

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 4 November 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 TIMOTHY FOK TSUN-TING, G.B.S., J.P.

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

THE HONOURABLE ABRAHAM SHEK LAI-HIM, 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 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 PAUL CHAN MO-PO, M.H., J.P.

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.

MEMBER ABSENT:

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

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE STEPHEN LAM SUI-LUNG, G.B.S., J.P.
SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

THE HONOURABLE DENISE YUE CHUNG-YEE, G.B.S., J.P.
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE MATTHEW CHEUNG KIN-CHUNG, G.B.S., J.P.
SECRETARY FOR LABOUR AND WELFARE

PROF THE HONOURABLE K C CHAN, S.B.S., 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 YAU SHING-MU, J.P.
UNDER SECRETARY FOR TRANSPORT AND HOUSING

CLERKS IN ATTENDANCE:

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

MRS VIVIAN KAM NG LAI-MAN, 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>
Dumping at Sea (Exemption) (Amendment) Order 2009 ...	203/2009
Energy Efficiency (Labelling of Products) Ordinance (Amendment of Schedules) Order 2009	204/2009
Market (Cessation of Application of the Public Health and Municipal Services Ordinance) Declaration 2009	205/2009
Public Health and Municipal Services (Cessation of Designation as Public Market) Order 2009	206/2009
Public Health and Municipal Services Ordinance (Amendment of Tenth Schedule) Order 2009	207/2009
Electoral Affairs Commission (Electoral Procedure) (Legislative Council) (Amendment) Regulation 2009 (Commencement) Notice	208/2009
Electoral Affairs Commission (Electoral Procedure) (District Councils) (Amendment) Regulation 2009 (Commencement) Notice	209/2009
Electoral Affairs Commission (Electoral Procedure) (Election Committee) (Amendment) Regulation 2009 (Commencement) Notice	210/2009
Electoral Procedure (Chief Executive Election) (Amendment) Regulation 2009 (Commencement) Notice	211/2009
Electoral Procedure (Village Representative Election) (Amendment) Regulation 2009 (Commencement) Notice	212/2009

Electoral Affairs Commission (Registration of Electors) (Legislative Council Geographical Constituencies) (District Council Constituencies) (Amendment) Regulation 2009 (Commencement) Notice	213/2009
Electoral Affairs Commission (Registration) (Electors for Legislative Council Functional Constituencies) (Voters for Election Committee Subsectors) (Members of Election Committee) (Amendment) Regulation 2009 (Commencement) Notice	214/2009
Electoral Affairs Commission (Registration of Electors) (Village Representative Election) (Amendment) Regulation 2009 (Commencement) Notice	215/2009
Voting by Imprisoned Persons Ordinance (Commencement) (No. 2) Notice 2009	216/2009

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Section 39E of Inland Revenue Ordinance

1. **DR LAM TAI-FAI** (in Cantonese): *President, at the meeting of this Council on 21 October 2009, I raised a question regarding the initial allowances and annual allowances (depreciation allowances) on machinery and plants. In connection with the reply given by the Secretary for Financial Services and the Treasury to this question, will the Government inform this Council:*

- (a) *given that section 39E of the Inland Revenue Ordinance (section 39E) aims at limiting tax avoidance opportunities in various forms of machinery or plant leasing arrangements, and the Government also agrees that under the import processing arrangement, Hong Kong enterprises may make their machinery or plants (mainly moulds) available for use by Mainland enterprises free of charge for manufacturing goods which these Hong Kong*

enterprises will buy from the Mainland enterprises, and not for the purpose of "tax avoidance", why the Government still considers such arrangements as leasing arrangements and applies section 39E to restrict the granting of depreciation allowances to Hong Kong enterprises to which they are entitled in respect of these machinery and plants;

- (b) given that the Government has indicated that the practice notes of the Inland Revenue Ordinance (IRO) have no legal binding force and can never change the legislative intent of the relevant provisions, why the authorities needed to amend the original practice notes in 2006 and extended the retrospective period of the amended notes to the previous years of assessment; how the Government fulfils the assurance it made upon the enactment of section 39E in 1986 that the provision only targeted at the two leasing arrangements of "sale and leaseback" and "leveraged leasing"; and*
- (c) given that the Government has indicated that there are practical difficulties in relaxing the relevant restriction in part (a), including the difficulties in confirming if the machinery or plant was solely used on the Mainland for manufacturing goods sold to the Hong Kong enterprise concerned, if the machinery or plant has been sold and if the depreciation allowances concerned have been claimed by others, whereas there are provisions in the IRO stipulating that under certain circumstances the burden of proof shall rest on the taxpayers, whether the Government will allow taxpayers to provide evidence in this respect to address such difficulties, so that the legislative intent of section 39E will not be violated when this section is enforced?*

