since the SAR Government has proposed to develop the six industries and strengthen co-operation with the Mainland, and with the PRD in particular, I believe that upgrading the overall competitiveness of workers in Hong Kong, including their language proficiency, will be the key to success. With the ever-increasing integrated strengths of the nation, the influence of the Chinese language in the world will also increase. The use of Chinese and Putonghua in commerce and various kinds of exchanges, official activities, civilian activities or even on the Internet will become necessary and even prevalent. However, civil servants and students in Hong Kong commonly do not have a good command of Chinese and Putonghua. I have called on the Government to promote Chinese and Putonghua before. Now, I still advocate that the Government increase the allocation of resources and set a clear timetable for promoting Chinese and Putonghua in the Civil Service. Consideration can also be given to putting in place arrangements under which applicants for civil service posts must attain a certain standard in Chinese examinations before they will be appointed.

Regarding subjects taught in Cantonese in all classes in primary and secondary schools in Hong Kong, such as Chinese Language and Chinese History, consideration can also be given to changing the medium of instruction from Cantonese to Putonghua. Indeed, the Government has an incumbent constitutional obligation and duty to raise the status of the Chinese language in Hong Kong and society should also change its mentality of neglecting the teaching of Chinese, belittling the Chinese language and contempt for Putonghua.

Our country is developing in leaps and bounds and Hong Kong people will lag behind if they do not make progress. I believe the development of Hong Kong primarily depends on our own efforts. We must not have too high an opinion of ourselves, worry about gains and losses or simply ask for favours, still less should we have the mentality of always taking out of the meal tub and never putting in. Instead, we should bring into play the spirit of striving for achievements and rely on our own endeavours to open up new horizons. For example, in the process of Mainland enterprises going global, since Hong Kong possesses advantages in such areas as the rule of law, financing, market mechanism, business environment and talents training, it can play the role of an intermediary and a bridge. I propose that the Government formulate policies as soon as possible for Hong Kong to identify more business opportunities in the process of helping Mainland enterprises go global.

The second point is stepping up financial regulation. I welcome the strengthening and improvement of the financial regulation regime by the Government to further consolidate Hong Kong's status as an international financial centre. On the importance and urgency of improving financial regulation, I have gained a deep appreciation of the need to do so on account of my service as Deputy Chairman of the Subcommittee to Study Issues Arising from Lehman Brothers-related Minibonds and Structured Financial Products. Although the majority of the victims have accepted settlement proposals, it is necessary for the Government to draw on this experience and learn a lesson, so as to further overhaul the bodies responsible for financial regulation, put in place a fair, equitable, clear and sound regulatory regime, including carrying out risk assessments on certain investment products and on the ethics of sales personnel, and provide more comprehensive protection to investors. I believe that after the overhaul and thorough investigations, the loopholes can be plugged, improper sales practices can be reduced and the impact on investors mitigated. This will

be conducive to establishing good market order and raising service standard, so that more non-local investments can be attracted.

The third point is to unleash the potential of old industrial buildings. I support the Government in encouraging owners to release the potentials of old industrial buildings through redevelopment or conversion. I have put forward proposals in this regard a number of times and will continue to monitor the implementation of the relevant proposals. I hope the Government can process the applications by the sector concerned expeditiously and consider extending this policy to similar properties, such as old warehouses and piers by making reference to this approach of removing the fetters on old industrial buildings. I believe this measure is compatible with the development needs of the Hong Kong economy on the one hand and can cater to the long-time demands of the industrial and commercial sectors on the other. It can also benefit the sectors concerned. For many years, the industrial and commercial sectors have encountered many difficulties and one of them is capital locked up in the form of vacant factories, thus making it difficult for some operators to raise capital and subjecting them to other forms of unwarranted pressure. Should these measures be implemented, not only will they complement the six industries, they will also be a shot in the arm for the sectors concerned. They will also help the promotion of various creative industries, thereby increasing employment opportunities.

President, I so submit.

MR FRED LI (in Cantonese): President, I shall divide my speech today into two parts. The first part, concerning a competition law and consumer interests, should be dealt with by Secretary Rita LAU. The second part is related to housing. I hope officials of the Transport and Housing Bureau will be present.

When it comes to a competition law, we should turn the clock hands back to 16 years ago when a competition law was debated, for the first time, in the Legislative Council in February 1993. During these 10-odd years, eight motion debates on this subject were conducted in this Council, though still less than the number of motion debates initiated by Mr LEUNG Yiu-chung annually on offering public transport half-fare concessions to people with disabilities. In addition, two public consultations were conducted by the Government. Actually, the competition law issue has dragged on for a very long time. I have

noticed that a competition law has been raised again in the Government's latest Legislative Programme. I hope we will not be let down once again. Originally, I had intended to criticize the Government in a number of areas in my speech. But I have decided not to do so. I only hope that a bill can be tabled to this Council expeditiously because we yearn for a competition law. Compared to our neighbours, Hong Kong, as a place upholding the rule of law, can better demonstrate our competitive edge with the presence of a competition law because we can then provide an even better platform of competition for the business sector. There are nearly 100 countries in the world which have a competition law in place, including many places with economies that are even more backward than that of Hong Kong, such as Vietnam and other Asian countries. I cannot see why Hong Kong should continue to procrastinate the enactment of a competition law.

Consumer interests are also a matter of great concern to me. I have once appealed to Directors of Bureaux here in this Council to read weekly magazines, as many of these magazines published in Hong Kong carry a lot of advertisements on slimming, beautification, downsizing and consumption of belly reduction pills. Now, it is most popular for advertisements to persuade consumers to take several pills to achieve the effect of reducing the size of a belly. I think people will become a lot healthier if this works. But is this really the case? At present, there are simply too many advertisements of this sort. In order to compete, these advertisements resort to boasting and exaggeration and demonstrating their magical power. In one case, it is boasted that it takes only 15 minutes to turn a single eyelid into a double eyelid — I am only quoting from an advertisement — and with several hundred dollars someone can enlarge her breasts. Of course, I am referring to women, not men. It is just unbelievable that someone could have written something like this. I just cannot help laughing on seeing this. But some people would really patronize these services. Something unimaginable can really happen in this world.

From time to time, my office would receive complaints about people being defrauded of \$10,000 to \$20,000 and unable to recover the money as the Consumer Council (CC) could not do anything to help. I was told by colleagues working in the CC that those establishments being complained were ferocious, for they knew very clearly that the CC was a toothless tiger and simply ignored it. My colleagues also found themselves very helpless as the clients had already signed agreements with the establishments. What sort of agreement had the clients signed? For instance, an establishment might sign agreements with

clients and offer a trial price of \$200 for a trial session. Then, the clients would be held up for two hours, even though they would be supplied with food and drinks. Then, they would be asked to purchase a treatment with their credit cards. After two sessions of the second treatment, the clients would be asked to purchase a third treatment on the ground that the second one did not work. And this would go on and on. This is in fact, very popular. This practice is employed even by major establishments, those very famous ones, that is, those seen in magazines. Providing a wide range of services, including those for eyes and noses, these establishments actually belong to the same company, though they will place different advertisements. Under the same company or group, these establishments have a strong back-up. Such complaints can absolutely not be handled by individual Members or consumers.

I have noticed that the CC received more than 3 000 complaints related to beautification, slimming, travel club membership and pay television in the first nine months of this year. Most of these complaints were about false advertisements, false declarations, high-pressure sales tactics and failure to deliver pre-paid services. I believe the situation will only worsen as long as there is no legislative regulation. I have also noticed that there are more and more advertisements of this sort. The Government mentions in the policy address that the existing law on consumer protection will be reviewed, and it is planned that the public will be consulted on the proposed amendments late this year or early next year. I hope that the sooner the better. I very much support the Government's efforts in this area. The slow pace of the Government will increase the chances of many consumers falling into such traps every day. Of course, consumers themselves should definitely be held responsible, too. However, if there is no legislation to protect them, they will be at the mercy of others. For instance, the cooling-off period is very, very important. Many problems can simply be resolved should there be a cooling-off period, for consumers will not be required to sign credit cards immediately and find themselves unable to stop the payment arrangements afterward.

I am very glad that the Secretary for Transport and Housing is present because I am going to talk about housing. I have noted the installation of lifts for hillside public rental housing (PRH) estates in a document related to the briefing to be held in connection with the policy address, which is under the purview of the Secretary. This is definitely a good thing, for we have been looking forward to the installation of lifts for a long time. The Government

must expedite this most beneficent measure because people living in the 18 hillside PRH estates have been looking forward to the installation of lifts for many years. The Government has demonstrated great courage this time by endorsing the allocation of a one-off grant of hundreds of millions of dollars for the construction of lifts. We will render our full support. I hope the construction works can be expedited. If the Government can do such good deeds more frequently, I believe its image can be greatly improved. Although the construction of these lifts has been given the go-ahead, we can rarely see works being undertaken. I have often been asked by residents when the installation of lifts will be completed. The only thing I can do is to continue to coax or comfort them, just like what the Government has been doing. This is why I hope the Secretary can heed their voices.

Apart from this, I would like to say a few words about the shapes of certain buildings. I wonder if the Secretary knows that there are no lifts on the first floor in some buildings, such as those of a Twin Towers design. In other words, residents living on the first floor cannot take a lift, as the lift begins at the second floor. As a result, the residents must climb up and down the stairs. Furthermore, there are no lifts on the top floors of some buildings. For instance, the lift merely goes up to the 14th floor of a 15-storey building. This means that people living on the 15th floor have to climb up one floor. What I am talking about are old buildings built more than two decades ago. The longer period the residents have lived here, the older they will become. In my opinion, the Government should pay attention to PRH tenants living on those floors without lift access and consider offering them assistance or help them relocate to floors with lift access.

Furthermore, I would like to say something about the standards for flat allocation. As far as I can remember, Mr LAU Kai-hung, former Deputy Director of the Housing Department (HD), told the media before his retirement that he was very glad to see that the average area of PRH flats allocated at that time had reached slightly more than 10 sq m, or in other words, each person was given an area of more than 100 sq ft. However, unfortunately, I have simply too many cases on hand. I have also constantly related these cases to the Secretary. A typical four-person household, that is, a couple with two children, is allocated a unit of 30.4 sq m. In other words, each person is allocated 7.5 sq m, which is just above the minimum standard. According to the commitment of the HD, each person will be allocated 7 sq m or more, which is the minimum standard.

This means that each person in a four-person household is now given slightly more than 7 sq m. However, it is simply impossible for some households with two children, one boy and one girl, to have two rooms and yet it is very difficult for a boy and a girl, especially young people in their teens, to share a room, for serious problems will arise. I know that some couples have to live in different rooms, with fathers sharing rooms with their sons and mothers sharing rooms with their daughters. Some people even have to sleep in the living room, thus giving rise to man-made overcrowded households. Why do such things still happen to new PRH flats allocated today? With each member of the household being given only slightly more than 7 sq m, the household will again become an overcrowded household with the addition of one member. I think that the Government should consider raising its allocation standard and stop using 7 sq m as the standard. Given that it has once said that each person can be allocated an area up to 10 sq m, why are there still some people who have unfortunately been allocated only slightly more than 7 sq m? I think that the Secretary should upgrade the living standard of PRH residents.

The third point I would like to raise once again, Secretary, concerns the monitoring of The Link. The Secretary probably has not seen this photograph before. Here is a tennis court, and we can see that there are signs of rust in some places, with the wire mesh on the outside already turned brownish. It is imaginable that this did not occur overnight. I have recently paid another visit there and found that refurbishment and repainting have been carried out there as a result of a warning letter issued by the Secretary. Moreover, the walls have been refurbished immediately because of the follow-up actions taken by us with The Link some time ago. But the point is, these walls have been exposed to the elements and rusted for four years. Moreover, residents have been barred from using them. However, according to the agreement signed by the Housing Authority with The Link REIT when it was listed, The Link promised that these venues would continue to be opened for use by residents of the housing estate and visitors. Why did it prohibit others from entering the venues over the past two years by citing the rusted wire mesh as a reason? Have the HD staff completely failed to follow up the matter? In connection with this issue, I have enquired with the manager of the estate. Secretary, the manager told me that he had complained to The Link, but his complaint was ignored, and The Link had kept procrastinating the matter. Even though there were complaints from the residents months ago about some fluorescent tubes in the venues having broken, no repairs had been carried out. Moreover, the refuse in the podium garden

above the car park of the estate has not been cleared for a long time. But what can be done? After a delay of almost six months, some members of the public complained to me, thinking that the HD had not made any effort. However, I was advised by the HD that they had already referred the complaint to The Link, but there was no response from it. This is what the front-line staff of the HD had told me. They will not refer the complaint to the Secretary or report to their superiors. In the end, only members of the public and the estate residents will suffer. The facilities were originally meant to be open for use by the residents. However, they were suddenly locked up and closed just because they were damaged as a result of poor maintenance.

I think that the Government must be on high alert in monitoring The Link. Every day, the HD staff have to monitor these facilities and 60 venues. I hope they can inform the Secretary once problems occur, so that the Secretary can take over the matter instead. However, I think that front-line staff lack a good communication mechanism. Nothing can also be done by the front-line staff of The Link because their superiors, who apply a tight grip on resources, are reluctant to do anything. I think we must rely on the Secretary to "connect all the major veins of the body".

The Link is also found to be cheating the residents — Secretary Carrie LAM is also here — and parking spaces. Let me tell Honourable Members how they cheat. According to the instruction given by The Link to management companies, such as Wilson (威信) and Man Kee (敏記), The Link has to collect a waiver fee equivalent to half of the monthly rent if a parking space is rented to someone who is not a resident of the housing estate. This means that a non-resident will have to pay \$500 to \$600 to the Lands Department if the monthly rent for his parking space is, for instance, \$1,700. However, the management companies were found to have advised non-residents to provide a false address of the housing estate when filling in the forms by telling them that no investigation would be carried out, as they could then avoid paying the waiver fee. Secretary, I am telling the truth. This is also what I had told the Director of Lands today. So, what can be done? Obviously, some people are challenging actually, I have no idea if this is an offence in law — they advise others to provide false addresses, saying that no investigation will be carried out and that the parking space users will be treated as residents of the housing estate in order to avoid the payment of the waiver fee. Are they

cheating taxpayers or the public coffers? The money is supposed to be handed to the Government. Although I have no idea of the amount of money involved, I know this is happening every day. An investigation is in order and if the Secretary wishes to obtain information, I can provide it to you. This is what those car owners said, "I was advised to tell lies, so please tell me what to do?" It is found that many car parks have this problem. I hope to point this out while several Directors of Bureaux are here. They may make enquiries with the Lands Department about these incidents which are not entirely appropriate. I hope the several Directors of Bureaux here can listen to me.

Regarding the policy address, I hope the Secretary can follow up the housing and consumer interest issues. I so submit.

MR LEUNG YIU-CHUNG (in Cantonese): President, the latest findings of a survey done by the Public Opinion Programme of the University of Hong Kong show that 45% of the respondents are not satisfied with the policy address this year. A great surge in the percentage of people feeling dissatisfied is seen. I believe this problem should not be blamed on a smear campaign by the media. As the saying goes, genuine gold is not afraid of burning fire. If Chief Executive Donald TSANG is clean and free from blame, he should not and cannot be smeared.

I hope the Chief Executive and his aides can know clearly that public opinion is a mirror. So when support for governance as seen in public opinion falls sharply, this is a "red alert" warning. The Chief Executive should now reflect fully and review to see if his governance runs counter to public opinion and whether the aim of sensing the pressing needs of the people and thinking along the lines of the people is met. He cannot shirk his responsibility to other people or even the media.

In fact, with respect to the policy address this year, what is the thing I have heard most during the past couple of weeks about the people's response? What is the policy address according to the majority public? Rubbish. The Government scores no points in its administration. Some young people have told me that in terms of the faddish language these days, it is one that leaves one with a gaping mouth. They have a feeling of hopelessness when mention is

made of this policy address. They cannot think of anything that is worth talking about. Therefore, I think that the policy address this year is utterly disappointing and the main reason is that it has got a number of features. What are they? They are: nothing on people's living, nothing on democracy and no respect for people's rights. How can such a policy address get the support of the people?

Therefore, I cannot vote in favour of the policy address this year. In other words, I will vote against it. However, in any case, during the debate and especially in this first session, I will talk about housing and transport.

President, matters of clothing, food, housing and transport are essential to people's everyday life. And among these, housing is a most basic need for the people. It follows that the issue of property prices will become a hot issue in people's concern, no matter when the economy fares well or badly.

I do not want to talk about property prices today, though. I will talk about the housing problem which is closely related to the grassroots.

In terms of our per capita GDP, Hong Kong is definitely an economically advanced place. But behind this superficial prosperity, there are close to 100 000 people living, by international standards, in what is known as unfit dwellings. Of these, there are those who live in caged homes that are not yet banned and crowded and stuffy cubicles. And the rent for the cubicles per square foot surprisingly comes close to luxury flats. And there are the rooftop flats and squatter huts that scatter in various districts. Moreover, there are people who sleep on the streets. For so many years Hong Kong is infested with so many problems, in particular, there are so many people who live in unfit dwellings. But the Government turns a blind eye to this state of affairs and cares nothing about the right to housing of these groups of people. And in fact they do not get the protection they should get. Therefore, many people have these questions in their mind: Is the Government really that heartless? Is it really that unkind?

President, I think the Government will certainly feel unhappy when it hears such criticisms and try to rebut. The Government can deny it and say that more than 10 000 public rental housing (PRH) units are produced each year and when coupled with the vacant existing flats, there are altogether 20 000 to 30 000 flats for allocation, so how can the Government be blamed for not caring about the housing needs of the people? From existing figures, the picture is undoubtedly a

rosy one. The waiting time for families in general is about 1.8 years and they can be allocated a flat. President, these figures sound very pleasing. But I hope the Secretary will not cite these figures when she gives a reply later. Why? Because although these figures may look impressive, they cannot hide or cover up the fact that about 100 000 people are still living in the plight of unfit dwellings below international standards.

President, I think the Government must address the housing needs of the grassroots. Why do I say that although the figures look great, they cannot show the reality? There are a number of issues that the Secretary should seriously think over.

First, single persons. The problem faced by single persons is in fact very serious. According to information from the Government, as at March this year, the number of applications on the waiting list for PRH is 114 400, and of these, there is a surprising number of some 43 000 applications from single persons. The nice figures which I have just quoted, about the claim that people can wait 1.8 years before being allocated a flat, do not include these some 40 000 applicants. So these figures may sound nice, but are they really so? President, I think you know the answer. How long do single persons have to wait before they can get a flat? Seven or eight years, or even more than 10 years. The authorities have not counted these figures. So this is not fair and it is not just. That is why some people say that the Government is heartless, and we really feel that way, too. Why does the Government refer to some figures but not others? The picture presented may look pleasing, but some figures are not counted.

So all along, both the organization to which I belong, that is, the Neighbourhood and Worker's Service Centre, and some other groups concerned about people's housing rights have demanded constantly that the Government increase the production of PRH for single persons. But both the Government and the Housing Authority have adopted a nonchalant attitude to that. I hope that when the Secretary responds later, she can pledge that a target will be set to produce small-size flats so that single persons can be allocated one soon, and that their waiting time will be shortened.

The second issue is that when low-income people apply for PRH units, they are often subject to numerous restraints, including those on income ceiling and years of residence in Hong Kong. In this way, many people are excluded

from public housing. In this regard, I hope the Secretary can consider raising the income ceiling for application for PRH flats so that more people can have a chance to live in these flats. If it is not possible for these people to even wait for their turn, they will be forced to live in cubicles or caged homes. Such kind of living conditions is hardly acceptable. So I hope that the Secretary can consider this suggestion.

Meanwhile, the years of residency in Hong Kong are also a problem. We all know that only those who have resided in Hong Kong for seven years are eligible for application. For households, half of the members should be qualified before their applications are entertained. But this group of people is in most need of being allocated a PRH flat. But they are rejected. This makes them live in an unsuitable environment.

The third issue is about geographical location. People always point out that the PRH flats allocated to them are often in remote places. This causes great inconvenience to them in work or other aspects of their living. They ask if the supply of PRH flats in urban areas can be increased. The Government would say, of the PRH flats to be completed in the next five years, many are situated in urban areas. It would be a good thing if this is really the case. But compared to the needs of the people, the supply is still not sufficient.

The Government always says that not much land can be found in the urban areas. But we think that this is not necessarily the case. It is just a matter of whether the Government is willing to produce PRH units on such land. For example, in those areas in West Kowloon, or even Ho Man Tin, after the existing public housing blocks are demolished, the Government has to date not resumed the land for building public housing blocks. So I think this excuse is not justified.