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

- (a) As I pointed out in my reply to Dr LAM Tai-fai's written question on 21 October this year, section 39E of the IRO was enacted in 1986

and amended in 1992 to become the current version. The legislation aims at limiting tax avoidance opportunities in various forms of machinery or plant leasing arrangements. The relevant provision stipulates that a Hong Kong enterprise will be denied depreciation allowances if the machinery or plants owned by it are used wholly or principally outside Hong Kong by another enterprise.

Section 39E or any other specific anti-avoidance provision in the IRO will apply if a commercial arrangement is within the specific scope of the provision. The Inland Revenue Department (IRD) cannot exercise its power under the law selectively.

- (b) Section 39E was indeed enacted in 1986 to target "sale and leaseback" and "leverage leasing" arrangements only. However, after the 1992 amendment, depreciation allowances will also be denied if the machinery or plants owned by a Hong Kong enterprise are used mainly by another enterprise outside Hong Kong. The IRD reflected this amendment to section 39E in its update on Departmental Interpretation and Practice Notes (DIPN) No. 15 in 1992. The further update on DIPN No. 15 in 2006 was only to provide more detailed explanations and real life examples. In no way did the update in 2006 change the scope of section 39E.

The time limit for raising additional assessments under the IRO is six years. The IRD has all along been issuing additional assessments in accordance with the provisions of the IRO. It has no authority to vary the statutory time limit to cater for different situations.

- (c) I have already pointed out in my written reply on 21 October that there are practical difficulties in relaxing the restrictions of section 39E. Although the taxpayer has the onus of proof under the IRO, as the relevant machinery or plants are used by another enterprise outside Hong Kong and such an enterprise is usually a separate legal entity, it would be difficult for the IRD to check the actual usage of the relevant machinery or plants. Besides, the IRD does not have the statutory power to request such an overseas entity to provide supporting documents. If the relevant restriction is

relaxed, the specific anti-avoidance provision can easily be exploited, resulting in tax deferral or loss and a large number of cases in dispute.

DR LAM TAI-FAI (in Cantonese): *President, the Government knows very well that the original intent of this provision is to combat Hong Kong enterprises with tax avoidance intent. However, the machinery and plants currently used by enterprises engaging in import processing in the Mainland have been upgraded and transform to meet actual production needs and the policy of the Central Authorities. So, why does the Government still have to adhere to conventions and enforce the law according to a provision that has departed from its original intent? I hope the Secretary can give me a positive reply: Will the Administration keep abreast with the times, by amending this legislation in accordance with the actual circumstances and table a study report to the Council?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I would like to reiterate that I have actually answered this point in my main reply. I do not agree to the remarks made by Dr LAM Tai-fai just now.

Due to its limitations, when section 39E was formulated in 1986, there were still various other forms of leasing arrangements for tax avoidance, and under many of these arrangements, the machinery or plants owned by Hong Kong companies were utilized by companies outside the territory for a long period of time. Therefore, in order to plug the loophole, as I have just said, section 39E was amended in 1992.

I would like to say that although the use of various leasing arrangements for tax avoidance mainly involved vessels and aircraft; machinery and plants in general might also be involved. Hence, when section 39E was enacted in 1986, it actually covered the two, and they were amended jointly in 1992. Therefore, it was not the case that machinery and plants were not targeted until the provision was amended in 1992.

Furthermore, the issue relating to the operation of Hong Kong manufacturers under section 39E applies only to the leasing arrangements for machinery or plants. According to the IRD's past experience in handling such cases, most of the machinery and plants engaged in import processing in the Mainland were not involved in leasing arrangements; instead, they were treated as assets injected by Hong Kong businessmen into Mainland enterprises, in the form of equity capital, for fulfilling the Hong Kong enterprises' commitment to invest in the Mainland. As the ownership of the relevant machinery and plants have been transferred to the Mainland enterprises, the IRD naturally cannot grant depreciation allowances to Hong Kong enterprises in respect of those machinery and plants. This is irrelevant to section 39E.

DR LAM TAI-FAI (in Cantonese): *President, the Secretary has not given me a direct reply as to whether he intends to review the legislation.*

PRESIDENT (in Cantonese): Dr LAM Tai-fai, in your supplementary question, you said that the IRO has become outdated and you asked the Secretary whether he would amend it. I hold that the reply given by the Secretary just now is absolutely clear.

MR CHAN KIN-POR (in Cantonese): *President, my supplementary question is about the written reply given by the Government to Dr LAM Tai-fai on October 21 and today's main reply. Both replies mention the practical difficulties in relaxing the restrictions. I would like to know whether the Government has actually made any effort in addressing these practical difficulties, because if section 39E is indeed unfair to Hong Kong enterprises, some legitimate businessmen will, after all, be affected innocently. This is very unfair to them. May I ask what effort the Government has made to address the practical difficulties mentioned just now?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, just now I mentioned the arrangements made for the manufacturers when I replied to the supplementary question of Dr LAM Tai-fai; and I consider it to be irrelevant to section 39E.

Section 39E is in itself an anti-tax avoidance provision, and it has specific details. There are difficulties if we are to, having regard to the operation explained by Hong Kong enterprises, amend section 39E in the light of those special operations. As I have explained in my reply earlier: If the machinery and plants are leased for use by Mainland enterprises, how should their usage be determined? Is the usage completely in line with the requirement of generating profits in Hong Kong? It is quite difficult to do so. Certainly, I have to point out that if it is really necessary to amend section 39E as a result of this, the entire provision on tax avoidance might need to be amended as well. Moreover, a lot of efforts have to be made before the loopholes can be plugged. However, we welcome the industry to reflect their views on this matter to us.

Regarding this issue, continuous communication has been maintained between the IRD and the industry. We are more than happy to maintain communication with the industry in this regard.

DR SAMSON TAM (in Cantonese): *President, I hold that the Government should first clarify the tax systems of Hong Kong and the Mainland for the avoidance of double taxation, which have been discussed by us from time to time. At present, if the companies in Hong Kong and the Mainland are sister companies, and none of them has been granted tax deduction, then the Secretary will need to pay attention. In particular, he should pay attention expeditiously when the situation worsens.*

May I ask the Secretary if the Government can provide some data on the number of Hong Kong funded enterprises pursued by the IRD over the past three years and the amount of tax involved, and whether any enterprise had declared bankruptcy during this period?

PRESIDENT (in Cantonese): Dr TAM, it does not occur to me that your supplementary question is directly related to the main question. Could you explain?

DR SAMSON TAM (in Cantonese): *Very well. May I know the extent of impact of section 39E of the IRO on the entire industrial and business sector, that is, Hong Kong enterprises?*

PRESIDENT (in Cantonese): Do you mean those enterprises which had declared bankruptcy as a result of being impacted directly by section 39E?

DR SAMSON TAM (in Cantonese): *Right, I mean those enterprises which were pursued by the Government for tax recovery. Hence, I would like the Government to provide information to let us know the number of enterprises pursued by the Government and the amount of tax recovered over the past three years.*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, Dr TAM, I can only say that I will follow up the matter with the IRD and see what information can be submitted afterwards for follow-up action. (Appendix I)

MR VINCENT FANG (in Cantonese): *In his main reply, it has been mentioned by the Secretary that currently, all Hong Kong enterprises have moved northwards and processing with supplied materials was a mode of the past. Now, we have three foreign-invested enterprises because of the Mainland, though the operation remains exactly the same. The Secretary has kept saying that there are difficulties and problems with the IRD's supervision. May I ask the Secretary whether he can seek assistance from the tax authorities in the Mainland in investigating suspected cases through the taxation agreement reached between China and Hong Kong?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, the taxation system in Hong Kong is certainly

implemented in accordance with Hong Kong law. I have also stated clearly the spirit of the legislation and practices. I do not hold that the problem is simply about whether machinery and plants are granted depreciation allowances. Instead, given that the legislative provisions are subject to such restrictions, manufacturers can then act according to the provisions.

As regards co-operation between Hong Kong and the Mainland on taxation matters, we have actually reached an agreement on issues relating to double taxation. However, this does not fall within the scope of the investigation. At present, with regard to enforcement of taxation, we believe the burden of proof shall vest on Hong Kong enterprises.