Apart from that, I wish to point out to the Secretary that although the Government says that public housing blocks can be built on certain lots, some community facilities can be built so that apart from meeting the needs of the people for public housing, the problem of an insufficient supply of land for leisure purposes in the urban areas can be eased. President, in many places in Hong Kong, there are instances of the Government forcefully changing the original planned uses and using the land for public housing construction. This

results in division and disharmony among residents of urban areas. The Secretary for Home Affairs often says that harmony should be promoted in the local communities. With respect to this, it is really the Government that has created such disharmony. This is because in the local communities, some places are overcrowded and there is a need for more space and also leisure facilities, community halls, and so on. But unfortunately, the Government says that land for public housing construction is not enough and so land use should be changed for producing PRH units. This causes opposition from the residents. They oppose the change of land use to build public housing blocks. That the residents oppose the building of public housing blocks in the location does not mean that they oppose the building of public housing blocks. They are mistakenly regarded as doing things way overboard, because they oppose the building of public housing blocks when there are so many people waiting for PRH housing units. This creates discord. The Government has really not considered that improper planning in the past results in excessively dense population in some areas. The land should be used to provide some leisure space for the people, but the Government singles out such lots which have already been pushed through planning and changes their land use. I think this approach is both undesirable and unreasonable.

I therefore hope that the Government can think more on that. On the one hand the Government tells us that there is enough land to produce PRH units, but on the other it keeps on changing the land use of those lots already pushed through planning for the production of PRH units. I think this approach must be reviewed, otherwise the voices of opposition which the Government hears will only grow louder.

In any case, President, a fit dwelling is the basic need for the seven million people of Hong Kong. We strongly demand that the Government should respond, set a timetable and adopt specific measures so that everyone can have a decent dwelling.

President, apart from the housing problem, I would also like to talk briefly on the transport problem.

I think the Government must face squarely the problem of uneven traffic flow of the three cross-harbour tunnels. With respect to this problem, the Government has delayed for many years. The problem is in fact of the

Government's own making. It was because at that time the Government approved of a franchise of the Western Harbour Crossing with an automatic toll increase mechanism. This stripped the Government of the right to make decisions to regulate traffic flow by adjusting the tunnel tolls. So the most desirable approach to take now is the Government recovering the power to charge tunnel tolls from the Eastern Harbour Crossing and the Western Harbour Crossing in order that the traffic flow in the three tunnels can be adjusted to a reasonable level. Also, the construction of a fourth tunnel should be considered so that the traffic problem in the vicinity of Causeway Bay can be solved.

President, lastly, there is a need to conduct a comprehensive review and policy positioning of the overall traffic and transport strategies in Hong Kong and the positioning and roles of various modes of public transport. Therefore, I think that the Government should launch afresh a review of the overall transport strategies of Hong Kong and conduct extensive consultations in order to devise new transport strategies.

President, I so submit.

PROF PATRICK LAU (in Cantonese): President, I am most impressed by the "Happy Family Campaign" advocated in the policy address this year. The Chief Executive has also pointed out that the family holds the key to resolving drug problems. Actually, it is most imperative for members the public to be able to find secure well-paid good jobs, so that they can lead a happy life. However, I also agree that it is right to develop Hong Kong into a quality city, so as to improve the quality of life of the people and thereby reduce pressure on families.

A sound economy naturally means a good quality of life for the people. When we can no longer rely entirely on the financial sector, stimulating the economy through infrastructure development and other industries as well as upgrading our living environment will be the best solutions. This idea has been greatly supported by my sector and me.

In response to the financial crisis triggered by the financial tsunami, the policy address proposes "stabilizing the financial system, supporting enterprises and preserving employment". I suppose no Member will oppose all this. I also agree that such proposals as the full deposit protection scheme can restore the

public's confidence in banks, though the Government has not elaborated how the scheme will be continued. As regards "preserving employment", the policy address has not discussed at great lengths the assistance for the grassroots. In particular, the Government seems to be at its wits' end about the support for unemployed young people.

The Hong Kong Institute of Architects has reflected to me that the assistance offered by CEPA to the profession has been tightened. While Mainland architects are now given the opportunity to come to Hong Kong to work, Hong Kong architects can still not start up businesses on the Mainland. Given the policy address' commitment to enhancing regional co-operation, I hope both parties can co-operate on a reciprocal basis, with a view to truly assisting professionals to seek employment in Guangdong Province, and so on.

Employment aside, home ownership is another problem currently facing professionals. Right, the policy address mentions "concern about the supply of flats, difficulty in purchasing a home, and the possibility of a property bubble". However, except for saying "when necessary, we will fine-tune the land supply arrangements", it has failed to propose counter-measures. Both the Professionals Forum and I are quite disappointed about this. We do not understand why the Government refuses to resume regular land sales to adjust the imbalance of supply and demand of private properties. I think it is opportune to review the land supply policy, for only in doing so can the problem of supply of private properties being monopolized and controlled by a small number of developers with ample land reserves be ameliorated.

Regarding the difficulties experienced by the public in purchasing properties, I think the Government should expeditiously formulate a long-term housing policy for the public or the elderly, and most importantly, allocate additional land for the construction of public housing. Moreover, the Government must decide on construction of public housing or Home Ownership Scheme flats according to the needs of households before the problem of inadequate supply of units for self-occupation can be resolved.

Actually, the Government should give District Councils more power to take charge of district-based overall planning and possibly turn the 18 Districts into larger zones. For instance, reference can be made to the demarcation of

Legislative Council constituencies, so that the construction of community facilities, such as housing units, hospitals, schools, refuse collection points and incinerators, can be planned according to district needs, rather than allowing individual government departments to beg District Councils for land, for this approach will only result in refusals to build unpopular community facilities or delayed construction due to opposition from local residents. If every construction project meets with opposition, the Government will be unable to cope with the needs of the growing population.

As regards the Government's role in promoting economic development, the policy address says that it will "remove barriers to the six industries". To this end, the policy address proposes the policy of releasing the potentials of old industrial buildings through "optimizing land use" in the hope of providing the six industries with room for development through revitalizing industrial buildings.

In principle, I greatly support the conversion of industrial buildings for diversified purposes in order to achieve the sustainable development concept of making the best use of resources. I also agree with the arrangement for exemption of regrant premium payment. However, we in the sector consider it necessary to examine certain attached conditions, such as the wholesale conversion of a building, completion of works within three years, and so on. In particular, some surveyors have expressed some views on this. They hold that such measures will very likely benefit certain developers or major owners, while it is simply impossible for small owners and SMEs to be benefited. Furthermore, the development of the six industries may even suffer a setback.

Actually, industry practitioners have expressed the concern to me that rents will rise following the completion of various conversion projects, thereby making it impossible for small tenants to continue their operation. In the end, only those with greater potential, such as the retailing, catering and banking sectors, can make use of these converted buildings. On the contrary, the viability of the six industries will be stifled. Therefore, some professionals have suggested that these converted buildings should be designated for use by the six industries, for the industries must be given more favourable conditions before they can truly achieve the policy objective of providing new momentum for economic growth and creating jobs.

Apart from redevelopment and conversion of industrial buildings, the policy address also proposes allocating land for the construction of two private universities and four private hospitals. We greatly support these proposals. Most importantly, Hong Kong architects should be given more opportunities of engagement. Most preferably, more open architectural design competitions should be held, so that more buildings with Hong Kong characteristics can be built.

President, for the sake of promoting the development of the six industries, the Government should, apart from upgrading university education, attach importance to the training of technicians as well. This is particularly important to the testing and certification services, innovation and technology as well as creative industries, because adequate assistance from technicians is required for the efficient completion of work. At present, only a couple of professional education institutes and vocational training schools offer training of technicians. I hope the authorities can examine carefully if the policy of training technicians can be enhanced to meet the needs of scientific research development. Thank you, President.

DR PAN PEY-CHYOU (in Cantonese): Regarding the lengthy passages devoted to the six industries with clear advantages in the policy address, I agree in fairly large measure with such a direction. Basically, our stance with regard to the economic issues is supportive. On the basis of the existing four conventional pillars, we believe that it is necessary to develop more industries to enable Hong Kong to sustain its development and at the same time, create diversified employment opportunities for the public, so as to benefit people in various age groups. Take young people as an example, they can embark on a career by discovering their interest. Young people who like comics, the performing arts, singing, music, design and even scientific research can all chart a career in these six industries.

As regards middle-aged people with low educational attainment, they can also find opportunities in the jobs brought by the development of these six industries. For example, such industries as environmental protection and repairs and maintenance all require a lot of manpower. However, it is regrettable that the environmental protection and waste recovery industries are not mentioned in any particular way in this policy address. In addition, the medical services

industry can also create low-skilled jobs in caring for patients and the physically weak.

Many of these six industries with clear advantages require considerable investment and support in terms of policy. Recently, I visited the Science Park together with Prof Patrick LAU. Some new companies are described as babies in incubation. This actually reflects the fact that these companies are very small in scale at the beginning and have little capital, so they require a great deal of support. The support needed by them includes staff, land, experience, technical guidance, and so on.

In the last Session, I proposed a motion on promoting research and development (R&D) here, with the outcome that many Honourable colleagues lent their support to and endorsed it to urge the Government to promote R&D. This time, I am glad to find that the Government has paid particular attention to this area by mentioning the innovation and technology industry in paragraph 40 of the policy address. The measures proposed by the Government include allocating \$200 million for the launch of the "R&D Cash Rebate Scheme". We agree with this direction in providing support.

However, we think that the Government can still do a lot actually. For example, the Government can streamline the application and vetting procedures of the Innovation and Technology Fund and it can also offer more concessions to R&D projects. The concessions we are talking about do not amount to the transfer of benefits, rather, the promotion of R&D projects and the growth of enterprises really need some support. For example, the Government can provide tax or land concessions and technical guidance. At the same time, the Government should also make greater investment in the results of R&D, take the lead in providing support to the results of R&D and assist these companies in marketing such local products as electric cars. The Government should make efforts at an early date to assist in the development of these industries.

In addition, on talents training, the Government should allocate additional resources, so that universities and other relevant organizations can train talents suitable for these industries. Otherwise, the development of these six new industries will face many hurdles. At the same time, we should put in place complementary facilities for the training of university students and professionals.

For example, we can make reference to the approach adopted in the Silicon Valley of the United States, where the university talents and development of industries are combined with scientific research institutions to enable the development of industries and employment.

Finally, the Government also has to take the lead in changing the prevailing social attitude of attaching importance to commerce and finance. I do not mean that commerce and finance are not important, but the R&D industry can also become one of the industries and businesses valued by the public and capable of attracting talents with potential to its fold, instead of degenerating into a second-rate industry to which people will turn for jobs only when they cannot find jobs in the financial industry or the business sector.

I also wish to talk about Chinese medicine. Of the six industries mentioned in the policy address, the medical services industry and the testing and certification services industry are both closely related to Chinese medicine. Paragraphs 33 and 34 mention in particular the promotion of the development in Chinese medicine. From the contacts with the sector, I learnt that this is actually something that they have long waited for.

In the past, when I was living abroad, I already noticed that people in many Western countries liked Chinese medicine and some Western medicine practitioners even took the initiative to learn Chinese medicine and applied it in their clinics. In fact, many advanced countries have now also devoted a great deal of resources to the study of Chinese medicine. A case in point is that a kind of Chinese herbal medicine is combined with Western medicine overseas to make one of the most effective treatments in the world for malaria.

Hong Kong is located at a place where the East meets the West. We have the vast hinterland of China as our backing, but we are also oriented towards the West. We can play the role of a springboard. The Government should also capitalize on Hong Kong as a platform by forging co-operation with the Mainland and introducing Chinese medicine to the international market. Of course, at the same time, we certainly must not forget the Mainland, which is also a vast market for Chinese medicine.

I also wish to talk about the revitalization of industrial buildings. I agree very much with the idea and direction of relaxing the restrictions on the use of industrial buildings and hope that this measure can really serve to complement the development of the six industries with clear advantages and release land resources. Land resources are one of the most precious resources in Hong Kong. But so far, the Government has not explained in detail how a marriage of these six industries with the use of industrial buildings can be effected, for example, how these industrial buildings can be developed into testing and certification centres and R&D centres or what support in hardware there will be. I hope the Government can make greater efforts actively in the future by announcing these complementary facilities and specific measures. So far, we can only learn about the development of industrial buildings into private tertiary institutions or columbaria. I hope the Government will come up with specific measures to assist in the conversion of these industrial buildings, so that they can become places for creativity and R&D.

In addition, the Government also has to pay attention to gate-keeping. In fact, recently, some converted industrial buildings have allegedly been packaged as venues for members of the creative industries but have in fact been developed for residential purposes. On such instances of "crying up wine but selling vinegar", I hope the Government can keep the gate properly and really use the land for appropriate purposes.

Lastly, I wish to talk about the economic integration between the PRD and Hong Kong. In fact, this is a direction most capable of realizing Hong Kong's potential in economic development. When the financial tsunami was raging, the National Development and Reform Commission published the Outline of the Plan for the Reform and Development of the Pearl River Delta and proposed in specific terms the overall direction of Hong Kong and Guangdong complementing each other with their respective advantages and creating synergy. This shows that the Central Government also hopes that economic development in Hong Kong and the PRD can be mutually beneficial and that an all-win situation can be created. However, I also wish to remind Members that when pursuing co-operation, care must be taken to prevent a loss of jobs in the local service industries. I remember that in the 1970s and the 1980s, when the manufacturing industry on the Mainland was developing rapidly, the jobs for local workers were being cut all the time. This is the major cause leading to the problem of wealth disparity in Hong Kong nowadays. For this reason, when

promoting integration with the PRD, the Government should bear in mind this old lesson to prevent a repeat of the same mistake. This is a very important point.

I so submit.

MRS SOPHIE LEUNG (in Cantonese): President, with respect to the Motion of Thanks today, what I wish to say is that this is on the contrary not a bad policy address at all. I hold opposite views from a number of Honourable colleagues in this Council. This is because, in my opinion, no one in this world is perfect and no mechanism is perfect. Moreover, I do not like people picking on trivial things and attack me and so I will never attack people on trivialities. Maybe because of this that I can look at the whole thing from a macro perspective. This makes me find many desirable things in this policy address. It is also likely that ever since the reunification, in terms of the mechanism, it has developed into one that we can talk about things much farther from now. Having said that, it has only been a decade or two since the "Hong Kong people ruling Hong Kong" mode of governance was implemented.

Recently a professor recommended a book to me and it really opens up my horizons. I can see that many advanced and democratic countries, which many Honourable colleagues adore, are beset with hidden problems of a major scale. I think that it does not matter so much that we start a little late, for we can avoid many hidden problems that are unnecessary. Then we can go even farther. In the days to come, I will engage in more dialogues in this regard with the officials and civil servants governing Hong Kong. I hope Members can all read this book entitled *Capacity to Govern*.

President, I would like to talk first about why I think that this year's policy address is quite well done. First, I can see an overall planning for the city. For almost a year in the past, we can see that an urban planning concept has gradually emerged and it is no longer patchwork. Conservation, for example, has become a relative comprehensive policy. In retrospect, the conservation concept as we see in society is subject to all sorts of interpretations, and it took shape only in the couple of years. I think the Government can listen to these opinions and look at the concept of conservation holistically. For some places where conservation is out of the question, it should think about what should be done about them. Besides, about the entire area, like Hollywood Road, Government Hill, and so on,

how should conservation work proceed there? I think conservation work will extend to the New Territories and rural areas, and we have heard some suggestions on this.

Second, I think the concept of improving the urban environment has been brought into the forefront in the policy address on this occasion. An example is that about a year ago we suggested the building of a cycling track linking up the whole New Territories. I think the idea merits support and I think all the Honourable colleagues present will agree as well. Besides, it is also a good idea to improve the entire stretch of the harbourfront promenade. And there is the question of flowers and trees. We have to understand more about it and acquire a deeper understanding and see where greening should be carried out. I think all such work is good. A couple of days ago, we learnt about how greening was carried out in all of Mexico City, particularly the greening of rooftops. We can make reference of these examples and introduce such measures to this concrete jungle of Hong Kong.

In addition, about the concept of creative culture, it has been discussed much in the past but it is on this occasion that we can really see that the Government is sincere in promoting it. Encouragement is given to small and creative groups so that the young people can engage in creative work together. I hope that such things can be found in this stretch of Hollywood Road in future. President, I have been leading a dozen or so such organizations for four or five years' time actually and I hope that they can find a foothold along Hollywood Road.

About the concept of the six industries and the four pillars in our economy, I also hold some opposing views against those held by some Honourable colleagues. Many colleagues have asked this question: Why does the Government not tell us how we are to tread this path? If the Government takes this path, then its officials will no longer be officials, for officials can only devise measures to remove obstacles and barriers and then listen more to our views and study how certain space can be released for us to work freely in the industry and promote the development of regionalization and industrialization. All along the Government has been working silently and things can just not be done overnight. However, releasing some space in this aspect is something of which I am most supportive.

President, last year before the Financial Secretary released his budget, I pulled some aspiring young people together and submitted a report, proposing

how industrial buildings could be revitalized. Of course, the Economic Synergy also provided quite a substantial amount of information to officials of various bureaux at the beginning of this year.

Many SMEs still think they are in dire straits, especially in the wake of the financial tsunami last year and the new initiatives such as new laws and regulations in the Pearl River Delta Region in the last couple of years which have dealt a great blow to them. However, we think that we should look at things from a positive angle. And that is, many places have not yet recovered from the financial tsunami, but we have seen the end of the tunnel. We should make use of the opportunity and both individuals and companies should think about how to better equip ourselves to cope with greater and keener competition. This could be a better approach to take. Of course, I have to admit sadly that some SMEs may not be able to survive the test. This is the global scene and I can do nothing about it, and I understand the hard truth about it. However, I hope SMEs can know clearly their situation, that there are certain things beyond their control and they can do nothing about them.

The third point I wish to make, which is also mentioned in this policy address, is something positive and, that is, the concept of social mobility. In fact, President, if we look up the topics we have discussed publicly in this Council, we can find that for many years I have discussed the concept of social mobility. If we put the concept formally in the policy address and hold some steadfast conviction about it, we should do something more and spend more time to understand what it is all about. This will enable the placement of an active and mobile mechanism in society, so that people from all social classes can hope to live and also improve their lot.

Of course, the problems we face are no different from those found in other societies and places. This applies especially to the great concern expressed with respect to the wealth gap. With respect to that, the only thing we can do is none other than making a bigger cake in the economy and encouraging people to develop and strive for a better life. The other approach is to ask the Government to hand out money. But that will only stifle personal development. I hope very much that all the social organizations in Hong Kong can look into this issue in depth. I hope that in terms of social service, people can be made not to expect Grandpa to hand out money or to wait for money to drop from the sky. They should be on the other hand, given a helping hand so that they can break the

shackles of poverty, give full play to their strength and strive for a better life. I think that what are lacking in society are efforts in developing an optimistic outlook on life. It is very important to foster a correct outlook on life in our society, and that applies especially to our younger generation.

And there is also our education system. We cannot say that when a lot of reforms have been made around the world, so we have to initiate more reforms. The reforms we initiate may not be in the right direction. We may really have to go in the direction of small-class teaching. But what does small-class teaching mean? Is it so simple as to divide up a big class into smaller classes? Of course not. It is to change teachers from engaging purely in instruction to inspiring the students to learn. I hope Prof Anthony CHEUNG of the Institute of Education is listening right now and he can think carefully about it.

President, apart from these three points, I am certainly very much concerned about our youths. They are the future of our society. The recently released jobless rates of young people are indeed frightening. I have tried to understand the reasons for the high unemployment rates among them. One reason could be that they have not awakened to the truth. I hope they will not be too concerned about the pay. They should get a job first and stick to it. There are many people who have never received university education and yet they can become the CEOs of listed banks. There are numerous examples we can see even to this day. Also, President, there is this man who spent more than 20 years in one company and he was promoted to the second tier among the bank's top executives. Then he left the bank for a short while because of his children. After a while, he was hired by another bank as the CEO. And he enjoys his job even to this very day.

For our young people, should they not have the same commitment instead of hopping from one job to another? That the young people are lost about their future is something the whole society should care about. Can we not change our emphasis on certification and examination results and pay more attention to personal development? We should see whether the young people are working towards holistic development and help them from that aspect. I hope there can be some shift in values in society and among the parents. They should cease urging the young people to take public examinations and recite from books. They should let the minds of their children roam free.

PRESIDENT (in Cantonese): Mrs Sophie LEUNG, the theme of this debate session is on infrastructure development and economic prosperity. If you want public officers in attendance to respond to what you have said, you must speak on this theme.

MRS SOPHIE LEUNG (in Cantonese): Sorry, President, I have said too much. But manpower support is crucial to the economic development of a society. I was calling on all employers to give a chance to the young people by considering this fact and to guide them.

President, thank you for your tolerance. Of course, in the days to come, I hope although the policy address is released once a year, it should not be seen as some golden rule and we should not split hairs on the direction it proposes. I hope also that in next 11 to 12 months or so, we can have greater room to engage in more dialogues with the Government or some related organizations, especially in respect of economic development or manpower support. I hope more dialogues can be opened so that a better outcome can be achieved.

Thank you, President,

DR PRISCILLA LEUNG (in Cantonese): President, although this year's policy address has not brought us any pleasant surprises, I would think that the policy address is, unlike what some people have said, not the worst ever.

I pointed out in our press conference that if I were to evaluate the policy address this year, I would think that it had got 10 pluses and four minuses. The pluses are that I can see the Government has really made some efforts and it has also listened to voices from certain civilian groups, including those from I myself and the group that I am in charge of, that is, the Kowloon West New Dynamic. Such views include implementing a green procurement policy, setting up a private university in Ho Man Tin, so that more places of further studies can be offered to associate degree graduates, setting up an association to promote trade between Hong Kong and Taiwan, developing a private hospital for Chinese medicine, advocating arts education, fostering consumers for the cultural

industry, and giving support to mental patients at the community level. I do not think that the Government has done nothing about all these.

However, with respect to some issues related to the grassroots and the middle class, then it is true that they are not mentioned. These include those issues which many Honourable colleagues have talked about, such as travel subsidy and textbook subsidy. For the middle class, there are practically no direct concessions and there is no loan on unemployment and restructuring.

Even so, I think that there are two premises which the Government wants to highlight in this year's policy address. First, conservation. Second, developing the industrial buildings. On these two premises, I must use some catchy phrases to show what I feel personally. I think all the planning work undertaken by the Government shows a lack of co-ordination between the brain and the limbs, there is glaring unfairness in fostering conservation, and the creation of jobs is not successful. I hope very much that the Government, after listening to the following views, would adopt a positive frame of mind and calmly try to understand why Members would have such strong reactions after reading the policy address.

First, the lack of co-ordination between the brain and the limbs. I do not think that I am just making a casual remark. I recall in a meeting of the Panel on Environment on 6 October, I told Secretary for the Environment Edward YAU that from my experience, the development of a number of districts ran counter to the general direction of environmental protection. At that time, the Secretary said that he would convey this view to the Development Bureau and the Town Planning Board. I mentioned the development in Site 6 in Sham Shui Po and pointed out that many residents of the district opposed the building of four blocks of 41-storey buildings at the only ventilation opening in the district, and that this move fell short of the trend promoted by the Government. Subsequently, I made enquiries with the Development Bureau and found out that this site also involved two other Policy Bureaux. Then we discussed the matter with another bureau.

On 21 October, I asked Secretary Carrie LAM a question in the Panel on Development. At that time, Members did not think that the question should be discussed in the Panel on Development but in the Subcommittee on Harbourfront Planning instead.

On 27 October, I asked Secretary Carrie LAM again about the revitalization of industrial buildings. At that time, I said that if revitalizing the industrial buildings only involved the exterior and hardware, then actually it would be a good thing. But repairs and maintenance would require a large amount of resources. Would it be possible that on the premise of promoting the six industries, the major direction proposed by the Government, some help can be offered to young people who want to start a business? If what these young people want to do is consistent with the direction of the six industries, then some concessions should be given to them in starting up a business, subsidizing the rents and self-employment in another occupation. The answer I got at that time was that, on the question of the redevelopment of industrial buildings, the Development Bureau could not take the lead and discussions had to be made with the Directors of Bureaux in charge of promoting the six industries.

At that point, I gained an insight of the problem of each bureau just minding its own business. I failed to get an answer even though I called each bureau patiently and made enquiries. I must therefore repeat that question in today's Motion of Thanks debate on the policy address in the hope that it can be heard by all bureaux. I really have no idea that when the question is referred to the six bureaux for discussion, which bureau is going to be in charge of things.

In terms of planning, we must have long-term planning and the kind of long-term planning we need is not for each bureau to take charge of certain aspects and then make proposals about them. But actually there is no way for these bureaux to take part in the matter. Or there is no consensus before decisions are made. In the example of revitalizing the industrial buildings, apart from hardware which is important there should be boldness in putting forth this proposal. In Sham Shui Po, many residents would like to see these industrial buildings revitalized, so when they heard about the direction of revitalizing the industrial buildings, they were all very happy. If these buildings can be turned into a garments city, a computer city, and so on, and if the industrial buildings can really be revitalized, it would be a great achievement for the district and Hong Kong as a whole.

But even if there are industrial buildings but nothing is done to enable the people to make full use of them, they will lead to a problem. I have been to an industrial building in Tai Kok Tsui. Before this policy was announced, the owner of that building had found that he could not maintain this building with

many floors and some tens of thousand square feet in floor area. So he had let a group use the building and allowed it to post advertisements on the external wall. But this group does not have the resources and abilities to develop such a huge space. Therefore, even if there are space and hardware, the most important thing is to allow people to transform their operation, so that they can go into these revitalized industrial buildings and breathe life into it. Besides, I think a very important point is that this policy address should be evaluated on the basis of whether or not it can help more people create employment. Regardless of the middle age unemployed or those university graduates who have not yet found a job, if this scheme can serve to increase their job opportunities, this scheme of revitalizing industrial buildings can then be said to have really achieved its target.

The second point I wish to make is that there is glaring unfairness in fostering conservation. I mentioned that problem in one or two Panels before. This is because the problem of conservation is closely linked with urban planning, environmental protection and the Development Bureau. I have looked up the policy address for the year 2007-2008 and paragraph 44 in it talks about reducing the density of development in order to minimize the walled effect. Although the policy is there, the bureaux or departments responsible for enforcement are just minding their own business. This accounts for the situation in Sham Shui Po. The Housing Department might have considered that although 10 years ago it gave its approval for buildings to be constructed there, no construction has been undertaken all along. Now the major trend is that for three years in a row the Government has been promoting environmental protection, the harbourfront, a green economy and now, conservation in the city. It was only in June this year that planning was submitted to build high-rise buildings there. Since there are many high-rise buildings in Sham Shui Po already, residents of the district think that the Government is being unfair when it comes to conservation. They hope very much that I will ask a question. That it is being unfair there is actually because of a pair of spectacles

Now we know very well that the Government is really determined to carry out conservation in Central because it is a gem. Personally, I agree with that because a few years ago when I went past Central, I had a feeling that the air in Central was really bad. But if the Central Market can be removed from the Application List, why is such an important place as the harbourfront of West Kowloon not given any consideration? Although a few years ago approval was given to build high-rise buildings there, when the Government thinks about urban

planning policies and development, there have been occasions on which it has changed its mind.

Another district which I represent is Hung Hom and there are two lots along the waterfront. Residents of the district hope very much that the plot ratio can be lowered. In July this year, the plot ratio was lowered to 1:4. According to my observations, opposition from the residents is already very mild. After the release of the policy address, people really have a feeling of this great disparity between the answers to the aspirations of residents of West Kowloon and those of Central. They hope that I can raise a question. Why can the Central Market be removed from the Application List, whereas the two lots along the waterfront of Hung Hom cannot? With respect to this policy issue, the Government must give us a clear explanation.

In fact, the situation is that of both insufficient supply as well as uneven distribution. We must use the same yardstick to measure issues of development and conservation as found in the policy address. For if not, it would only result in a situation where some people are happy while other people are filled with discontent. We must make the people feel that the Government is being fair and that all the people of Hong Kong are equally important in the development project. They want conservation and they want their view of the Victoria Harbour not to be blocked.

Why does the Government treat West Kowloon this way? About the districts mentioned above and likewise in Mei Foo, residents near these sites along the waterfront are facing great problems, some even happen right before their very homes. I have heard a lot of examples of this sort. Some resident told me that he bought a flat when he was newly married. He told me, "Dr LEUNG, next year when I open my windows, I might be able to see other people brushing their teeth." I recall very clearly that this young couple was wearing a long face when they said this to me. Because they had used up all their savings to buy this flat when they just got married.

Residents of Mei Foo have to face the same problem of high-rise buildings being built when the oil depot near their homes gets a change in land use. They face the same situation and, that is, with respect to planning, when some land is leased to the developers, has consideration been given to the aspirations of the people of West Kowloon for a harbourfront promenade? I hope very much that

the Government will think this over and help me so that I can explain to people in my constituency why there is such a great policy disparity.

With respect to waterfront development, transport is a very important element. People who live in old urban areas hope very much that after the development of the West Kowloon Cultural District (WKCD), they can feel that the WKCD is part of them. I recall the Secretary once replied to my question, saying that a sum of \$21.6 billion had been earmarked for the WKCD project. So the place is a key point. But I wish to tell the Secretary that the WKCD is only a point in West Kowloon. What the people want to see is a harbourfront promenade along the Victoria Harbour. Now when no high-rise buildings are found there, people want to be able to come into close contact with the harbourfront for as long as possible.

We have raised the point with the Secretary and also the Government that a cycling track will be built in New Territories West. We agree that this cycling track should be built given the excellent natural environment in New Territories West. I think this will benefit our future generations, too. In West Kowloon, the traffic is congested and we only hope that there can be a tree-lined boulevard so that people living in the old urban areas can reach the harbourfront and enjoy it without having to take the trouble of riding on many modes of public transport or making many trips on bus. They want to have at least one tree-lined boulevard so that people in the district, be they old or young, couples or culture lovers, can all have a chance to walk to the WKCD. I hope this can be done. If a cycling track is to be built in New Territories West, I hope the Government should consider how the old urban areas in West Kowloon, the WKCD and the new districts can be joined up, instead of separating them into bits and pieces. Although \$21.6 billion is spent on the WKCD, when most of the poor people or people who live in the old urban areas think that this is no business of theirs, they will only have discontent. I do not think that this is healthy. It is my heartfelt wish that in the next policy address, more details on this would be presented and it will be unlike the policy addresses of this year and last year that only one sentence is devoted to the harbourfront in West Kowloon. On the one hand, we envy the harbourfront promenade along the Victoria Harbour and on Hong Kong Island which can become a reality, but on the other, we fail to see the same attention being paid to the harbourfront nearby.

Third, I wish to talk about planning today. Owing to the steep surge in the prices of luxury flats recently, many political parties, including the Democratic Party, the DAB and the FTU, all state clearly that they want more production of Home Ownership Scheme (HOS) flats. From the newspapers I know that the Chairman of the Civic Party has raised the question of whether or not the flow of capital from the Mainland to Hong Kong to buy property should be stopped or reduced, as well as the so-called action of shell-less snails. All these stem from an important question and that is, with the steep rise in property prices, many aspiring buyers are barred from buying a flat. I think before a decision is made on the production of HOS flats, we must know first what the problem to be solved really is.

I think the problem now facing Hong Kong is that there are people without a flat to live and they are truly shell-less snails. I recall when I was in Taipei in 1998, it was a coincidence that I witnessed a great march at that time. Many Taiwanese people slept on the streets at night in protest. Twenty years afterwards, there is a similar "snails without homes" action in Hong Kong. There are people without a flat to live, but there are also flats without anyone living there. There are walled buildings in Hong Kong and many residential buildings, but if we look closely, many of them are vacant. Why? One reason is that property prices are too high and the people cannot afford it. Another reason and I think this is one about which Members should ask this question: Why does such a problem appear? When we propose that HOS flats be built, should we not first ask the Government to offer a clear explanation to us, that over the past 10 years, what kind of problem is found in the demographic structure of Hong Kong. Did the richest and the poorest people from the Mainland come to Hong Kong? The rich buy the luxury flats and the poor wait for their turn to get a public rental housing flat. So the problem of cubicles continues and no solution can be found. I hope that the Government can provide us with a chart on the demographic structure to enlighten us.

Second, I hope very much that as we talk about solving the housing problem, there can be some in-depth analyses. On the issue of producing HOS flats, just what kind of problems can it solve? Would this cause some far-reaching effects on the market? I am sure some time is needed to consider the problem and before we lend our support to resuming the production of HOS flats, I think a report on the situation must be offered. I hope the Government

can set aside some resources so that we can see clearly that if the production of HOS flats is resumed under the present circumstances, just the prices of what kinds of flats will be adversely affected. I can only speculate on the question using my limited knowledge of that. In this regard, I hope the Government can provide us with a detailed report at the soonest and face up to the problem squarely.

With respect to that, my view is first, if the production of HOS flats is to resume, those people who want to buy a home can of course have their dream fulfilled sooner. This is something we can see instantly. But what should be noted is that when HOS flats are sold and built, the kind of flats whose prices will be affected directly by the prices of HOS flats are not the luxury flats but the low-to-medium-priced flats, that is, those range from \$1.5 million to some \$2 million. This is because they belong to the same market segment. Its prospective buyers are people from the lower middle class who cannot afford flats of a higher price. I have a number of friends who belong to this kind of middle-class people. After reading the views expressed by the major political parties, they hope that I can relay their worries. I dare not say that I understand everything and can make an incisive analysis of the situation. I can only hope that this view can be conveyed to the Government. Their worry is: they have just bought some low-priced flats as their first homes and these private residential flats still cost some \$1 million, but once the production of HOS flats resumes, the prices of the flats they have bought will fall and likely to become properties of negative equity.

Second, if the Government takes some drastic action to alter the housing policy, then it may result in a situation where those who want to buy a HOS flat may not have the means to continue When the impact is caused on the entire property market, I think a heavy burden may be exerted on those who have to service mortgage loans.

My biggest worry is that, frankly, what happened before may first happen to these people now and their properties may become negative equity assets. So my demand is very simple. Before people decide to buy a flat or support the production of public rental housing flats or HOS flats, we want the Government to tell us clearly the pros and cons of the issue.

Besides, the phenomenon that can clearly be seen is that mainland capital favours investment in Hong Kong properties. I do not know if the target is only

luxury flats. Maybe some investment is also made in medium-priced flats and it is true that the prices of this kind of flats are also rising. However, when it comes to the question of introducing some policies at once or deciding whether or not to encourage mainland capital to come here and buy property, I would also demand that the long-term impact be considered. About this, I really think that experts and people from all sectors should point out the connection between these. When a policy on that is to be formulated, what are the problems we want to solve and what kinds of adverse impact we may face? We must never do anything to repeat what happened back in those days. It is true that the housing production target of 85 000 units a year was dumped. This target of 85 000 units together with the Asian financial turmoil at that time has made the number so notorious that people, especially those from the middle class, dread at the mention of it. Just what is the decision to be made by the Government? Many voices are heard now and it seems that a chorus favouring the move has formed. I agree that the Government must do something right now. I also think that the Government should carry out land auction on a regular basis.

First, with respect to land supply and prices of land sold, I do not think the latter should be too high. I can see another more serious problem and that is, after the completion of many redevelopment projects, what the developers have produced are almost all luxury flats with a price tag of \$15,000, \$12,000 and so on per square foot. I do not wish to name those developments today, but I must ask: Why are they all luxury flats? Why can the developers not produce some medium-priced flats? From what we can see now, some serious problems have indeed appeared.

We suggest that the Government should think seriously the idea of rent subsidy. A subsidy in rent can help those who do not have the financial means yet to buy a flat. For some people, even if you ask them to buy a HOS flat, they have to bear some risk for they have to make out a mortgage loan. If the Government can provide a subsidy in rent, then the sandwich class can rent a flat within their financial means and live in there. I hope the Government can give serious thoughts to this. Also, with respect to risks, the move may cause a negative impact on the market at once. Some people from the middle class may fear that the property market would be hit. I do not know what the developers think, that is something for them to consider anyway. What I am concerned about are those people from the middle class who are unable to buy a home.

Housing is an urgent need for them. Now things are getting very expensive and if a rent subsidy can be offered by the Government, it will enable them to save up more money to buy a flat later. Now it is difficult even for university graduates to find the means to buy a flat. The rent subsidy may be better to them in the long run.

Third, home-purchase loans. This is an idea raised by me before. In the long run, the Home Starter Loan can help the middle class greatly, for this enables them to buy suitable flats in the private residential property market. But at this stage, I dare not advocate home-purchase loans for private residential buildings. This is because property prices are too high and if loans are made out to these people, I am not sure if they may get into trouble. This is because people, since not knowing when, have formed a consensus that there ought to be some adjustment in the property prices. The question is how this adjustment should be made.

Lastly, I would think that those people who really need in getting better housing now are those some 100 000 people who live in cubicles. I hope the Government can honour its promise. I recall during the last budget debate, I asked Secretary Eva CHENG and she said that the average waiting time for applicants of public rental housing to be allocated a flat was 19 months. But it turns out that the waiting time does not apply to single person applicants or new arrivals from the Mainland. Although I think producing public rental housing blocks will not affect the private property market, I would like to point out that public rental housing construction is not the responsibility of certain particular districts such as Sham Shui Po. It is a responsibility of all the 18 districts in Hong Kong and suitable sites should be identified. One must never say that since public housing is found in a certain district, then public housing blocks should be built even along the waterfront of that district. If that is the case, then it is most unfair to the residents of Sham Shui Po.

In the long run, new arrivals from the Mainland will certainly come here and there can be no end to that. They will go on living in cubicles. In retrospect, when we developed Sha Tin and Tsuen Wan some decades ago, they were at that time remote places, but now they have become satellite towns where there are job types and schools to meet the needs of these new arrivals who come into Hong Kong continuously every year. With respect to the problem of

demographic structure, the Government must face up to it and carry out some holistic planning.

With respect to that issue, we may just have the ability to raise questions or share our limited knowledge of it. On the housing problem, we would really want a better reply and approach from the Government for solving the problem. Property prices should be made to become healthy by bold actions of the Government and they should never be manipulated by certain groups or speculators, hence leading to soaring prices of flats and intense worries among the people.

Sound advice is not always pleasing to the ear and good medicine does not always taste sweet. I hope officials can listen to our views humbly and with a calm mind. I hope especially that they can sense the unhappy feelings of residents of West Kowloon when they read the policy address. I hope all the more that the Government will do something to eliminate the situation of various departments just minding their own business. Hence it would be possible to realize the ideas proposed in the policy address effectively.

Thank you, President.

MR WONG TING-KWONG (in Cantonese): President, let me first talk about my assessment of the policy address.

This time last year, the financial tsunami wreaked havoc and a blow was suddenly dealt to various trades and industries; the community expected the Government to introduce bailout and mitigation measures and "stabilizing the financial system, supporting enterprises and preserving employment" was the major theme at the time. A year has passed and we are now in the post-tsunami period. Though we can see the light at the end of the tunnel after all, with the transformation of the global economy and increasingly intense competition among regions, our economy eagerly needs a new growth point. In the face of a new situation and prospect, Hong Kong people have been earnestly waiting to see if the policy address this year will present a new planning blueprint for the development of Hong Kong, and whether the Government will play a proactive

role in the economic transformation and find a new way out for economic development.

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

The policy address this year has been released at last and our overall impression is that it espouses a correct direction but lacks specific policies and coupling measures for implementation. I am going to discuss the measures for developing the six industries in which Hong Kong has clear advantages and reinforcing the four pillar industries.

Deputy President, about developing the six industries in which Hong Kong has clear advantages and reinforcing the four pillar industries at present, I think the Administration should consider these issues carefully and analyse our advantages and challenges in respect of the development of these industries. It should pinpoint the difficulties and obstacles, and remove barriers. It should also enhance the existing conditions by all means and create conditions where they are lacking, as well as introducing supportive and suitably inclined policies to provide better soil to enterprises to enable the industries to bear fruits.

The development of the wine trade in Hong Kong in recent years is a very successful example. The SAR Government has correctly focused on the Asian region, especially because the Mainland has an increasing demand for wine, and it has also grasped the opportunity to introduce the inclined duty waiver policy, thus enabling the wine trade in Hong Kong to see a substantial increase in volume and become a new bright spot of economic growth.

Deputy President, for this reason, I hope various Policy Bureaux can fully consult the industry players on the development of various industries, make objective analysis of the edge and challenges of each of the industries and set targets. It should then find out more about the needs of the industry players in every stage of development and aspect, and practically help them remove obstacles as well as jointly promoting the development of the industries, thus genuinely breaking new ground together.