MS MIRIAM LAU (in Cantonese): *It has been stated by the Government that tremendous difficulties will be encountered if the legislation is to be amended. However, I hold that if the Government does not amend the legislation, Hong Kong enterprises will experience even greater difficulties. Just now, many Honourable colleagues have mentioned that during the initial stage of the country's reform and opening up, manufacturers had no problem with processing with supplied materials as tax concessions would be provided by the Government. However, in order to complement the country's transformation and upgrading, the mode was switched to three foreign-invested enterprises and import processing work was adopted instead. As a result, the enterprises are caught by the taxation net of section 39E.*

Section 39E was originally aimed at combating acts of tax avoidance; however, such change in the mode of operation actually does not constitute an element of tax avoidance, which has been stated very clearly by Dr LAM Tai-fai. In fact, there has been no operational change. In order to achieve homogeneity for the products and meet buyers' requirements, there is a need for Hong Kong enterprises to send their machinery and the moulds mentioned by Dr LAM Tai-fai to the Mainland. The Mainland cannot decide by itself what to do. The machinery and moulds must be provided by Hong Kong. The moulds provided by Hong Kong must be used, whether for processing with supplied materials or import processing. Under such circumstances, there is absolutely no intention of tax avoidance. So, instead of adopting the current practice to strike a blow at the new mode of operation and recover tax for the past seven years, why does the

Government not consider providing tax concessions for this mode of operation to put it on par with processing with supplied materials?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, just now, I have explained that this is an anti-tax avoidance provision and its scope. As I have explained just now, in formulating or amending any legislation, we must take into account the loopholes and abuses that may arise during implementation, as well as the impact of the loss in tax revenue. These are the major factors we have to consider. I can only say that, with regard to the implementation of section 39E, we have been liaising with the IRD and professional bodies from time to time in the hope that the business community can put forward their views to the IRD.

PRESIDENT (in Cantonese): Ms LAU, has your supplementary question not been answered?

MS MIRIAM LAU (in Cantonese): *The Secretary has not answered my supplementary question. I have already described why acts now caught by the tax net are not acts of tax avoidance, then why are acts not intended for tax avoidance be caught by the tax net? The Secretary has not answered this.*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, in my main reply, I have answered why tax avoidance provisions have a specific scope. Law enforcement must be conducted in respect of the scope stated in the IRO.

MR ALBERT CHAN (in Cantonese): *President, after reading the Secretary's response and the main reply, I find that his overall attitude clearly reflects that the taxation policy of the Government is tilted towards certain classes, right? Red wine has generated a lot of money for the Government, and so the Government has exempted duty on red wine. The Government has also exempted the area of green balconies in buildings constructed by developers,*

thereby resulting in many "buildings with inflated saleable area". In addressing many issues involving the generation of a lot of money for the Government, it has been highly tolerant or completely relaxed and open. Despite the many employment opportunities created by the industrial sector in the past, it is still treated by the Government harshly. The Government's attitude is obviously differential and discriminatory — the Government can act like a tyrant as it pleases

PRESIDENT (in Cantonese): Please raise your supplementary question.

MR ALBERT CHAN (in Cantonese): *As for industries, I am not entirely familiar with its detailed situation, but several colleagues who have raised questions have obviously noticed the severe impact and pressure of section 39E of the IRO on the industry and even the possibility of causing bankruptcy.*

PRESIDENT (in Cantonese): Please raise your supplementary question.

MR ALBERT CHAN (in Cantonese): *Can the Secretary treat industries in the same manner as red wine traders and real estate developers? Certainly, I understand that you may not be in charge of the relevant policies; but since industries are faced with such a tremendous pressure, can the Secretary be a bit more kind and lenient, and review the impact of the relevant legislation on the industry in question?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): I believe that the industrial sector and the IRD have been holding discussions regarding taxation legislation, so Honourable Members should not find this strange. The industrial sector has been discussing with the IRD ways to modify taxation legislation, areas where tax can be reduced, and ways to come up with clear explanations. Relevant discussions will be conducted from time to time. I believe frequent communication will be maintained from time to time regarding this.

MR ALBERT CHAN (in Cantonese): *President, I was talking about the review, not communication.*

PRESIDENT (in Cantonese): Mr CHAN, please ask your question briefly.

MR ALBERT CHAN (in Cantonese): *Secretary, will you genuinely and seriously conduct a review? I am not asking you to conduct any discussions.*

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

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I have explained that the scope and concept of taxation are very important. We must, therefore, enact anti-tax avoidance provisions of this kind. We will certainly review the views of the industry from time to time.

PRESIDENT (in Cantonese): Two Members are still waiting for their turns to ask questions. However, we have spent more than 20 minutes on this question, so Members have to follow up this issue on other occasions.

PRESIDENT (in Cantonese): Second question.