Taking the promotion of research and development (R&D) activities as an example. An enterprise once vented its grievances to me, saying that despite the R&D on advanced technologies, due to the shortage of capital and the past sales records and the fact that the Government failing to give local R&D results equal treatment in the course of procurement, the local R&D enterprises encountered numerous difficulties in market development, and it was a daunting task for them. They either had to close down or sell their brainchild R&D projects to overseas companies. Moreover, a professor has told me that, in spite of good ideas and results of R&D, contacts can hardly be established with local enterprises to commercialize the fruits of R&D. It is understandable that Prof Paul CHU, former President of The Hong Kong University of Science and Technology, could not help sighing with emotion before leaving the University at most local R&D results being eventually bought by foreign companies. If the relevant R&D results could be commercialized in Hong Kong, I think our economy will benefit substantially.

In Hong Kong, it seems that there is a lack of articulation among R&D bodies, enterprises and the market. Can the SAR Government play a bridging role, for example, by establishing an office for R&D result negotiations and an intellectual property trade centre, organizing high technology and applied technology trade fairs, and providing support and loans, and so on, needed for marketing purposes to facilitate the promotion of R&D activities in Hong Kong such that the fruits of R&D will really provide new impetus for our economy?

Deputy President, let me discuss supporting the development of industries and market decisions now. Some may say that the Government should not make inclined policies for any industries. But, looking around the world, quite a number of countries or regions, even the United States and Europe hoisting the free market flags have proposed policies on industries and formulated a series of support measures. This is particularly important to industries that require more substantial investments and longer payoff periods, as well as emerging industries. If we merely rely on the enterprises' fighting on their own, these industries with potentials will hardly attain development and it will be more difficult for them to quickly establish a clustering effect, thereby enjoying the economy of scale and achieving the target of optimizing results. Therefore, in connection with

removing barriers and providing support, I think the Administration has a certain role to play in order to speed up the development of industries.

Deputy President, I would also like to talk about the so-called collusion between business and the Government and the Government's support policies. In recent years, although the Hong Kong Government has not resisted playing the role of an economic facilitator in an across-the-board manner, I think its pace has been a bit dilatory. I guess that the SAR Government would rather hide behind the protective screen of positive non-intervention for the following reasons: first, it is afraid that it has limited abilities and it fears that it will waste resources if it takes actions, so it had better leave the decisions to the market; and second, it is afraid of being accused of collusion between business and the Government.

About the latter point, the community should bear the blame and I do not want to see some people casually making accusations of collusion between business and the Government. They should only make such an accusation when they have reasonable evidence. If the Government needs to make inclined policies or provide support for the development of industries, it will easily be criticized for transferring benefits. Therefore, this culture of the community should be changed, which the Government should make a commitment, try its best to be fair and impartial, and enhance transparency. Then, in promoting economic development, the Government will not be overcautious and achieve nothing in the end. Concerning the former point, all economic systems have to make speedy and suitable responses and adjustments in intense competition; now that the objective circumstances disallow Hong Kong to continue to slow down, we should draw on the collective wisdom of the community and make use of such favourable factors as our advantage of having the Motherland as our hinterland, and make active responses. In this way, Hong Kong will assume an invincible position and gain a footing in the global village.

I would like to talk about the measures for the support of small and medium enterprises (SMEs). In spite of the fact that the policy address this year has just sketchily explored the issue of SMEs, the worst period at the outset of the financial tsunami is gone; and the road to recovery will not be smooth and it will be rugged and rough. It is still not known when there will be full recovery. Some have said that V-shape development is expected in the future while some others have said that there is going to be W-shape development, and there are

divergent views. The industry players have conveyed to me that, during the most critical period in the wake of the financial tsunami, the Government resolutely provided a few rounds of assistance to SMEs under the Credit Guarantee Scheme, which became lifebuoys for SMEs that prevented a large number of SMEs from closing down and preserved the rice bowls of many people, which is praiseworthy. However, when the economic prospects are uncertain and SMEs need to regather their energy, should the SAR Government not consider extending the application deadline of the Special Credit Guarantee Scheme that will expire by the end of this year to enable SMEs to tide over the financial tsunami smoothly and steadily? And, since 98% of the enterprises in Hong Kong are SMEs, should the Government not formulate policies to support SMEs in order to resolve their financing difficulties and their long-time difficulties in obtaining information and market development over a long period of time?

Deputy President, next, I am going to talk about the establishment of a long-term sales and exhibition centre on the Mainland. The economic development of the Mainland is obvious to all, and the prosperous market has developed in leaps and bounds in recent years, with the purchasing power of Mainland people constantly increasing. The industry players believe that this will offer enormous business opportunities to Hong Kong. To effectively assist Hong Kong enterprises in developing the Mainland domestic market, the SAR Government should fight for the Mainland's streamlining the formalities related to the transformation of the businesses of processing industries from export sales to domestic sales and relieving their tax burdens, as well as providing better support in connection with brand building, distribution channels, market information as well as commercial and trade laws and regulations.

Insofar as marketing is concerned, can short-term sales and exhibition activities be organized, for example, organizing a major promotional activity "Hong Kong products and services in China" and setting up fair booths in the trade fairs in Beijing, Shanghai, Chengdu, Xi'an, Wuhan and Guangzhou? Besides, can the SAR Government proactively consider helping the industry players establish longer-term sales and distribution centres on Hong Kong products? The major places that be considered are the cities playing powerful radiating roles such as Guangzhou and Wuhan, such that Hong Kong enterprises can take turns to establish the relevant centres there for a year or two. On the one hand, there can be centralized negotiations with the Mainland enterprises on

trading in Hong Kong products, and on the other, Hong Kong brands can be promoted and Mainland distributors can get to understand and procure Hong Kong products. Moreover, Hong Kong enterprises can establish distribution channels and enlarge their networks so that these brands can gradually be built up and become more acceptable to Mainland people.

The world is now connected via the Internet which should be brought into full play in trade development. Can the Hong Kong Trade Development Council establish an online trading platform for the domestic sales of Hong Kong products, setting out the information and products of Hong Kong suppliers so that Mainland buyers can browse the products of Hong Kong industry players at any time to facilitate instant procurement?

Deputy President, I am going to talk about the policy supporting the revitalization of industrial buildings. The policy address this year has proposed the policy on revitalizing industrial buildings which has induced active responses from the industry players. The revitalization of industrial buildings will create conditions for the release of more land resources in Hong Kong, thus increasing the supply of land for the industrial and commercial sectors and making the best possible use of land. Actually, the DAB and the industry players have fought for the revitalization of industrial buildings for years. Though the policy has now been introduced, it seems that "the big door is open while the small door is not opened wide enough". If the measure yields better results, will the SAR Government consider improving the details of the measure and make flexible changes to the construction conditions while conforming to the conversion requirements, as well as providing a "one-stop" approval service? For instance, it should consider concentrating the relevant application formalities of the three main departments, that is, the Planning Department, the Lands Department and the Architectural Services Department, and streamlining procedures to remove the cumbersome procedures involving more than 10 departments at present, and lower the threshold that the conversion of industrial buildings must have the consent of all owners so as to genuinely achieve the objective of revitalizing industrial buildings. Furthermore, I hope that some of the revitalized industrial buildings can be used for exhibition and distribution purposes in the future in order to solve the prevailing problem of inadequate exhibition venues in Hong Kong, such that our position as an international procurement and trade centre would be firmer entrenched.

I also noted the fact that some property developers have recently taken the opportunity of the development of industrial buildings to illegally establish such facilities as independent private bathhouses and private clubs in industrial buildings or engage in the open sales of these units as residential flats. The Administration must pay attention to the matter to avoid masquerades by those taking advantage of the measure for revitalizing industrial buildings to deceive the public.

I am now going to discuss the co-operation between Hong Kong and the Mainland. The Central Authorities have announced this year that Shanghai will be developed into an international financial centre and international shipping centre, and Shanghai has recently sought the Central Authorities' approval for it to become an international commerce and trade centre, thus Hong Kong's sense of crisis should become more acute. We can only face up to these problems proactively, and identify our role and position in the competition in the light of our existing foundation and edge in order to promote the development of Hong Kong and our country. In this way, Hong Kong will then be able to maintain its position in the powerful current of development.

Concerning the co-operation between Hong Kong and the Mainland, it had developed from co-operation in the manufacturing industries of the past to the services industries now, and the scope of co-operation has grown from economic development to all-round co-operation in the social and cultural aspects. Hong Kong has a systemic edge and advanced services industries. Along with China's modernized construction, the scope of co-operation has increasingly enlarged and various trades and industries are co-operating in various areas including industries, capital, management, information and human resources. There is sizeable room for co-operation between Hong Kong and the Mainland in such aspects as software, hardware, the manufacturing industries and the services industries, and at the government and non-governmental levels. There are also plenty of potential business opportunities. The two places have recently implemented programmes of co-operation in respect of the metro system, hospitals and airport management, thus confirming the said trend of co-operation. Nevertheless, the question remains how Hong Kong can grasp the opportunities to constantly upgrade itself and attain a higher level, identifying the areas in which Hong Kong will be helpful to the Mainland, that is, the co-operation window, as all forms of co-operation should be based on mutual gains and benefits.

In spite of the fact that the Hong Kong and Mainland systems are different, there is a foundation and quite a few obstacles for co-operation between the two places, and efforts should continue to be made in the future in connection with how we can continue to promote the smooth flows of people, goods and services, information and capital. The SAR Government should continue to strive for the Central Authorities' extension of the operating hours of more border control points, and the implementation of co-location of immigration and customs clearance at more border control ports and our airport, including the future West Kowloon Terminus of the Guangzhou-Shenzhen-Hong Kong Express Rail Link. In addition, it should strive for the provision of a unified electronic platform for customs clearance in the two places and further streamline the customs clearance formalities, in order to clear up the bottlenecks of people, cargo and capital flows, thereby reducing the costs of cross-boundary economic activities.

As a matter of fact, there have been 30 years of co-operation between Hong Kong and the Mainland and the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) and six Supplements to CEPA have been signed, but, as the Chief Secretary for Administration has said, the industry players' response is that "the big door is open while the small door is not opened wide enough". In order to step up co-operation with the Mainland, Hong Kong can make use of the imperial sword of "early pilot implementation" given by the Central Authorities to Guangdong Province under the "Framework for Development and Reform Planning for Pearl River Delta Region (2008-2020)" so that measures that have not yet been implemented in or available to other parts of the country could be implemented in Guangdong Province on a pilot basis before being implemented gradually in other parts of the country. Hence, the pace of co-operation between Hong Kong and the Mainland will become faster and bring about mutual gains and benefits, thereby enhancing the global competitiveness of Hong Kong and the country.

Deputy President, I am going to draw a conclusion here. In the light of rapid changes in the global economic situation, Hong Kong cannot be complacent and conservative. So, it is essential for new ideas and measures to be adopted, prompt actions to be taken and active responses to be made. We are starting with the six industries in which Hong Kong has clear advantages, but whether we will be successful and whether the sustainable development of the four pillar industries can be attained is mainly dependent on the determination and resolution of the SAR Government. If the Government could remove the

psychological obstacle of positive non-intervention and the community could make concerted efforts to co-operate with the Mainland, I trust new horizons will unfold.

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

DR MARGARET NG (in Cantonese): Deputy President, in the policy address, the Chief Executive mentioned the six industries frequently. However, according to the first question posed by the public, their greatest concern is the fluctuation of property prices. It is evident that the Chief Executive has failed to keep tabs on the pulse of the public and understand their concerns. Deputy President, land resource and housing needs are always the core of the governance and economy of Hong Kong. We can hardly jump out of this box.

Before 1997, income from land sales had provided a convenient means for the Hong Kong Government to address the problem. On the one hand, the income from land sales obviated the need for the Government to alter the simple tax regime with a low tax rate while being able to cope with the demand for enhancing its services. The Government did not need to seek any approval for so doing. To address the problems and plights faced by the public as a result of the high land-price policy, public housing and Home Ownership Scheme (HOS) flats were provided. However, with the passage of time, those policies might be fraught with problems. No matter how, these were the major policies adopted before 1997. We all understand full well the painful experience of the high land-price policy. So when the former Chief Executive, TUNG Chee-hwa, assumed office, he had the grandiose plan to abolish the high land-price policy to deal with the problem once and for all. But still, he had to consider the issue from the financial perspective. All along, he had failed to solve this problem. He was beaten by property developers, the collapsing property market and the 85 000-unit housing policy. In the end, he had to suffer a total defeat. As for HOS flats and public housing flats, HOS flats in particular, they were smeared as means to compete for interests with the public, while public housing flats had to be eliminated in phases. All problems should be addressed by the market mechanism. Naturally, this was the time for property developers to prosper.

What is the situation today? By now, the market is somehow different. Members may hear that large numbers of luxury flats are built in response to the market situation and the prevalent need. Luxury flats are offered at 800 sq ft and 600 sq ft, and soon there will be luxury flats at 400 sq ft. Why? For buyers of these luxury flats are not only Hong Kong people, but also many from the Mainland, dubbed "Big spenders", who also have the need to purchase these luxury flats. As in the property markets in London and New York, the markets are supported not by local residents but other buyers who have the means. In his column today, Mr LIAN Yi-zheng said that this was the colonization of the property market of Hong Kong. The situation is comparable to that before 1997. At that time, the people of Hong Kong wanted to set up another home in Canada and they thus made home purchases there. As a result, residents in Vancouver blamed the people of Hong Kong for pushing up the property prices there.

I learnt from the newspaper that in view of the concern of the public, the Financial Secretary had indicated recently the need to discuss the issue with estate developers. I do not know what the Financial Secretary said to them, but according to the newspaper, it was quite threatening. Has the threat been successful? Will the adjustment of the mortgage limit or mortgage loan amount alone solve the problem? I hope that when the opportunity arises, the Financial Secretary will explain to us the measures he will adopt to tackle the problem. However, the construction of HOS flats is after all the ultimate stroke to ensure that residents of Hong Kong can purchase their own flats. It means returning to the old path. Otherwise, despite a constant increase in supply, residents cannot afford buying their own flats, for luxury flats are what the market demands. The policy on HOS may have to be improved, but I think consideration must be given to this option. If Prof Anthony CHEUNG also thinks that the Government should consider this, I am afraid the Government cannot outright reject it.

Deputy President, housing and home ownership are issues of great concern to the people of Hong Kong. If the problem cannot be properly addressed, it will lead to serious political problems. That is why the colonial government always considered it necessary to achieve social stability by means of the housing policy. However, today, we are facing a very inclined policy machine and regime. If anyone tries to propose in this Council certain policies unfavourable to property development, we may just see whether Members returned by functional constituencies will allow the passage of those policies. How can the

Government address the problem under this circumstance? How melancholy indeed.

Deputy President, when it comes to the topic of property, we must discuss the purchase and sale of property. Under such circumstances, the public should be given assurance that the property they brought can be resold, and that in the course of transaction, they do not have to run high risks. However, the mode of property transaction and the relevant system is going to undergo a significant change, which is related to the Land Title Ordinance. I am glad to see that the Secretary for Development is in the Chamber, for she said in the report that the amendments to this Ordinance would be improved after considering the views of stakeholders and submitted to this Council in 2010. In fact, Deputy President, you too know very well that in the course of amending the Ordinance, there had been much obstruction. I have mentioned a number of times that from the birth of my cat till its death, which was several years ago, the Ordinance has not yet been implemented.

Under the existing system for the purchase and sale of property, clients have to rely on their lawyers to examine the land lease, which is a time-consuming and inefficient practice, as many members in the trade have already pointed out, and a waste of resources. Moreover, certain verdicts delivered by the Court from time to time have rendered certain practices, which have all along been acceptable, problematic. As a result, we have to amend the legislation hastily to plug the loophole. At the time we badly need stability, at the time we want to purchase or sell a flat, we are vulnerable to the challenge of "incomplete title". Hence, the inadequacy of the existing system is really significant. Many people say that the charges of lawyers are expensive. But they do not understand that, more often than not, lawyers have to bear great risks in the course of examining the land lease. The Government should improve the system, for a simple system is indeed what we need. What is the original concept of the land title registration system? Was the public consulted? The fact is that all stakeholders were consulted, but an extensive consultation on the views of the public was not conducted. Why? The Government said that the issue was too complicated and technical in nature, and that the public would not know what to say had they been consulted. I agree with this point, but the authorities have to consider whether the public understand this Ordinance or the new practice. I think the whole case can be presented in a simple manner. What the public want the most is a sound and assured system that can easily

achieve the purpose. If the public want to know whether the land title registration of certain owners is recognized, they only need to look up the register at the Land Registry. If there is any problem with the title registered you believe and you suffer loss due to this, the Government will underwrite the loss incurred. If such a system is put in place, I believe it will be most welcome by the public. However, will the Government inform the public with certainty that the system concerned is just like that?

Actually, a lot of side issues and problems did arise in the course. Those side issues were even more complicated than the Ordinance, and as a result, a lot of amendments had to be introduced. We have reservation largely because the Government refused to take up the underwriting role. At first, it requested lawyers to bear the risk of "underwriting", but it turned out that no one would bear the risk of "underwriting". What will happen in the end? That means the land title registered is not final and many aspects are subject to alteration. What will the future system be? It is really hard to tell.

I know that the Government has made the greatest effort, but it does not mean that the system is good. But given the millions of property in Hong Kong, it is quite an important step to deal with the registration and ownership of land titles related to the purchase and sale of property. Hence, I can only say that during our recent examination of those amendments, the determination of land boundaries was discussed, and as we studied it in depth, we found that the system is in no way simple. The only thing we can do is to ask the Secretary to state explicitly whether the Government will commit to do its level best to explain the system to the public to win their acceptance, so that the public truly believe that the system is practicable. If anything goes wrong, the Government will undertake the responsibility and surely has the resolve to solve the problem. Only with this commitment will the transition to a sound new system become hopeful.

At a meeting of the Joint Subcommittee on Amendments to Land Titles Ordinance under the two relevant panels of the Legislative Council held on 16 June, the Secretary gave us a clear undertaking that the Government had great determination and commitment in this exercise. I think it is a very important point. I hope that the undertaking is not only one-off, and that throughout the course of amending and enacting the legislation, the Government should by all means make known to every citizen what changes they are facing, how the

changes will be introduced and how they will be affected. In other words, stakeholders do not only include the Law Society, the Bar Association, land developers' associations or estate developers' association, the Heung Yee Kuk or the Institute of Surveyors. These are the assets and property of the general public, so they too are stakeholders. I sincerely hope that satisfactory results can be achieved in this issue. Every Member believes that he has the responsibility to make the best of this job.

Actually, land policy has an important bearing on the entire SAR, simply in the context of legal basis, not to mention governance. Be it during the colonial era before 1997 Let us consider it in the context of common law. In fact, before 1997, the owner of land was the Queen of the United Kingdom, and after 1997, China is the owner of land, and the Government only acts as an agent of the land. Hence, land is only allocated in the form of land leases. What responsibilities should a landowner undertake in respect of his land or his lessee? This question has given us the room to consider the change of the land ownership from the British Government to the Chinese Government. For instance, we should gain a better understanding that the citizens of Hong Kong have the right of possession of certain land, and they should have the right to enjoy the convenience brought about by and the facilities on the land.

I am glad to see that the Government has introduced many conservation policies. I think conservation must be one of the considerations in our land policy. Take the Central Market as an example. The market has remained at its present location since the inception of Hong Kong, which is also a dividing line of the so-called "Four Wans and Nine Yeuks" in the history of Hong Kong. It is a continuation of the history of Hong Kong, and I do not wish to see that it will come to an end during the term of the existing SAR Government. Hence, when the Secretary plans to develop the Central Market as a major conservation point, I hope she will come up with some plans that can really realize the concept of respecting history and linking the past and future.

Deputy President, in this session, the expansion of legal services is also mentioned under the economic aspect. Concerning the expansion of legal services, it is a litany of similar proposals. Deputy President, you also know what they are, nothing other than the three proposals relating to developing Hong Kong into an arbitration centre, a mediation centre and CEPA. In fact, why are charges of lawyers in Hong Kong so expensive? For we all have to pay rent,

and a greenhorn barrister is no exception. They have to meet the expenses of some \$10,000 to \$20,000, which is a minimum, whether they have income or not. As for law firms, they too cannot operate at a free cost, and the rent is very expensive. Hence, when the public compares the charges levied by lawyers overseas and here in Hong Kong, and find that our charges are more expensive, they should understand that lawyers overseas do not have to pay rents as high as ours.

Hence, I consider it inadequate to rely on CEPA alone to promote development. To promote the development of legal services in Hong Kong, the focus should be placed on catering for local needs. We always say that we have to provide international legal services. But legal service is not tangible, and we cannot manufacture some tangible products to satisfy the demand like the manufacturing industry. Legal service is always attached to economic activities, for economic activities give rise to the demand for legal service. Hence, I hope the provision of legal services should be focused on the need of local residents.

Concerning the co-operation between Hong Kong and the Mainland in the legal context, it is not as simple as business deals with the Mainland or entering the Mainland via CEPA. Since Hong Kong people and mainlanders become more closely related in business, family, marriage and labour affairs, more problems arise and thus the legal service in Hong Kong should reflect the actual situation. When we draw the line, we must understand the interrelationship between the two places. Legal service must be provided to cater for the need of the public and assist them to solve those problems. But regrettably, so far, I only see that work is done separately in the Mainland and Hong Kong. Probably more is done in the Mainland than in Hong Kong, for less effort is made here in Hong Kong. This is not the right direction for the development of legal services, neither is it the right direction in which a society treasures the rule of law should be geared.

Deputy President, I hope that more importance will be attached to these issues in this year or the next. Thank you.

MR WONG YUK-MAN (in Cantonese): Deputy President, in paragraph 123 of the policy address, the Chief Executive presents his vision of governance, which is also the excuse he uses to defend himself for doing nothing to alleviate poverty.

It says, "Hong Kong must strive for economic growth and wealth creation to address the employment and poverty issues. If we were to maintain welfare-based relief measures on a long-term basis, we would have to overhaul our tax system and increase tax rates. I believe the public would not agree with this approach. The fundamental solution lies in our common efforts in promoting the development of our industries." This is the most typical myth of Neoliberalism, which believes that with continuous economic development, wealth will naturally be passed on to the grassroots from the upper strata of society, and that the problem of poverty will be solved by the trickle-down effect. However, this presentation obviously runs counter to the prevailing situation in Hong Kong society where the Government collaborates with the business sector and the disparity between the rich and the poor is enormous.

The people of the United States, who were hard hit by the financial tsunami, threw out the Republicans who uphold Neoliberalism in an election last year and cast their votes for Democrat Barack OBAMA.

According to a public opinion programme of the University of Hong Kong, 45% of the public are dissatisfied with the policy address, the worst of the five policy addresses delivered by Donald TSANG within his term. But the Government does not show a moment of reflection. Had there been universal suffrage in Hong Kong, this Government, which upholds or maintains the principle of "big market, small government", would have long since been deserted by the people of Hong Kong.

Recently, I have read a new book written by Prof HUI Po-keung from the Lingnan University. The book is titled "Goodbye, cynicism." ("告別犬儒"). In the preface of the book, the analyses by Paul KRUGMAN, an American economist, and Fernand BRAUDEL, a French historian, are quoted, to criticize the failure of the trickle-down effect in addressing poverty from an academic perspective. It coincides with the relevant arguments stated in the platform of the League of Social Democrats.

Paul KRUGMAN points out that between 1947 and 1976, the United States adopted the Keynesian theory which acknowledged government intervention in economy. At that time, the median real household income in the United States doubled. But from 1976 to 2005, when the *laissez-faire* policy was adopted, the

median real household income had only increased by 23%, far lower than the increase in the past. From 1976 onwards, the growth in household income in the United States slowed down. This should not only be attributed to the slowdown in economic growth, for from 1976 onwards, the problem of disparity between the rich and the poor had obviously worsened and wealth was concentrated in the hands of a handful of people.

Historian Fernand BRAUDEL studied the economic history of Europe from the 15th century to the 18th century and came to the following conclusion: "In times of rapid economic growth, wealth came easy, particularly to the privileged families, for it would be a good time for them to get rich. In the central area of countries adopting capitalism, the general public might be able to get some leftovers when the economy prospered. But when the effect of continuous economic growth became obvious, the lives of the general public would worsen. One of the reasons was the drastic increase in population in tandem with economic growth, which increased the burden of the labour force. Moreover, the increase in wages lagged far behind the surging prices in times of prosperity, and the real income of the public, as well as their standard of living, dropped rather than increased. The disparity between the rich and the poor worsened. On the contrary, in times of continuing recession, the upper stratum of society might huddle up temporarily to keep a low profile, but since the prices would fall continuously, the standard of living of the working class would not necessarily worsen There were other good points in times of slow economic growth or even depression The low tide of a long economic cycle would usually stimulate the rapid development of cultural activities. For instance, after 1815, Europe was in its declining years, but romanticism brought the passion of youth to it. Besides, in times of economic prosperity, the ease to acquire wealth had made the conservative attitude of safeguarding the established system massively popular. People did not long for improvement but just stuck to the old rut. However, in times of an economic crisis, all kinds of survival strategies would emerge, and it was thus a time when creativity was brought into full play. Moreover, in times of slow economic growth, damage done to the ecology would slow down, and unhealthy work and rest habits were forced to change. These changes rightly remedied the vicious consequences caused by modernization."

The analysis by Fernand BRAUDEL corresponds to the development history of Hong Kong. During the economic boom in the 1970s to 1997, the

lives of the lower class had improved in actuality. But from 1997 onwards, the continual growth of the economy had on the contrary given rise to the problem of disparity between the rich and the poor where people lived in destitution. From the reunification in 1997 to 2008, Hong Kong recorded a 48.5% real growth in GDP, but the problem of disparity between the rich and the poor became more and more serious. The number of households earning a monthly income of less than \$8,000 increased substantially from 264 000 to 441 000, while households earning a monthly income of more than \$80,000 increased drastically from 67 000 to 111 000. It is evident that solving the problem of poverty by means of the trickle-down effect in times of economic growth is after all a fallacy, a myth. Nonetheless, a line from John F. KENNEDY, the former President of the United States, is worth a thought. He said, "If a free society cannot help the many who are poor, it cannot save the few who are rich."

This is the fifth policy address delivered by Donald TSANG since his assumption of office. It is titled "羣策創新天" ("Breaking New Ground Together") in Chinese, but in fact, it is "Looting new ground together, pushing the poor into the abyss" ("羣賊創新天，窮人墮深淵"). It should at least be charged of the following five sins.

First, it turns a blind eye to the plight of the grassroots and widens the disparity between the rich and the poor. In the middle of this October, a report was issued by the United Nations Development Programme. In the report, it was pointed out that Hong Kong ranked the first in terms of disparity between the rich and the poor among the advanced economies around the world. In October 2008, the United Nations also announced that the disparity between the rich and the poor in Hong Kong was the most serious in Asia. The disparity between the rich and the poor in Hong Kong was ranked the most serious by the United Nations in two consecutive years, but the SAR Government, with a swelling reserve of thousands of billion dollars, fails to offer any short-term relief measure nor any long-term policy to alleviate poverty to benefit the disadvantaged. It is the shame of Hong Kong. Worse still, in the last Question and Answer Session, when I quoted the statistics of the Hong Kong Council of Social Service that there were 1 230 000 people living in poverty in Hong Kong, and asked whether the Chief Executive could reduce the population in poverty within his term, he gave this response, "I have nothing to add". And when Mr IP Wai-ming followed up the issue on poverty, he dared to say that the definition of poverty was people earning less than the Comprehensive Social Security Assistance payment. He is

not only mean to say that, but also naïve. Heaven help us all, for the Hong Kong SAR is governed by a mean and naïve leader.

Second, he sits with his arms folded in face of the surging property prices and the hopelessness of the middle-class to purchase their own homes. In the debate today, many Members have also raised this issue. The SAR Government has not proposed any measure in the policy address to address the issue of surging property prices. Donald TSANG dared to say that the high price of luxury flats would not affect people's livelihood, and those who found luxury flats unaffordable might purchase cheaper flats. Heaven help us all, how can the Chief Executive be so naïve and foolish. To the humble public plagued by difficulties and distress, Donald TSANG throws stones at them, but to the property developers reaping great profit by hook or by crook, he transfers benefits to them.

Third, in the guise of promoting environmental protection, he snatches profit for the two power companies by promoting the use of compact fluorescent lamps (CFLs). This policy is ridiculous in the sense that no one ever asks the Government to give us CFLs, but we have to pay higher electricity tariff after receiving the CFLs. Has the Government gone nuts? Is not Hong Kong a free society where people can make their own choices? Do I have the choice of not using CFLs? Why am I forced to receive the CFLs? Besides, has the Government ever thought about a question as a matter of common sense? At present, many residents in public housing estates are using fluorescent light tubes. If they are given the CFLs, they will have to pay \$200 to electricians to replace the light tube sockets with CFLs adaptable sockets, but the Government is only giving away CFLs costing \$100. The situation can be likened to someone having given me a garter but I lost all my assets because of this. To the poor, \$200 means a lot. Is this Government an idiot? If such a policy is not withdrawn, it would even "saddle" — I am being extremely polite when I used the word "saddle", so it should be in quotation marks — the Chief Executive with the blame of transfer of benefits. How can there be such a foolish government in this world? How can there be such a government whose officials are getting handsome pay but introducing policies that are entirely detached from society? Honourable Secretaries of Department and Directors of Bureau, just pay a visit to the public housing estates, open your eyes and look at their situation, though none of you need installing the light bulbs at your home and electricity supply is not a concern. Will you all visit different districts and ask the elderly: "Here, I give

you a CFL. Do you know how to install it? Are the sockets in your home suitable for the installation of CPLs?" However, the most ridiculous point is that electricity tariff will be increased because of this.

Fourth, the six industries are only a fallacy, for the actual situation is reflected by six "grieving" scenarios. The six "grieving" scenarios widely circulating on the Internet recently are: men get unemployed, women have to engage in sideline businesses, students fail to graduate, shops have to close down, money laundering becomes a profession and funeral parlours open one after another. Though this is only joking in some measure, if the six "grieving" scenarios are seen everywhere in Hong Kong, Hong Kong will become a city of sadness. The six "grieving" scenarios reflect just the opposite of the six industries promoted by the Government. It is claimed in the policy address that the six industries will propel Hong Kong towards a knowledge-based economy, but the people of Hong Kong know nothing about these industries. Not to mention the general public in Hong Kong, even the so-called Honourable Members of the Legislative Council do not understand the six industries. I myself do not understand them, but I am not sure whether other Members are also like me. Have the objectives, roadmaps and timetables for the policies on these industries been laid down? Have assessments been made to examine the social and political impact of the policy and the influence on the economy and employment rate? We do not have such information and we are thus worried. Similar examples were found in the past. For instance, the Cyberport was regarded as a project that could transform Hong Kong into a knowledge-based economy, while Disneyland was expected to break new ground for the tourism industry in Hong Kong. However, it turned out that the Cyberport had become a synonym of collaboration between the Government and the business sector, while Disneyland had become a symbol of humiliation where the Government gave up its rights and chose to cede land and pay indemnities. The League of Social Democrats has voted against that proposal. Excuse me for doing so. Paying \$6.25 billions to the Americans was a humiliation and apparent surrender of power, and it was ceding land and paying indemnities, was it not? In view of these precedents, how can we have high hope for the six industries?

The fifth sin is making no progress in the constitutional reform, failing to honour the promise it made to the public. I will leave this point for tomorrow or the day after tomorrow and address this to Secretary Stephen LAM. If Donald

TSANG, a self-claimed politician, does have the bearing of a politician, the only way he can take now is to take the blame and resign.

There is a famous line by Thomas JEFFERSON, the writer of the Declaration of Independence and the founding father of the United States, which says, "Were it left to me to decide whether we should have a government without newspapers or newspapers without a government, I should not hesitate to prefer the latter." Thomas JEFFERSON considered the malicious criticisms from the media heartrending, and though he had been dubbed a blackguard, a hooligan, a pagan and a thief, he insisted on upholding the freedom of press.

Two hundred years later, there came another President of the United States, Bill CLINTON. The couple was involved in the Whitewater incident in 1994, and the columnist of *New York Times*, William SAFIRE, called Hillary CLINTON "a congenital liar". In response to a question from a reporter, CLINTON said with a smile, "When you are President, there are a few more constraints on you than if you are an ordinary citizen. If I were an ordinary citizen, I might give that article the response it deserves." In the face of such a vicious attack, CLINTON followed the traditional practice of safeguarding the freedom of press, a practice maintained by leaders of the United States over more than 200 years. I have cited this example not because I want Chief Executive Donald TSANG to learn from CLINTON, for he is not even qualified to be a student. I just want to tell the people of Hong Kong how undesirable could a Chief Executive returned by a coterie election be.

Yesterday, Donald TSANG responded to the CFLs incident and the incident of the minibond compensation to his sister-in-law. He criticized the media in a high profile for making "absolute fabrications and vicious attacks". As the Chief Executive, Donald TSANG cannot clear his name by smearing others. He is surrounded by officials earning a handsome pay, and I wonder why none of them can teach him what to do. He should have come forward and speak aloud that, "The freedom of press is a tradition of Hong Kong, and the Government will uphold the freedom of press. However, the media should also act responsibly with that freedom. I, as the Chief Executive, cannot explode in a burst of temper because of these vicious attacks, but I think justice lies in the people's heart." What an impressive remark. However, he failed to give a simple remark like this. He on the contrary gave the wrong responses by criticizing some of the newspapers for making absolute fabrications. In what

way is this fabrication? They have just over exaggerated the case. What kind of people is helping the Chief Executive? These people are earning some \$100,000 to \$200,000 monthly, but they are all "worthless dumb". All he needs to do is to make that simple remark. Besides, his speaking notes are drafted by others and all he needs to do is to read from them. He does not have to give impromptu responses like me. Though I have prepared my speaking notes, I prefer to speak impromptu, particularly when I am excited. What kind of Chief Executive is he? It is unbelievable that people dare to support him and say that such vicious attacks against the Chief Executive are intolerable under the rule of law. May I ask why it is related to the rule of law? This is the mindset of totalitarianism, which is totally intolerable to the people.

I shall stop here today. Thank you, Deputy President.

MS CYD HO (in Cantonese): Deputy President, Mr WONG Yuk-man was right in saying that the Chief Executive had failed to uphold the freedom of press. Today, he has actually put a noose around his own neck. The low-EQ Chief Executive eventually entered into a battle of words with the media yesterday by saying that some newspapers were making absolute fabrications and vicious attacks. However, some people or readers accept such reports by the media, for they consider the media has raised reasonable doubts and spoken for the public. Certainly, someone did criticize the media for making a mountain out of a molehill. The views are divided.

We notice from these phenomena that the credibility of the media in Hong Kong is declining. When they make certain queries or criticisms on political affairs, some people believe them but some do not. An alarm of a very dangerous situation has been sounded to society as a whole, for when the media, particularly the best-selling media, lack credibility, it will too be difficult for the Government to establish its credibility. Hence, we consider that, at this very moment, a public service broadcasting organization with credibility, independent of the Government and trusted by the people is badly needed.

Take the incident of the Chief Executive being criticized this time around as an example. Had there been an independent public service broadcasting organization with credibility, it may give the Government a hand, for some people always say that public service broadcasting organizations funded by public

money should stand by the Government. Let us use the above incident as an example again. First, the primary task of a public service broadcasting organization is to disseminate accurate message. If the message is accurate and the public trusts the organization, the message delivered by the Chief Executive via this organization will dispel the doubts of the public. Second, the organization should provide an open platform to allow the public to express different views and have open debates, so that the incident will become more transparent after intense debate. Third, since the public service broadcasting organization faces no financial pressure to curry favour with the public, nor does it have to boost their viewership or audience rating, it can maintain certain quality conduct as a medium and set a good example to other media. In the long run, it will enhance the ability of the public in cultural appreciation, including the political culture, and develop a critical mind in reading news reports. Hence, I think the Chief Executive is actually putting himself in his own trap. Had he established a public service broadcasting organization long before that, and had he only been queried about his act where specific transfer of benefits had not been involved, I believe it would have been much easier for him to dispel the doubts.

However, since the advisory committee chaired by Ray WONG came into operation, the establishment of Radio Television Hong Kong (RTHK) was frozen, and the number of contract staff in RTHK nearly topped the list among other government departments. As a result, there was a drain of experienced staff and the corporate culture established in RTHK since 1970s could not be fostered. By 2009, the Secretary eventually introduced a consultative proposal, but the proposal was disappointing, for it proposed the re-establishment of some 60 civil servant posts.

I really hope that the Secretary will understand that we give our support to RTHK not to secure jobs for the staff, but to support it to uphold its spirit of maintaining editorial independence, accurate news reporting and impartial commentaries on current affairs, which is one of the reasons it can win the trust of the public. Hence, the only way out for RTHK is to transform it into an independent public service broadcasting organization upon serious and solemn examination, so that all the people of Hong Kong will benefit.

However, one of the current proposals has caused much worry to the public. According to that proposal, the Administration will set up a 15-member committee, where all 15 members will be appointed by the Chief Executive, to

give advice to RTHK. But in actuality, this committee will easily be used as a means to impose political pressure, for it only has a small membership and all of them are appointed by the Chief Executive, and that they are not accountable to the public. In that way, if the Government has to impose pressure on RTHK, it does not have to do so via government officials but only via those 15 members. Though Members have expressed grave concern about this, the response from the Director of Broadcasting (D of B) has been really disappointing. Staff of RTHK also felt disappointed about the remarks, for the D of B thought that he would know what society thinks about RTHK via the committee. The D of B, honestly, does not know his own position, nor does he understand his function. The responsibility of RTHK is just the opposite, for it is the responsibility of RTHK to let the many close-minded officials to listen to the views of members of society. Therefore, the response of the D of B has caused grave concern among us, and we worry whether the position of RTHK will continue softening.

An advisory framework has already been put in place in RTHK, where consultative meetings are held regularly and more than a hundred people will attend the meetings. Among these attendees are people supporting editorial independence and press autonomy and independence without reservation like me, as well as others, like WONG Siu-ye, who criticizes RTHK for often condemning government officials. That means a balance is maintained among the attendees of the consultative meetings. Surely, some of them are ordinary citizens.

Moreover, phone-in programmes are broadcast both in the morning and evening on RTHK, such that members of the public may phone in at will to express their opinions. Censorship is out of the question and appointment is not required. Views of society are fully expressed through this channel. It is unnecessary for the Chief Executive to appoint a 15-member committee, which may probably become a means of political suppression, isn't it?

Certainly, Deputy President, many officials will think that if there are a group of docile reporters and media who curry favour with them and heap praises on them every day, they will have no worry and all the policies introduced will win them applauses. Hence, they do not wish to see the establishment of an independent and impartial media regime. The reason is most obvious. However, when reporters have grown used to the absence of independence and autonomy, when front-line reporters have grown used to taking orders from their

bosses and do shoe-shining to whoever they are assigned, quality can be found nowhere. Some influential people may be prestigious today, but once they have lost their influence, or if other more influential people pull the strings behind the scene, they will become the subject of fabrications and vicious attacks.

Hence, if the Chief Executive is sincerely concerned about the quality of the media of Hong Kong, the first thing he should do is to establish an independent public service broadcasting organization as soon as possible, so that the organization can create a milieu of rational discussions to benefit society at large. In fact, this incident can be put in the cultural perspective. The Chief Executive said that the media had made false statements, but the Chief Executive himself should also be blamed for the prevailing boasting and exaggeration culture in society. Since the establishment of the SAR, whenever functions of a certain trade are held in Hong Kong, we will call Hong Kong an international centre of that particular trade. When it comes to pillar industries, it must be big and not small. As for new industries, though achievement has yet been made, it must also be big, and that is why we have the six industries now. Calling off the construction of two buildings in Central is dubbed the transformation of Central. As many colleagues said earlier, even a flat of 400 sq ft is now called a luxury flat. Every one in Hong Kong has played their part in promoting this culture of boasting and exaggeration. The democratic camp should also be blamed. We write on the advertising boards "Great March" even though we are not sure how many people will join, for sometimes there may be less than a thousand or less than several hundreds. So, we all have the responsibility to reverse this culture of boasting and exaggeration.

(THE PRESIDENT resumed the Chair)

However, when this culture of boasting and exaggeration, which comes into being unnoticed, affects also policymaking officials to such an extent that they tend to give exaggerated and empty remarks, it is extremely undesirable. But these problems cannot be settled by legal means, for cultural problems must be tackled from the cultural perspective. We need a media organization that does not have to worry about its rating and advertising proceeds, nor does it have to please the public, so that it will bring back the style and culture.