Proposed Phase 3 Development Plan of Hong Kong Convention and Exhibition Centre

2. **MISS TANYA CHAN** (in Cantonese): *President, regarding the Phase 3 development plan (the development plan) of the Hong Kong Convention and Exhibition Centre (HKCEC), will the Government inform this Council:*

- (a) *given that the former Secretary for Trade and Industry had indicated at the Council meeting on 5 January 2000 that the Hong Kong Trade*

Development Council (TDC) had sought legal advice on the management contract signed with Hong Kong Convention and Exhibition Centre (Management) Limited, and the advice was that if the TDC granted the management right of any extension of the HKCEC to another company while the contract was in force, it might face legal challenge, whether the relevant provision of the contract is applicable to the proposed Phase 3 extension, and whether the Government cannot award the management contract for that part through open tender because of that provision; if it is not applicable, of the reasons for that;

- (b) whether the Government has made an undertaking to a private exhibition organizer and a convention and exhibition facility operator respectively that before the completion of AsiaWorld-Expo's Phase 2 project, it will not implement other plans to expand convention and exhibition facilities; if it has made such an undertaking, of the details, the legal risks or other impact of the undertaking on the development plan and the follow-up actions to be taken by the Government, as well as whether it will defer or shelve public consultation on the development plan; if it will not, of the reasons for that; if such an undertaking does not have any impact on the development plan, the reasons for that; and*
- (c) given that the TDC, being the principal body to promote the development of the convention and exhibition industry in Hong Kong, is also the largest market participant in the industry, and that it not only enjoys a substantially higher market share than others in the industry, but also owns the HKCEC, whether the Government will still proceed to entrust TDC with the development plan; if it will, of the details; if not, how it will implement the plan; as well as whether it will conduct a review on the functions and roles of the TDC in the convention and exhibition industry; if so, of the details; if not, the reasons for that?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, before answering Miss Tanya CHAN's question, I would like to first declare that I am a member of the Council of the TDC.

- (a) The provision in the operation agreement between the TDC and the operator of the HKCEC, the Polytown Company Limited (Polytown), mentioned by Miss Tanya CHAN in her question should be the "non-competition" clause of the operation agreement. The clause is not binding on the Government since it is a commercial arrangement between the TDC and Polytown. I wish to stress that the Government has not yet decided on the development of the HKCEC Phase 3. We will look into the issue of operation rights when considering whether the Phase 3 expansion should proceed. In principle, the Government plan to grant the operation rights through public tender and the current operator of the HKCEC would not be accorded any priority.
- (b) The Government has not made the undertaking mentioned in the question to any individual or organization. In 2003, upon the request of the bidders for the AsiaWorld-Expo (AWE) project, the Government set out in a document its policy on the HKCEC Development 3 being considered at that time, stating clearly that the Government would take into consideration all relevant factors in making a decision. The Government would consider the question of support for the proposed expansion only if it was satisfied that there would actually be unmet demand taking into account, *inter alia*, the additional 100 000 sq m exhibition space to be provided by AWE Phase 1 and Phase 2 and the timing of their availability, and that government support was fully justified for the good of the economy. We would also give due regard to the interests of the Government as a shareholder of the AWE as well as the private sector's investment. I wish to reiterate that the Government has not yet decided on the development of the HKCEC Phase 3. We are still examining the feasibility of the project and will conduct a public consultation at an appropriate time when there is a concrete proposal.
- (c) The statutory function of the TDC is to promote Hong Kong's external trade and exports. Organization of trade fairs is just one of the effective ways for TDC to carry out this function. The TDC has commercially arranged for a professional management company to operate the HKCEC. The management company has absolute discretion over the renting out of HKCEC venues for exhibition or

other purposes, and the TDC is not involved. Thus, the two parties have roles which are distinct from each other.

On market share, the number of trade fairs solely organized by the TDC in 2008 and 2009 are 22 and 26 respectively, accounting for 25% and 29% of the total numbers of trade fairs held in Hong Kong in these two years.

The TDC will continue to provide exhibition service in a professional manner and on the basis of fair competition. We are discussing with the TDC on how to enhance co-operation between the HKCEC and the AWE so that the convention and exhibition facilities and resources in Hong Kong can be utilized more effectively.