I will now come to the co-operation between Hong Kong and the Mainland, particularly regions in the vicinity. Trading with these regions started as early as the 1980s, and many family links were established well before 1949. The co-operation between Hong Kong and the Mainland has developed rapidly in recent years, covering areas like environmental protection, education, infrastructure development, food safety and testing and certification. The contact between the two places in these areas has become more frequent. However, regarding the specific content of co-operation, the documents on the co-operation framework and the drafting of agreements, the public in general know nothing about it, and even Members of the Legislative Council know little. Take the agreement on the development of Qianhai as an example. Once I asked the Chief Executive in the face about it, and the other time I asked the Director of Bureau concerned at a meeting of the Panel on Constitutional Affairs, but on both occasions, I got no answer. I have also searched the Government's website, but neither can I find any information. Yet, it is stated in the policy address that co-operation with Guangdong will increase, more agreements will be entered into with Shanghai, and there is also the agreement with Shenzhen on Qianhai. However, how many agreements among these have undergone consultation with the industries? Have the views of the public been consulted? How many copies concerned have been published? The Government is obliged to answer these questions.

I know that for certain agreements, like CEPA or QDII, the content has been announced, and that the industries have been consulted on the co-operation framework or main direction. However, it is inadequate to just indicate the direction, and an authentic copy should be provided for public reference, so that the public will know clearly the defined rights of Hong Kong people. In fact, in the course of policy formulation in Hong Kong, consultation will certainly be conducted, and the Administration will at least explain the case to the Legislative Council, so that the public and the legislature will have the opportunity to understand the relevant content. But when it comes to cross-boundary co-operation, why is the established procedure missing? This makes us worry about the rights of the people of Hong Kong, and that if corruption is found in cross-boundary co-operation that involves public money, will our rights be effectively protected.

Hence, President, I urge the Administration to follow the established consultation procedures by making public the relevant contents and direction to

the people of Hong Kong and consulting the citizens of Hong Kong before formally signing any agreement or co-operation framework in future. All agreements related to the Mainland or neighbouring areas, such as Taiwan, should be processed openly, so that the people of Hong Kong can rest assured in supporting cross-boundary co-operation. Thank you, President.

DR RAYMOND HO: Mr President, I will speak on "Developing the Infrastructure for Economic Growth".

In the past decade, Hong Kong has been looking for a new direction for its economic growth. Although many great ideas have been mooted, they never got off the ground as our Government has always followed the sacred "positive non-intervention" rule. After all these years, our economy is still heavily dependent on the service sector, particularly the finance and real estate services. The outbreak of the global financial crisis last year has again highlighted the fragility of our economy.

The Task Force on Economic Challenges formed in response to the global financial tsunami recommended the development of six industries in which Hong Kong has an edge, namely testing and certification, innovation and technology, educational services, medical services, cultural and creative industries, and environmental industry. In accepting the recommendations, the Government has promised to remove barriers to these industries and help them tap into new markets.

It is a widely known fact that the shortage in land supply in Hong Kong is detrimental to the development of new industries. For years, the Government has done nothing to improve the situation. It is encouraging to see that the Government is now waking up and has finally included initiatives in the policy address to encourage the revitalization and redevelopment of industrial buildings. It remains to be seen if the Government is flexible enough to push through these policies for the benefits of new industries. Apart from this, the Government should look into the possibility of introducing more incentives to promote the development of the six industries.

The Government's actions are also needed to promote our four traditional pillar industries. As a professional engineer, I would like to share with you

some of my observations with regard to the recent development of our professional services. Undoubtedly, the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA) has introduced various market liberalization measures for different economic sectors of Hong Kong, particularly the commercial and industrial sectors. However, its impact on professional services is limited. Take the engineering sector as an example, only one engineering profession, that is, structural engineers, out of its 19 disciplines has reached agreement on mutual recognition of professional qualification with the Mainland. Even though structural engineers have obtained the recognition of their professional qualification in the Mainland, they are still not able to obtain a practice licence so that they can actually practise in the Mainland. The Government must therefore continue to work with the Mainland authorities for further market liberalization if both sides are to take full advantage of the CEPA.

As China is determined to maintain its annual economic rate of 8% or above, it has introduced a RMB 4-trillion stimulus package in the aftermath of the financial tsunami. Investing in its infrastructure including railway, roadworks and airport facilities are amongst the major priorities. The Mainland's ambitious expansion and modernization in infrastructure development require input of related experience and expertise from outside China. Related Hong Kong companies have much to offer in this respect. The MTR Corporation (MTRC) of Hong Kong is relevant with its experience and expertise in planning, building, operating and maintaining rail systems. So is the case of the Airport Authority Hong Kong (AAHK). I declare that I am a member of its board.

As a matter of fact, both the MTRC and the AAHK have already reached agreement with the Mainland authorities on a number of projects. The former has been involved in metro projects in both Hangzhou, Shenzhen and Beijing. Not so long ago, the AAHK signed a co-operation agreement with the Shanghai Airport Authority in Shanghai for the establishment of a joint venture company to manage Hongqiao Airport in Shanghai. I was also invited to attend the signing ceremony, which was witnessed by the Deputy Secretary of the Communist Party of China Shanghai Municipal Committee and our Chief Secretary for Administration. Earlier, the AAHK has also acquired stakes in the Hangzhou Xiaoshan International Airport and a company that operates the Zhuhai Airport. Increasing involvement of Hong Kong companies in Mainland projects will definitely bring opportunities to Hong Kong professionals. The Administration

has the responsibility to help Hong Kong professional services sector to tap into the huge Mainland market.

Now, I move to another sector, the real estate sector, which is the major concern of the people of Hong Kong. First of all, I disagree with the Chief Executive's view that the sharp rise of the prices of luxury flats has no significant influence on the general public. Indeed, prices of moderate-sized flats in traditional middle-class neighbourhoods have already risen to levels beyond the reach of many middle-class or professional families, particularly the young ones. In the past couple of years, many young professional engineers have expressed to me their grave concern about the rising property prices in Hong Kong.

The Government has to take a share of the blame for the high property prices. In the past two years, it has sold only two of the residential sites on its land application list. The limited supply of land has reduced considerably the number of building projects in the private sector in the past few years. Before 1997, 60% of the works were launched by the private sector while the remaining 40% were generated by the public sector. At present, most of the projects are being undertaken by the public sector while the private sector is still relatively quiet. It is therefore not surprising that the construction sector is so slow and the unemployment rate in the sector is still high. It is now time for the Government to review the land application list system and consider lowering the threshold for triggering a site for auction.

Talking about public projects, the Chief Executive reported in the policy address that most of the infrastructure projects are now on schedule. If it is the case, the programme of public works projects dished out by the Government will reach its peak in the coming few years. I would therefore like to urge the Government once again to implement public works projects in an orderly and well-planned manner so as to ensure a steady volume of work for the construction and engineering sectors.

In the past decade, a number of public works projects have been seriously held up in their implementation due to last-minute opposition from different parties. Learning from the experience, the Government should start public engagement and public consultation in the early stage of project development so as to ensure smooth implementation.

Now, I would like to comment on a specific type of public works, that is, slope works. Slope works, comprising new slope formation, slope maintenance and upgrading works are amongst the major works in the construction industry.

A tremendous amount of resources has already been put on it in the last three decades. We now have confidence in our 57 000 man-made slopes. It is now high time that we started looking at natural terrains, particularly where there are many residential blocks and important facilities in the vicinity. There have been failures in natural slopes in the past. We cannot take potential risks of such slopes for granted. We must adopt preventive measures and not mitigation measures, I emphasize — not mitigation measures. The latter is purely a short-sighted approach to the problem. We must allocate sufficient resources and also remind ourselves to undertake slope works in a sustainable manner with special attention given to: (1) their careful blending with the surrounding environment; (2) minimizing the impacts on natural terrains; (3) the adoption of energy-saving designs; (4) minimizing consumption of construction materials with more recycling; (5) conservation of the wild habitat; and (6) preparing to meeting the effect of global climate change.

Thank you, Mr President.

MR VINCENT FANG (in Cantonese): President, after the delivery of the 2009-2010 Policy Address by the Chief Executive, some members of the media have reported very extensively on the possible transfer of benefits arising from the cash coupons for compact fluorescent lamps (CFLs) over the past two weeks. This issue has thus become the core of this policy address which consists of 128 paragraphs. Is the distribution of cash coupons for CFLs an effective means to promote environmental protection? I will leave my analysis to the second session of the debate. Now, I would like to discuss the philosophy of governance of the Chief Executive in the context of the policy on CFLs for promoting environmental protection.

First of all, although I consider that there is no question of transfer of benefits by the Chief Executive to his son's father-in-law in the proposed scheme to distribute \$100-worth cash coupons for CFLs, the scheme itself does involve a transfer of benefits. Then, to whom the benefits are transferred? The two power companies.

Second, this policy reflects that this SAR Government does not have an overall direction in administration. It only makes small gestures and calculates the small benefits to be generated.

What does this mean? The distribution of cash coupons for CFLs is in fact a foolproof initiative which is so carefully calculated, as the Government can introduce this so-called green policy without having to spend one single cent or meeting administrative costs. Is this not a smart move? The Government must have thought that there would be no cause for criticism by the public and Members as no spending out of public coffers would be incurred. However, this policy has reflected a prevailing mindset of government officials in their work, that is, they look at things only from their own perspective, forgetting that the public is the target of their administration. This policy has also neglected the public's acceptability. The public should have the right to choose. The Administration has no reason to force it down the throat of the public without ascertaining whether or not there is such a need.

There is no such thing as free lunch in this world. It is true that the cash coupons for CFLs are cost-neutral to the Government. But who is going to bear the cost? Each and every member of the community is made to bear the cost, because the Government has empowered the two power companies to recover the cost through a tariff increase. This is absolutely a most typical example of the Government being generous at the expense of the public.

Apart from neglecting public acceptability, the policy address has also neglected the overall economic conditions. Both the Chief Executive and the Financial Secretary consider that the Hong Kong economy is moving ahead on the road to recovery, and the fifth paragraph of the policy address says, " the home-purchasing power of the public is greater than in 1997". I must say that this is not true. Although property prices had plunged at that time, the economy back then, especially the traditional market, was still very stable as the import and export figures were quite good and the employment situation was more optimistic than it is now. When people have a stable job, they have the means to take out mortgage loans for properties.

However, the current situation is just the opposite. The external economy has remained weak and a recovery is not envisaged in the near future. As XIE Xuren, Minister of Finance of China, said earlier at the G20 financial summit, the

adverse impact of the financial crisis is not yet over, momentum is lacking for global recovery and particularly, global trade has considerably declined. The slight rebound in import and export recently is entirely because there has been no new product in the market over the last 12 months and stock replenishment is therefore required.

After the delivery of last year's policy address, the Chief Executive adopted the strategy of "stabilizing the financial system, supporting enterprises and preserving employment", in order to cushion the severe impacts of the financial tsunami. The relevant measures have produced results to a certain extent, but the Government thinks that what has been done is enough. It is actually wrong to think this way. The fact is that we are only counting on our established advantages, and since the external economic conditions are in no way optimistic, in the event of more unfavourable news breaking, the future would be too dreadful to think of. The prevalence of closure of business might appear once again, coupled with a possible rebound in the unemployment rate.

While the storm is not yet over, the Government has nevertheless indulged in complacency, and it has not done enough to introduce initiatives to revitalize the economy. The Liberal Party considers it most imperative to facilitate the sustained development of the economy. In highlighting the promotion of the six industries and revitalization of industrial buildings, the policy address has pointed to a correct direction, but it will take a certain time for these ideas to be transformed into industries that can contribute to the economy and create employment opportunities. What should we do now to promote the sustained development of the economy? It seems that the Government has not come up with any effective strategies to this end.

As the Chairman of the Liberal Party, Miriam LAU, has said, the Liberal Party absolutely agrees that infrastructure development is an effective measure to bolster up economic development. Regrettably, the Government does not have the matching policy and supporting administrative measures. The situation is the same in the industrial and commercial sectors and also the import and export sectors.

From the retail figures over the past 12 months, we can see that the domestic market has remained sluggish. The Government has failed to make reference to the steps taken by the State to inject capital to stimulate domestic

consumption and worse still, it has even imposed constraints on domestic demand continuously. A case in point is the Air Pollution Control (Volatile Organic Compounds) (Amendment) Regulation 2009 tabled and read in the Legislative Council right at the beginning of the current Session. Under the prevailing economic conditions, who in the vehicle repair trade will dare to invest on equipment compatible with water-based paints? The sales of new vehicles has dropped 30% to 50% for 12 months in a row. The industry hopes that the Government can encourage owners to replace vehicles that are over 10-years-old through the first registration tax. But the response is neat and simple: Nil.

Moreover, in developing whichever industry, it is most important to have the market and capital. But since the overseas economy is still in the doldrums, the enterprises in general are still struggling for survival. In December last year, the Government extended the Small and Medium Enterprise Loan Guarantee Scheme and the Special Loan Guarantee Scheme for Small and Medium Enterprises. This can provide certain support to the enterprises even though not all the enterprises can benefit. From the statistics provided by the Government last week, a total loan amount of some \$50 billion has been granted under the Special Loan Guarantee Scheme, which still falls short of the approved budget of \$100 billion. While the Scheme has been extended to the end of this year, to enterprises operating in difficulties with the New Year approaching, and also those facing a low season in business in the coming year, timely loans are still badly needed indeed. In this connection, the Liberal Party and colleagues from the industrial and commercial sectors hope that the Government will further extend the schemes to the middle of next year before conducting a review.

As for some trades and small and medium enterprises which are not eligible to apply for loans under these schemes, such as the beauty industry, the banks have not yet relaxed the stringent requirements imposed on them. I, therefore, hope that the Government can address the needs of this industry and provide it with assistance and even guarantee for loans.

With regard to the six industries to be vigorously promoted by the Chief Executive, the industrial and commercial sectors have all along been committed to the development of innovative and useful technologies. Otherwise, Hong Kong would not have been able to continue playing a supporting role after the full relocation of the manufacturing industry to the north, just that the Government,

under the pretext of "positive non-intervention", had all along refused to make investment in research and development (R&D) and introduce incentives for the creative industries. It is better late than never. Although a cash rebate is provided only for investment in R&D and only projects of government-designated research institutions are involved, I hope that the Government can make this a long-term policy and expand the scheme and the amount of rebates in accordance with the development needs, because in view of the scale of Hong Kong economy, a budget of \$200 million is quite a small amount of money for matching the \$2 billion Innovation and Technology Fund.

Another industry with more promising prospects is the testing and certification industry. Hong Kong will implement a nutrition labelling scheme for prepackaged food which is unique in the world next year, and this system will certainly bring a lot of business opportunities to the testing and certification industry. The Government is really well-intentioned in introducing such a labelling scheme as a means to promote the development of this industry. However, the size of the local market is, after all, small. To industrialize testing and certification services, there must be far greater room for development. Therefore, it is very important to achieve mutual recognition with the Mainland and upgrade the standard of training in Hong Kong. I very much look forward to the development plan to be drawn up by the Council for Testing and Certification.

However, in the paper submitted by the Government to the Panel on Commerce and Industry, it is stated that a number of commercial and industrial policies, including the cash rebate for R&D investment, as well as the direction of the development of the testing and certification industry, are subject to a period of three years, which ties in with the expiry of the term of Chief Executive Donald TSANG. The Liberal Party hopes that this is just an arrangement for the purpose of review and that these policies will not be changed completely when the next term of government takes over. It is because the commercialization of technologies cannot be achieved overnight, and will indeed require the support of long-term policies.

The Liberal Party very much welcomes the revitalization scheme for industrial buildings which has been called for over the years. It is because the retail industry which I represent and the catering industry represented by Tommy CHEUNG have been hit the hardest by the high land price policy in Hong Kong.

Although it is only the luxury flats which are sold at sky-high prices, owners of shop premises have used this as a benchmark and as a result, the prices of shop premises have only increased rather than decreased for many years. The price per square foot of shop premises in Causeway Bay has surged to become second to none in the world. It would be great if our competitiveness is second to none in the world, but when the rental is so expensive, for how long can the public cope? Members may already see that there are really more and more notices of vacant shop premises available for leasing.

So, I very much hope that the revitalization of industrial buildings can be taken forward expeditiously. I hope that some commercial tenants or operators of catering establishments can then be attracted to operate on the upper floors of these buildings. This can serve as a buffer to the rental of ground floor shop premises.

That the luxury property prices have spiralled frantically to become detached from the economic climate is, in fact, an unhealthy phenomenon, especially when abnormal economic activities have already affected the normal way of life of Hong Kong people. The Liberal Party considers that this is attributable to the extremely high land price policy resulted from the lack of systematic planning by the Government in land supply and unrealistic expectations in society. While the Liberal Party supports the continued construction of public rental housing to meet the housing needs of the grassroots and to shorten the waiting time for public housing, we hold that Home Ownership Scheme (HOS) flats and the middle-to-high-priced residential property market, which is rather crazy at the moment, are two different markets. For the time being, we do not see any need for resuming the construction of HOS flats. The Government must improve the existing Application List system and determine the trigger price with a more practical evaluation approach and also resume land auctions, in order to supply different types of land to the market in a timely manner, thereby striking a balance between the supply of housing and property prices, while at the same time ensuring continuous and stable economic development in Hong Kong.

It has been the case since time immemorial that after society and the people have gone through some trying times, what they need most is to rest and recuperate, so as to regain the strength to meet challenges continuously. However, while the financial shock has not yet subsided, this year's policy address has failed to provide any opportunity for enterprises to rest and recuperate

and worse still, it has even proposed a number of legislative measures. Last week, I received the Legislative Programme for this Session released by the Administration Wing, and I find that no less than four or five pieces of legislation are related to the wholesale and retail industry, and some other pieces of legislation mentioned by government officials before are not even included. Together with those which are under scrutiny and those subject to negative vetting, there will be altogether eight to nine pieces of legislation, at a rough estimate. How possibly can an industry be able to face the problem of adaptation brought by so many pieces of legislation within a short span of time? It is simply impossible to cope with them.

It is the duty of the Legislative Council to scrutinize legislation, but if policies are implemented smoothly and if society and the economy also operate smoothly, do we need to keep on making new legislation only to prove that this Government is really working? When it comes to policy enforcement, certainly there must be the target. I hope that the Government, in drawing up policy directions, will not just consider a policy from its own position or calculate only the cost to be borne by itself, just as it did in proposing the distribution of cash coupons for CFLs. It must not work behind closed doors and instead, it must put itself in the shoes of the target of its policy and consider things from their angle. The target of the proposal on CFLs is the public, and the target of a piece of legislation is the operators in the relevant industries, and a policy can be considered a good one only if it can be accepted and supported by the target. Only in this way can success be achieved in policy enforcement.

These words come from the bottom of my heart. I hope the Chief Executive and his governing team can heed them.

I so submit. Thank you, President.

MR WONG KWOK-KIN (in Cantonese): President, the greatest concerns of Hong Kong people these days, as discussed and heard by Honourable Members in the Legislative Council today, must be soaring property prices and people's difficulties in home ownership. Actually, since the policy of high land price was first implemented, a residential unit in Hong Kong has meant more than just a home to Hong Kong people; it is also a form of investment or even the first bucket of gold for them. We can therefore observe that while lots of people are

able to amass riches by continuously engaging in property speculation, many others must toil and sweat for the rest of their lives just for a tiny flat. This means that every government policy that relates to the real estate market will necessarily affect people from different social strata and people with different interests at stake, thus arousing controversies in society.

Personally, I agree that the Government must be careful when dealing with issues related to the property market. But prudence is not quite the same as complete *laissez-faire*. It must not be taken to mean that the Government can just watch with folded arms, allowing the speculative activities stirred up by certain monies to drive people into becoming "shell-less snails". I believe that if the Government can take actions whenever necessary and tackle all the problems as soon as they surface, grievances in society can be greatly reduced.

President, over the short span of time since early this year, property prices in Hong Kong have soared by 20% to 30%. In January this year, for example, the Centa-City Index, which reflects the conditions in the secondary property market, was around 57 only. But this month, it is as high as 70.05, showing an increase of 23%. Honestly, how many employees can receive a pay rise of 20% to 30% this year? How can they catch up with the rises in property prices? Actually, an employee is already very lucky if he has not been laid off or if his salary has not been reduced. The fact is that current property prices have gradually become detached from the actual affordability of people. Even the market of small and medium residential flats is no exception. As reported by the press a couple of days ago, the price of second-hand Home Ownership Scheme (HOS) flats has risen to \$5,000 per sq ft on average. And, even the price of the HOS flats in Lok Fu has exceeded \$4,000 per sq ft, a level which is well above the \$4,000 per sq ft for low- and medium-priced residential flats described by the Chief Executive. It is thus evident that property speculation is no longer confined to the luxury property market, and it is also found in the market of low- and medium-priced residential flats. There is an actual example in Kowloon East. In Kowloon Bay, there is a housing estate more than 20 years old. The quality of the residential flats there is not very high. I do not want to name the housing estate. But according to press reports, the prices there have already gone up to \$5,700 per sq ft due to speculation. Naturally, the worst-hit are the sandwich classes who intend to buy their first homes but who lack the means.

President, one major reason for all the social discussions on the property market these days, as also mentioned by Honourable Members, is that the inflow of hot monies has led to the current spate of speculation and the soaring of local property prices. During the Golden Week of 1 October, there were many media reports on the "flat inspection tour groups" organized by property developers for tourists from the Mainland. These media reports also said that mainlanders were the main sales targets of new housing developments in Hong Kong. Some of these reports even carried headlines about Mainland "big spenders" buying large quantities of housing units in Hong Kong during the Golden Week. According to some mortgage referral companies, the number of mortgage cases involving Mainland buyers handled by them showed an increase of over 100% when compared with the same period last year. On a year-on-year basis, the increase is nearly 40%. All this has led Hong Kong people to worry that the property market may have been "upset" by outsiders and thus become detached from the actual conditions in society. They therefore hope that the Government can take actions to stabilize the property market. Honestly speaking, I must say that when the market is rocked off balance by hot monies, even to the extent of affecting people's livelihood and moods, the Government should really consider whether it should do something for the people and work out some measures to curb the unreasonable speculative activities of hot monies.

President, I have held several residents' meetings on the policy address in my constituency, with the aim of listening to the views of the people and kaifongs. At all these meetings, there was a very loud demand for resuming the construction of HOS flats, the Home Starter Loan Scheme and the Tenants Purchase Scheme. President, to the Government, these schemes may all be part of its bitter memory, because they were the very measures implemented under the target of "85 000 housing units" that led to a "bloodbath" in society. However, in the eyes of kaifongs, these schemes were all desirable ones, only that they were implemented at the wrong time, when Hong Kong was hit by the financial turmoil and the SARS outbreak. As a result, and also due to the hasty manner in which they were rolled out, these schemes ended up in a fiasco. At these residents' meetings, many young people asked me to reflect their demand for resuming the construction of HOS flats and their hope for government assistance in taking out loans for home purchase. Not only this, many elderly kaifongs also expressed their intention of purchasing the public rental housing (PRH) units in which they were living. Perhaps, the Government's attitude towards these measures is still one of "once bitten, twice shy". But it should still consider the meaning of HOS

flats to the sandwich class and "well-off" tenants of PRH. I have heard the Secretary argue that the provision of HOS flats cannot curb property prices. We do agree. Our request for resuming the construction of HOS flats is not meant so much to curb property prices. Actually, HOS flats can play a very specific role, which is especially important to two categories of people. The first category of people is the sandwich class. These people are not eligible for PRH, as their income levels exceed the income ceiling applicable to PRH applicants. But, at the same time, they do not have the means to afford of private properties. As a result, they are unable to enter the private property market, simply stuck in-between. For this reason, they very much hope that HOS flats can be provided to cater for their long-term housing needs. Another category of people are the "well-off" tenants of PRH. These people have been living in PRH units, but since their children have already come of age, their household incomes now exceed the income ceilings for PRH tenants. They are thus classified as well-off tenants, who have to pay double rents and undergo a means test once a year or once every two years. Such means tests are a great nuisance to them. They often complain that because of these means tests, their family members can no longer enjoy any privacy, as all of them must disclose their incomes and assets. They therefore hope that there can be a "revolving door", through which they can purchase HOS flats and say good-bye to their status as well-off tenants. But it must be remembered that with their incomes, they cannot afford private residential units. Therefore, there is a very strong demand for resuming the construction of HOS flats and the Tenants Purchase Scheme among grass-roots people. The Government should pay heed to the situation and opinions of the sandwich class and "well-off" tenants of PRH. It should resume the provision of HOS flats, the Tenants Purchase Scheme and the Home Starter Loan Scheme step by step.

As mentioned by the Secretary the other day, the sale of HOS flats is subject to income ceilings and a means test, so there are two separate markets for HOS flats and private residential units. Since the property market will not be affected, the turnover of PRH units can be expedited, and young people and the sandwich class can be given opportunities of buying their first homes, why does the Government still refuse to consider the idea actively? I hope that the Government can show its determination and do something for these people.

President, the proposal of the Federation of Trade Unions (FTU) on resuming the construction and sale of HOS flats is based on the hope that through

the Government's provision of housing units, people from all strata of society can have opportunities of home ownership, thereby solving their long-term housing problem. As a matter of fact, due to the absence of HOS flats as a "revolving door" and buffer, the pressure on PRH provision has been mounting. In the case of singleton applicants for PRH, for example, more than 20 000 of those on the Waiting List are aged below 30. And, those who hold tertiary educational qualifications even account for 17% of all the applicants in this category. If the Government can introduce some market measures to provide low- and medium-priced housing units for these applicants, such as HOS flats, I believe these young people may not necessarily choose to wait 10 or eight years for PRH. Besides, the property market as a whole will also be able to develop healthily at the bottom, middle and upmarket levels, in contrast to the present situation, under which all residential units are packaged as luxury flats.

President, lastly, we welcome the on-going initiative of installing lifts or escalators connecting common areas in hillside PRH estates as mentioned in the policy agenda. We also hope that the Government can speed up the progress. As a matter of fact, the Government's progress has been very slow since the proposal was first put forward. As far as I know, many PRH estates have lodged their applications, and following site explorations, it has already been decided to install lifts. But after one year or even three years, the works projects have not yet been launched. We know that there are many hillside PRH estates, and the populations there are already ageing. Many elderly persons find it very inconvenient to get about. Therefore, I hope that the Government can continue to provide PRH estates with "barrier-free" facilities, so as to make it easier for elderly persons and kaifongs to get about.

The policy address this year also mentions the new initiative of increasing the greening ratio of all new PRH estates to at least 20%. I support this initiative. At the same time, I further hope that the Administration can also increase the greening ratio of existing or old PRH estates, because certain old PRH estates may be more crowded and densely populated than new ones. I therefore hope that the Government can promote greening in all PRH estates.

President, I so submit.

MR ABRAHAM SHEK (in Cantonese): President, the motion debate today is on the Chief Executive's policy address. But what I have heard since this morning all seems to be criticisms of property developers, soaring property prices and sales prices. I am supposed to speak on the policy address, but I will also spend some time on responding to Honourable Members' criticisms because I am the representative of the real estate and construction sectors. I am duty-bound to state the facts and speak the truth. If we have not done quite so well Many Honourable colleagues have made criticisms, and I will relay their views to the Real Estate Developers Association of Hong Kong (REDA), so as to find out how we can improve sales brochures and sales practices.

President, we in the industries concerned should really make efforts in many different areas, and we must also hold an open attitude. There have been many criticisms of property developers opposing the proposal of resuming the construction of HOS flats. We do not oppose the construction of HOS flats. We have no intention of doing so. The only problem is that HOS flats Many colleagues have argued that HOS flats can solve the problem of high property prices. High property prices are the results of market activities. The construction of buildings by property developers will not boost property prices. President, I shall offer a comprehensive explanation later on.

President, when it comes to HOS flats, we must look at them from a policy perspective. We must first ask whether it should be the duty of the Government to enable everyone to purchase a flat, or whether the Government should just ensure that everyone has a dwelling place. This point must be clearly established. If all of us think that the Government of the Hong Kong Special Administrative Region (SAR) must enable everyone, every university graduate aged 30, to purchase a residential unit, then we must revise the policy, and this must be based on a policy perspective.

In this connection, I wish to ask, "How much does it cost to construct one HOS flat?" President, by rough estimation, the construction of one HOS flat will require the public to pay a subsidy of about \$2 million. That being the case, do we think that we should still construct HOS flats simply because we want to enable individual families, people aged 30 or 40 and just a handful of people to purchase residential units? And, there is even the possibility that they may simply sell their properties several years later. Just a moment ago, we saw on

television that many people wanted to sell their HOS flats for profit. This is the true story. If this is indeed our policy objective, then there will be no problem. Maybe, when universal suffrage is implemented in the future, we may really need to do so. President, this is something good. But this will be a different story of a different time.

The present problem is we have to utilize our resources to solve the housing problem. More than 100 000 people, more than 100 000 households, are waiting for the allocation of PRH. So, we should construct more PRH estates and lower the threshold of application, so that more people can in the hope that the situation of "people not having a flat to live while many flats are left vacant" described by Dr Priscilla LEUNG will not occur. But the situation in Hong Kong now is not quite like this. When I was a member of the Land Development Corporation, I observed that many people could not be allocated a PRH unit after waiting for six years. Well, we must be fair to the Government and point out that in some cases, people are allocated PRH units after waiting only for 19 months. But the problem remains that many PRH units are currently vacant. Why? Because people are reluctant to live in these PRH units. They would rather wait for units located in downtown areas and prime sites. There are countless such cases. What was said just now is right. Our duty is to construct more PRH units, so that more people need not live in cubicles and more new immigrants can be allocated PRH units without having to wait seven years. This is our responsibility.

At this moment, we should pursue this policy objective, helping the needy first. The Government, for example, I will talk about students with mental disabilities in the next debate session. The Government should provide them with education until they are 20. But then, the Government now asks them to leave once they reach the age of 18. This is again a policy issue. We must look at a policy from the perspective of the general public. If the Government wants to win applause, The Financial Secretary is here now, and he can announce the construction of PRH flats tomorrow. This will surely win the support of all Hong Kong people. But is such a policy conducive to the public good? No. We must calculate the proportions of the burden first.

Second, it is indeed true that property prices can be very high these days — \$70,000 or \$100,000 per sq ft. These are "astronomical" prices, but will these

"astronomical prices" affect the residential units for the middle and lower strata of society? President, please look at the "Chan's" handbag carried by Ms Audrey EU now. President, what is a "Chan's" handbag? Well, what I mean is a Chanel handbag or Hermes handbag. One such handbag may cost more than \$200,000 I am not talking about yours. I am talking about those of others. *(Laughter)* But it seems the price of your handbag is as high as that. You may take a look Please let me have a look at your handbag. (Mr Abraham SHEK turned to Dr Priscilla LEUNG) *(Laughter)* President, it may also be possible to buy one such handbag in Temple Street. Therefore, can one say that every handbag is worth \$70,000? President, the answer is no. The market

DR PRISCILLA LEUNG (in Cantonese): I bought this in New York City.

MR ABRAHAM SHEK (in Cantonese): Really? Then, it must be even more expensive. *(Laughter)* But it does not look like one bought in New York City. It looks like one available in Women's Street. I am sorry, President. Here is my point. There is invariably a separate market for each type of residential units and goods. The person who has purchased a residential property on Conduit Road at a price of \$70,000 per sq ft is no market manipulator. He is no market manipulator as described by some Members, nor is the sale a bundle sale either. What is "a bundle sale"? This means that when one unit is purchased, three more units are given to the buyer as a gift. I can tell Members that before I came to this Legislative Council meeting today, I also asked, "Is it accurate? Don't make me stand before the Council like a fool. I must not tell any falsehood." But the purchase is genuine. The buyer is an overseas Chinese. He wants to make investments in Hong Kong because he thinks that it is worthwhile to do so. He has therefore bought properties here at prices of \$70,000 or \$100,000 per sq ft. And, he has also brought his family here. Will the spending by all those people on things like internal decorations and meals in Hong Kong boost our economy? All of us will surely benefit. But this does not mean that the price of \$70,000 per sq ft will not affect the properties for the middle and lower strata of society. The prices of properties on Conduit Road As a matter of fact, the properties for the middle and lower strata of society will also be affected. But the important thing is that while people may raise their asking prices, the market will make adjustments. President, how does the

market make adjustments? The answer is that there will be no demand at the prices being asked for. Soon enough, we will see prices coming down from \$19 million to \$17 million. There have been many such cases. I need not dwell on them.

Well, these days, the Financial Secretary is requested to regulate the property market. President, it is indeed very easy for the Government to regulate the property market. Chief Executive TUNG Chee-hwa made such attempts. His policy of "85 000 housing units" was meant precisely to regulate the property market. What effects did this policy produce? Market confidence was eroded. There was also the financial turmoil, of course. With the combined effects of the two, land prices plummeted by 80%, and property prices by 60%. Who were battered as a result? Who were affected? President, they were all the 1.2 million property owners. How many of us were thus made to suffer the impacts of negative equity assets?

Well, if we now try every year to speed up Even at its peak, the annual volume of new flats for sale is just something like 20 000 or 30 000 units. But people are saying that since property prices are so high, we must try to suppress them. If the Financial Secretary wants to curb property prices, he must first weigh the pros and cons. President, what effects will such a move produce? The Financial Secretary can certainly succeed in curbing property prices. He can bring down property prices any time, as promptly as tomorrow. But how can he do so? After all the curbing measures, and once prices fall, the properties possessed by 1.5 million owners will all become negative equity assets. This is no alarmist talk. A similar scenario did occur 12 years ago, before the reunification. I hope I do not wish to see any such scenario again. I am not saying that there is anything wrong with curbing property prices. But I think that before making any move, the Government must always consider how the relevant policy is going to be implemented.

Well, let me now discuss the construction of HOS flats. In the past, the British Hong Kong Administration had a justification for this policy, for it must maintain the people's confidence. However, the historical role of this policy should have come to an end by now. Maybe, it is still necessary to encourage people to buy properties. In that case, we can offer first-time buyer loans, and there are many other possible measures. I think many political parties and groupings may also put forward similar proposals. This is fine. But we must

not allow our concern for a handful of people to affect our long-term plans, though we may want to win their votes or applause.

It is fortunate that this Government of ours — I know we are discussing the policy address — has never implemented any policies for the sake of winning applauses. Rather, policies are implemented for the well-being of Hong Kong. President, this is precisely the objective of the policy address this year — promoting economic recovery and stability and enabling all to share the fruit of economic success.

Let me now turn back to property prices. Well, why are property prices so exorbitant? Time flies, and nine minutes have passed already. High property prices are related to supply. When demand and supply When there is a sudden shortage of supply, everybody will think that since there is practically no interest, the real value of the money deposited in banks will only decrease all the time, and also because of the Lehman Brothers incident I shall come back to the Lehman Brothers incident a moment later. All seems like such a long story Since there is practically no interest, the best way to preserve the value of money should be the purchase of properties. As a result, people will all do so. If there is no supply of new flats, the result The reason is that the construction of a new flat usually takes three years. In the coming year, the supply of new flats will be 9 000 to 10 000 units only. Who will benefit from this? Not property developers but owners in the secondary market. These owners want to change to other flats, so they raise the asking prices of their existing flats. But once their properties are put up for sale, their asking prices will be subject to adjustments in the market. For this reason, one must have faith in market adjustments, rather than thinking that the 60 intelligent Legislative Council Members can cause the Government to implement policies. The reason is that policy-formulation requires huge efforts.

Second, I talked about supply just now. Why is supply I must mention the Application List system at this juncture. The Application List system is a great innovation, in the sense that it can reflect market conditions. But the market has been in poor shape, and only two sites were sold last year. Problems are evident. What adjustments are required? The Government is so greedy that it frequently raises the Open Market Value (OMV) of land. Then, it says that a bid must reach at least 80% of the OMV. The point is that the

amount is invariably very great, whether we are talking about 80% of 100 or 80% of 140. It is 80% in both cases. This has discouraged many people from buying properties. But the Application List system is going to be fine-tuned. Financial Secretary, how are you going to fine-tune the system to encourage more people to buy land? How should you handle the matter? A reference to the concept of "stick and carrot" is most appropriate here. There must be some incentives to induce property developers to trigger lots, or, to make them think that they should not trigger a particular lot. If the upset price is not reached, the Government should not sell the site. Some members of the REDA think that the system is not good enough and question why regular auctions are not held. This idea can also be considered. We must therefore consider many things before there can be an adequate supply of land in the market for investors to build more residential units. This is a very important point.

Besides the Application List and land auctions, another source of land supply is lease modifications made every year. They are Some Members have already explained what they are all about. Under the policy of lease modification, there will be a greater supply of land, as agricultural sites can be converted into residential lots. The uses of many sites have been converted in this way. Many property developers have bought large quantities of agricultural land, but it will take 10 years to change the uses of such land because the Government's existing policy is very stringent, and progress is therefore very slow. If the Government can relax the policy a little bit Before 1997, the British Hong Kong Administration also relaxed the policy, and the supply of land increased immediately. This does not mean any collusion between the Government and business. Rather, it is just a matter of enabling the Government and business to make observations from market perspectives. I hope the Government can do so. The adoption of this measure will lead to a large supply of land. In this way, the Government can encourage more property developers to move their real estate investments from the Mainland back to Hong Kong. Why? The reason is that when property developers cannot and therefore do not buy any land in Hong Kong, they will buy lands in places like Shanghai, Shenzhen and Guangzhou. We must bear in mind that rich people are under no obligation to invest their assets and capitals in Hong Kong. So, we must induce them to return to Hong Kong for investments. For this reason, the Government must increase the supply of land, so that they can build more residential units. That way, property prices will rise.

The third point is about the Urban Renewal Authority (URA). The establishment of the URA is not meant to make profits. Why did the Government inject \$10 billion into the URA, President? Why? The purpose is to improve the environment and construct more residential units. But the URA has chosen to co-operate with property developers after acquiring various sites. The URA may have to pay \$10,000 per sq ft to acquire a site. Then, why should people criticize a property developer for selling the units at the price of \$14,000 later on? People always point their fingers at property developers, criticizing them for selling their units at \$14,000 per sq ft. But do they know who have taken \$10,000 in the very first place? Government-related organizations. The Mass Transit Railway Corporation Limited (MTRCL) has been doing the same thing. But the good thing about it is that after reaping the profit, it will use it for fare subsidy, so that the public can enjoy affordable fares. Many people criticize that MTR fares are very high, but I can say that our MTR is the best of its kind in the whole world, and its fares are also the lowest. Since I am a Director of the MTRCL, I must make a declaration of interest here. If I do not do so now, I will be in trouble.

President, we must consider how we can amend this policy from the overall perspective. On the supply side, one idea is for these organizations to sell their lands to the Government, so that the latter can hold auctions to sell the lands concerned. But the point is that it may not be possible to attain the desired price levels because of increased supply. At present, these organizations can keep the profits they have made and then spend the money on their own work. All these factors must be taken into account in the course of review. I am aware of this because I was the one who advocated this very arrangement. In that sense, I am guilty, but even a sinner may repent. I know I did make a mistake.

President, I have discussed the issue of land supply. I have talked about HOS flats and also PRH. Having discussed the government framework, I now wish to say a few words in connection with the Lehman Brothers incident, President.

Why are minibond buyers able to recover 60% to 70% of their principals? President, this is attributable to the influence of the Legislative Council. Members have all been working with one heart to exert influence on the Government, the banks concerned, the HKMA and the SFC, thus succeeding in making them work out a settlement scheme. Many Members have devoted huge efforts to handling the matter. I am now called "Lehman SHEK". But I have

not made great efforts. We should also mention "Lehman KAM", because many Members, such as Mr CHAN Kam-lam of the DAB, "Ah KAM" and Tanya, have all made enormous efforts. Before April, there were several thousand cases. They had to handle several thousand cases Here comes my bad habit again.*(Laughter)* They have already resolved several thousand cases. Why are they so reticent now? Because they are magnanimous. Since Donald TSANG is now under attack, they do not want to express any opinions. But they have already resolved 4 000 cases. Some victims have recovered 70% of their principals, President.

Hence, "Lehman SHEK" alone is now in the limelight. But, President, I should not be in the limelight. The Members mentioned just now, and most importantly, the Legislative Council, are the very ones who should be in the limelight. President, I hope that this is not the end of our handling of the Lehman Brothers incident. President, our handling of the incident should not end here because many other people have not yet received any compensation. These people have actually approached me, complaining that I have not offered them any help. I told them, "You haven't approached me, so how can I help you?"*(Laughter)* I still hope that all political parties and groupings can work with one heart to help the hundreds and thousands of I do not know the exact number the hundreds and thousands of ELN victims and those battered by the financial turmoil It is argued that no compensation should be paid to these people because they were nothing but "gamblers". However, they were no gamblers. Quite the contrary, they were deceived and misled into buying these financial products as investments. That was the reason.

I hope that Honourable colleagues, brothers and sisters in this Council, can spare some time to help this group of deserted victims who have not received any compensation. President, the Government may not wish to see this, right? However, I must still speak for them, right? If not, these one thousand or so victims will certainly come to me every day, nagging me outside my home. I therefore sincerely want to help them, President. This is very important. I know that the Democratic Party has likewise devoted much time to handling this incident. This is also the case with the DAB. And, Tanya and other Members have also made their efforts. I hope that Members can once again work with one heart, forgetting all about their party differences and brushing aside all

considerations of who should claim the credit. The reason is that all of them do not want to claim the credit. This is the biggest headache.

I hereby call upon Members to come forth. President, on the incident involving the wife of the Chief Executive's elder brother, I can aver that the Chief Executive was not aware of the whole thing. I am talking about the lady surnamed LAM She should be the Chief Executive's sister-in-law. I am sorry. She should be the Chief Executive's sister-in-law. I am not so good at these things. Please pardon me. President, I can tell Members that the Chief Executive was not aware of the whole thing, and it was impossible His younger brother did not want him to know either. He did not want him to know. At that time, he asked me to enquire with the bank, so I said President, as I said on the radio yesterday, I advised him to approach Albert HO because he was good at lawsuits and had handled many similar cases. I also advised him that if he did not want to go to Court, he could approach KAM Nai-wai because he went to the banks every day on this matter and had successfully resolved many cases. However, he turned down my advice because he did not want to politicize the matter. He decided to seek my help, as we had been friends. I replied that I was unable to deal with the matter, as I myself had to refer many such cases to "Ah KAM". I went there once, but the Chief Executive was totally unaware of the whole thing. I must tell Members that this is the truth

That day, when I accompanied the Chief Executive's sister-in-law to the meeting, I did not exercise I only brought his sister-in-law to the meeting. By relating the whole thing today, I hope that I can clarify all doubts and queries. I am not trying to defend the Chief Executive. But I must say that the truth is the truth. I do not think that there was anything to do with her status as the Chief Executive's sister-in-law. She was only an ordinary investor. She was misled What she bought at that time was a capital preservation product. President, I am talking about "capital preservation". She deposited money in the bank simply because she wanted to "preserve her capital". But all ended in a complete mess subsequently. Her only fault was that she was misled. Her case was exactly the same as all those ELN cases I mentioned a moment ago. Why should she be denied the right to compensation simply because she is the Chief Executive's sister-in-law, while others can all enjoy such a right? It is widely reported that she was given priority treatment. What kind of priority treatment? One can always look for the relevant information on the Internet. Before her, several thousand victims had already received even greater compensation,

President. Speaking of this, I am really ashamed of myself. How can people call me "Lehman SHEK"? They should praise "Lehman KAM" instead. Therefore, when we handle ELN cases in the future, people should say "Lehman KAM", "Lehman SHEK", and so on. President, I think the incident is extremely important to the reform of Hong Kong's financial system.

President, I must leave some time for the policy address. This policy address is the fifth one made by the Chief Executive. Having read this policy address, I realize that he is not out for kudos. He has made it very clear that he does not intend to hand out "candies" and then live a happy life in the next two years. I guess that before he made this policy address, he had already known that he would come under severe criticisms. But why did he still stick his neck out? Why did he still want to present such a policy address? The dozens of pages of this policy address can show that he really wishes to build a solid economic foundation. Such an economic foundation can enable Hong Kong to move from four pillar industries to 10 pillar industries, giving opportunities to 7 million or even 8 million people. There is a new direction, a roadmap, a timeframe and, most importantly, a framework for policy implementation.

One simple example is the revitalization of industrial buildings, which falls within the portfolio of Secretary Carrie LAM. According to her, property developers are most unhappy with this policy. But we do not feel that way. Quite the contrary, we think that this is a very good policy. This policy can boost Hong Kong's economic development and promote local employment. It is an all-win policy. The reason is that when Hong Kong as a whole prospers, all people, including property developers, will also thrive. Property developers do not wish to see any sudden soaring of property prices. What they fear most are sudden price rises followed by a nosedive, because a period of plummeting prices will usually be longer. Therefore, property developers only wish to see a stable market. The ideal scenario is one of steady increases not punctuated by any drops, right? Therefore, as I have mentioned, if the Application List system is to be fine-tuned, a more pragmatic upset price should be set. The rate of 60% should be further adjusted. The sites belonging to the URA and the MTRCL should be put up for sale more quickly to discourage their greediness. If they want to, they can build residential units on their own, and in that case, they can sell such units at lower prices. President, if they undertake construction projects on their own, they may be able to set the price at \$7,000 per sq ft. What I mean

is that when the cost is \$7,000 per sq ft, they can set the price at this level. In this way, the price level in the entire market will also drop to \$7,000 and achieve stabilization. But these organizations want to sell the lands at \$10,000 per sq ft. A property developer which has bought a site at this price must still spend money on actual construction. The cost of construction may be as high as \$2,000 per sq ft. In other words, the total cost will be \$12,000 per sq ft. And, interest cost must also be counted, President. When interest cost and its profit are added, the price of \$14,000 per sq ft will not be unreasonable, right? Having made such a huge investment and having to bear the risk, it can only make a profit of some \$1,000 per sq ft. I therefore hope that a review of our overall land supply can be conducted, with a view to expediting the process of lease modification. That way, it will be possible to encourage Hong Kong property developers to make more investments.

On the property market, especially the luxury homes segment Margaret commented that an apartment measuring 400 square feet should not be called a luxury apartment. Well, if a property developer wants to call an apartment measuring 400 square feet a luxury apartment, just let it do so. Sometimes, buyers also want some beautiful names for the properties they purchase, right? If property developers want to call their housing projects luxury apartments, just let them do so. But Tanya also mentioned one point. She said that in the future, in case she wants to buy a residential unit, she will see many figures — figures on floor area and gross area — and she will not know which one is correct. Actually, all such figures are correct, and it depends on which one you are looking for. The gross area and saleable area of a flat are different. The point is to put all these figures together. It is very much like what we ate in our childhood You are too young to know what I mean. When we were small, "full course meals" were often offered in restaurants. A menu of such meals consisted of a full range of choices — A, B, C, D, E, F and G, for example. Patrons were free to choose the items they liked. One was not supposed to pick A, B, C, D, E, F and G all at the same time. One was only supposed to choose what one liked. But the idea was to provide a full range of choices. Another point is that there must be no deception.

President, there have also been many criticisms concerning the 88th floor. Why is the 66th floor named the 88th? President, we have been discussing the six major industries these days. One of them is the creative industry. *(Laughter)*

President, this is actually a great display of creativity. Are you going to ban it? Is there any element of deception, may I ask? No, there is no element of deception, President. The most important thing is that there is no element of deception, because when the sale and purchase agreement was signed, President, it was made very clear: "66, sixty-sixth floor, named eighty-eighth". All was written very clearly. Even the purchaser (Please do not call him a fool) said that it was wonderful.*(Laughter)* He said that it was wonderful, President. The 88th floor and the 66th floor

PRESIDENT (in Cantonese): Mr SHEK, you said that you would speak on the policy address, didn't you?

MR ABRAHAM SHEK (in Cantonese): It is the policy address. I am discussing the policy address, President.*(Laughter)* I mentioned property prices The creative industry is also Basically, if we are to encourage the development of such industries, we must give them more room. The most important is that all must be fair and lawful. Besides, all must be reasonable as well. If the market considers any thing unreasonable, correction should be made. I am not saying that they are right. I am not trying to harbour them. The point is that if there is such a huge controversy this time around, they will not do so anymore in the future. We must adopt an open attitude towards the creative industry. But if the reverberation in Hong Kong is so loud, they will understand that this practice is not accepted by the market, and that they should not do something like this. Hong Kong is a free market. We should enjoy freedom of speech. I think that what we do does not matter so much. The important thing is that we must not hurt and deceive anyone, President. This is the key point. President, I support the policy address this year.

MR LEUNG KWOK-HUNG (in Cantonese): I have listened very attentively to Mr Abraham SHEK's speech. His speech was marked by two features only. First, there was an indirect attempt to dispel all the rumours concerning the Chief Executive. Second, he discharged his duty of speaking for the real estate sector.

On the first point, I must say that it is useless for him to make any indirect attempt to dispel the rumours concerning the Chief Executive, because the person

I want to monitor is the Chief Executive, not Mr Abraham SHEK. The Chief Executive may choose to respond, or he may choose not to. But it remains a fact cast in iron that he is suspected of failing to report a conflict of interest, and to offer an explanation to all Hong Kong people. He lashed out at the mass media, but why did he not clarify the whole thing? Does he want to end up like CLINTON, whose acts were exposed by independent counsel Kenneth STARR? He may still think that he is innocent, or that what he did is not as filthy as described by people. I wish to repeat in this Council that the Chief Executive must assume responsibility for what he has done and must not rely on other people's voice-over. I have gone through the script of his rhetorical speech. I find that he did not tell the truth, and the whole speech was just sprinkled with adjectives.

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, this debate session is on "Developing the Infrastructure for Economic Growth".

MR LEUNG KWOK-HUNG (in Cantonese): Mr Abraham SHEK also mentioned these issues. He even sought to dispel the rumours concerning the Chief Executive. So, why should I be barred from making all these points? The Chief Executive said that it was all a purely empty accusation. He is wrong because the accusation is based on facts. Assumptions may be different, and so may presentations. But it remains true that a transfer of benefits is not the same as a conflict of interest. I suppose Members all laughed just now. Mr Abraham SHEK can actually make a wonderful public officer. He is not such a boring person, to say the least. However, I really feel very sad and sorry. First, by trying so hard to display his sense of humour, he actually wanted to dispel the rumours concerning the Chief Executive. But I do not accept his explanation. I hope that the mass media are not scared by the Chief Executive's threat and will continue to discharge their intrinsic duty of pointing out both his merits and faults.

Second, I must say that Mr Abraham SHEK has done something he is not supposed to do. Who needs him to dispel the rumours anyway? Despite his very tight schedule, Financial Secretary John TSANG still found time to meet with the nine major property developers. I do not know whether any political reward was involved. But we see that when faced with a political crisis, the Chief Executive simply walked away and lashed out at others, rather than trying

to defend his own reputation. He even sent his aide to meet with the nine major property developers. Financial Secretary, I really feel sorry for you. This is the first time that I try to dispel a rumour for you. Actually, you did not threaten the property developers. You only told them that if the property market "turns unfair and unstable to the extent of affecting the people's livelihood", the Government will intervene. Is there anything wrong with this? Why are the property developers so angry? Do they think that even when the property market turns unfair and unstable to the extent of affecting the people's livelihood, the Government still should not intervene? Did they say so to the Financial Secretary? No, I suppose. I suppose they are not so "bu gai" (*in Putonghua*).

Honourable Members, Donald TSANG has tried to perform a "magical trick". On the tourism industry, one of our four traditional pillar industries, I have repeatedly advised that if we choose to focus on the Mainland market, we will lose the world market. The Government has squandered huge sums of money on the Disneyland, but it has become a testimony to TUNG Chee-hwa's shameless brag of achievements. Even now, it is still necessary to clean up the "mess". This Council must still obsequiously allocate funds to pay for his sin, must still continue to pay a price for his pursuit of the grandiose, which led him to accept the terms offered by the Walt Disney Company. What kind of tourism industry is he talking about anyway? It is said that the tourism industry now accounts for 6% of our Gross National Product. Can Donald TSANG tell us what will happen to this proportion sometime later? The logistics industry and trade are already dying. Anyone with just a little bit of common sense will know that there is no more room for the development of the logistics industry in Hong Kong. And, consequently, trade is also doomed. So, only the financial industry and the real estate industry are left.

Honourable Members, the financial industry and the real estate industry have become the most profitable industries in Hong Kong only because the Mainland authorities have launched a spending scheme of RMB4,000 billion yuan. The Mainland capital market is thus "flooded", and Hong Kong is also "flooded" as a result. But once we are buoyed up, the water will be pumped away, and when the water ebbs, we will be caught inside a "bubble". President, I am really talking about the real estate market, so you must not stop me. What kinds of capitals are being used for the property speculation in Hong Kong? Mr Abraham SHEK is not in the Chamber now. How can I know that the "overseas Chinese" is not the son of a senior Chinese cadre? Maybe, after one of his

friends had given him the money, this "overseas Chinese" went to the United States and then returned to Hong Kong to buy residential properties. This might be the case. In the days of the former Soviet Union, some corrupt officials in Moscow also purchased properties in London, and we now ask Mainland people to buy residential units in Hong Kong. We hope that each of them will not only buy one unit; we hope that each of them can buy two units, maybe. In this way, we have dragged ourselves into trouble. We brag on and on here, thinking we are going to make a big fortune. Needless to say, Donald TSANG does not want to win our applause. This reminds me of a biography I have read. There was this French tyrant hosting a ball for the nobility, during which all guests were resplendently dressed. They heard a commotion outside, and it looked as if people were going to storm in. The tyrant then said that he did not care what would happen after his death, and that he just did not care how many poor people were going to die. To him, the people screaming outside were all crazy because it was pointless for them to stir up such trouble when they did not even have anything to eat. The tyrant might have thought that these people should try to scavenge food in litter bins. Now, this is exactly what the trickle-down theory is all about. The essence of this theory is that the rich must first make all the profit they want, and the poor can only get the morsels that are left behind.

Under the existing policy, the real estate market must depend on the huge inflow of capitals. This, coupled with the Application List system and the short supply of private residential flats, has led to the present market imbalance. Actually, the situation before 1997 was just the same. People often talk about the time before 1997. There was a similar bubble at that time. At that time, the mainlanders came to Hong Kong to jack up the property market and did a final round of speculation before the reunification. But since the supply of land was limited to 50 hectares, a bubble emerged. The situation now is similar. Years ago, it was also said that the bubble would not increase the financial burden of ordinary property buyers, and that shop rents would not go up either, right? It was said that the bubble would never burst, and that even if it really burst, people would not be affected The bubble Thank you.

You people have made a bubble and want others to live in it. I have repeatedly pointed out in this Council that, in present-day economies, those who have no money for speculative activities will certainly remain poor forever. And, people cannot enjoy any job security and income protection either. As for those who can somehow climb to the top of the bubble, they will still fall down

once the bubble bursts. In other words, either way, there is no way out. In such a miserable world, can one still laugh? I frankly cannot see why one should still laugh.

I once asked the Chairman of my political party a question. I told him that the number of poor people in Hong Kong had reached 1.2 million. I then asked him whether Donald TSANG was sick. He still claimed that there were no poor people in Hong Kong because only those people earning an income lower than Comprehensive Social Security Assistance (CSSA) rates should be regarded as poor. Well, given such a definition, there are of course no poor people in Hong Kong. In the eyes of the Government, CSSA is the safety net for those who are on the verge of death. But it now says that only people whose incomes are lower than CSSA rates can be regarded as poor. I must say that these people are the poorest among the poor. They are really on the verge of death. Has the Government ever come to their rescue? Of course not. Some people are really caught in a dilemma. A couple have bought an old flat, and they do not have any money for maintenance and repairs. But the property they own is still valued at several hundred thousand dollars. So, they cannot apply for CSSA. They are really very poor. But has the Government ever come to their rescue?

After Donald TSANG has uttered all this nonsense, is Matthew CHEUNG supposed to clean up the mess? There are all those "five not's". We talked about their plight at length last year. But the situation has not changed. Does the Chief Executive have a conscience?

Honourable Members, one of the six major industries the Chief Executive wants to promote is education services. Recently, I have given many talks in universities, and the mentioning of this always made me very angry. Only 18% of local secondary students can be admitted to undergraduate programmes. Our university admission rate is the lowest among developed places. So, how can the Government still talk about developing the education services? All tertiary institutions are already doing so, right? They have been inviting Mainland students to study in Hong Kong because these students have to pay higher fees. But can one call this the development of the education services? No attempts have been made to tackle the shortage of places for local students. But they still want to develop education services into an industry. Are they actually drinking poison to quench their thirst? But he still boasts of this here.

The Government also wants to promote the health care industry. It once proposed to spend \$50 billion on implementing health care financing. And, after failing to lobby for support, it dropped the proposal. But then, elderly people in need of medicine with better curative effects will face the restriction of the Standard Drug Formulary, and even mental patients will also face the restriction of the Standard Drug Formulary. A patient who needs an operation must wait several years. In some cases, the patient simply dies before his turn. But the Government still talks about promoting the health care industry. It had better promote the funeral industry!

The environmental industry is Donald TSANG's strong area. He says that he wants the sky to be blue. But the Financial Secretary must look at the sky himself. The Financial Secretary is well aware of the situation. Many foreigners talking to him will tell him that they will not let their children stay in Hong Kong because the air quality here is extremely poor. So, how can the Government still talk about promoting the environmental industry? Apart from providing a subsidy to pave the way for tariff increases and the suspected case of funneling benefits to his son's father-in-law, what other environmental efforts has the Government made? I have mentioned several times that I live in a public housing estate, and the red, blue and white plastic bags I use for garbage disposal may not be environmentally-friendly. What tricks has the Government been playing?

The testing and certification industry is nothing but a mirage. Our country is world-famous for manufacturing counterfeits. Is he saying that all such counterfeits should be shipped to Hong Kong for testing? What kind of testing is he talking about? Buddy, do not attempt anything like this, or you may be assassinated. Such goods are everywhere. Do they want to take a look at all the counterfeits in the streets? What kind of testing is he talking about?

Another industry is innovation and technology. In terms of its proportion in total profits, the money spent on research and development (R&D) by the bourgeoisie or consortia in Hong Kong is the lowest in the world. But in the policy address, the Government plays a trick, saying that the proportion is 30%. But it is not 30% of the total profits earned by enterprises. And, the Government even says that the proportion has risen to 50%. Buddy, the truth is that only 0.9% is related to R&D. And, the Government still wants us to

subsidize their R&D. They only pay very little tax, so why should we still give them any subsidy? They want to subsidize all those "lazy" consortia.

The Government proposes to establish a fund for cultural and creative industries. It is small wonder that so many people from the film industry have lashed out at me and turned away from me. They want to qualify as a creative industry under the fund, so they must lash out at "Long hair", right? Even Johnny TO criticizes me. I really do not know in what ways I have offended him. Perhaps, the reason is that he wants to open up the Mainland market for his films. The Government proposes the promotion of creative industries and the establishment of a fund. It even says that attempts will be made to open up the Mainland market. Everybody knows how clever the Mainland film censorship authorities are. The endings of all films about triad societies must be the arrest of culprits by public security officers. All villains must not be allowed to fare well in the end. The point is that the need for catering for the Mainland market will cleanse our creative industries of any creativity. Films must be cleared by the film censorship authorities before they can be shown on the Mainland. What is the implication of this? The implication is that we must spend our money to enable movie makers to meet the requirements of others on the Mainland.

Honourable Members and the Financial Secretary, I am actually a man full of sympathy. I have been listening attentively to Members' speeches. I have listened to how Mr Abraham SHEK commended you, the Financial Secretary, and now I must scold you. But I do not regard anyone as a personal enemy. My criticisms are not personal because I know that it is your job. Ten major industries are under discussions, but only two of them are useful. And, even so, these two industries have inflicted immense suffering on Hong Kong people. But have any attempts been made to rescue the victims? You must not talk about the trickle-down theory again. The reason is that all trickles will only go to the people next to them. Nothing can trickle down, because the passage is blocked. Can you just try to rescue people? Last time, I did push the stand and snatch something from you. But do I really have any personal grudges against you? After such a long time

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, please face the President when you speak.

MR LEUNG KWOK-HUNG (in Cantonese): After such a long time, nothing has changed. So, how can I not help running towards him to snatch things from him? How can I not help doing so? So, other Members must shove me away, right? Regarding this latter incident, I will settle scores with him some other time. I shall talk about it tomorrow.

President, this solemn legislature has been reduced to an agent of the rich. They crack jokes here, but I am ashamed of them. I am not even talking about politics here. Have you rescued anyone? Have you handed out any benefits? All benefits are handed out to those who have the authority to elect him, or Henry TANG, or LEUNG Chun-ying, as the next Chief Executive. I am not singling him out for criticisms. I am also chiding the other two. I am very fair. The other two men were also reared and raised in the same way. They are also indifferent to the suffering of poor people.

President, I shall talk about other things next time. Thank you, President.

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): Honourable Members, I have accepted the decision of the House Committee to suspend the meeting at 9 pm. I may actually extend the meeting for half an hour. But it is obvious that it is impossible to complete the first session of the policy debate before 9:30 pm. I therefore see no point to extend the meeting. I now suspend the Council until 9 am tomorrow.

Suspended accordingly at one minute past Nine o'clock.