MISS TANYA CHAN (in Cantonese): *President, I have written to the Bureau earlier to ask about the AWE and the HKCEC Phase 3. In fact, today, I have read both the Chinese and English versions of the reply, and I have confirmed with the Legislative Council Secretariat that the English version is provided by the Bureau. Upon examining the two versions, I find that there is discrepancy between them and would like to raise a question on the content of the English version. In the English version, the expression "only if" is used, which can certainly the possibility of giving support. But then, two pre requisites, as set out in the reply, must be met. First, when there is unmet demand; and second, it is for the good of the economy of Hong Kong. With regard to unmet demand, whether the AWE can provide 100 000 sq m exhibition space will be considered. Hence, may I ask, first, can these be taken as an undertaking made to other applicants? The newspaper today has also reported that before the development of the Airport Island, the Bureau had made certain undertakings. As such, I would like to ask about the last part in part (b) of the main reply in particular. May I ask whether these pre requisites can be treated as an undertaking to the other party? This paper is issued by the Bureau.*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, the confidential or restricted document referred to by Miss Tanya CHAN and the newspaper is not at all confidential. The letter was

submitted to Members of the Legislative Council on 19 October 2004. I believe Miss Tanya CHAN is not well aware of the document probably because she is a newcomer to the Legislative Council. My reply is entirely consistent with the document submitted to the Legislative Council at that time. It was in response to the request of the bidders for the construction of the AWE that the Government set out its position in an open transparent manner. As its position has already been stated clearly in an open document in 2004, it is completely open. The undertaking mentioned by Miss Tanya CHAN is exactly the policy consideration given by the Government in deciding on the Phase 3 expansion. This has been explained clearly in my main reply and papers explaining this have also been provided. I have nothing to add.

PRESIDENT (in Cantonese): Eleven Members are now waiting for their turns to ask their questions. Will Members who have the opportunity to ask questions be as concise as possible?

MS AUDREY EU (in Cantonese): *President, I would like to ask about part (b) of the main reply. Regarding the factors to be considered by the Government, I see no particular mention of transportation, but only economic benefits have been mentioned. President, if you have paid attention to newspaper reports, as it was known to residents of Hong Kong Island, should have learnt about the traffic congestion from Wan Chai to Sheung Wan when many trucks started unloading goods from 3.00 pm when an exhibition at the HKCEC drew to a close last week. Some cargo ships had even complained that the situation had caused them to emit exhaust gas. The congestion on Hong Kong Island had lasted till 7.00 in the evening. May I ask the Government whether the traffic load brought about by the further expansion of the HKCEC is still manageable? I certainly understand that the Central-Wan Chai Bypass will soon be built, but it still takes time. Besides, the problem will remain unsolved, for upon the Phase 3 expansion, more exhibitions will be staged there. How can the traffic load be managed? Has the Bureau concerned taken this into consideration?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): I have to thank Ms Audrey EU for her question. Traffic impact

assessment is one of the major factors we are now examining in deciding whether the expansion should be implemented, for the planning and environmental impact of the Wan Chai District are also within our scope of study. For the traffic congestion occurred on 24 October, as stated by Ms Audrey EU earlier, and I really have to apologize on behalf of the TDC. This serious traffic congestion problem was quite unique. In handling exhibitions, the TDC will in general arrange vehicles to park at Tseung Kwan O and then divert them to the HKCEC in Wan Chai. However, on 24 October, that is, last Saturday, which was close to the Chung Yeung Festival on 26 October, since the command centre had failed to foresee that exhibitors would be eager to complete the transportation process before the public holiday ends on 26 October, the preparatory work was different from the previous arrangements whereby the transport process was completed in a couple of days. As a result, traffic congestion was caused, and this has certainly caused inconvenience to the public. I think the TDC should review this. The TDC has also undertaken to enhance its liaison with the Transport Department and the police to ensure that proper contingency measures can be implemented in case of unexpected incidents.

MR WONG TING-KWONG (in Cantonese): *Since the HKCEC is strategically located with convenient transport and equipped with comprehensive services and facilities, which are favourable to businesses, it is popular with exhibitors, especially small and medium enterprises. Two years or so ago, the Legislative Council paid a duty visit to Las Vegas in the United States. I met some exhibitors from Hong Kong and they made loads of complaints to me. They complained that they had to wait for a long time for exhibition booths in the HKCEC, for the standby list was so long that they might have to wait longer than five years. I suggested them consider the AWE, but they were concerned about the results of staging exhibitions at the AWE. May I ask the authorities what decisions have been made to address these problems?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, the policy of promoting Hong Kong as an exhibition centre has been manifested by the Government's planning of exhibition facilities. The AWE, though not centrally located, has its merits, for it enjoys a geographical advantage of being easily accessible to exhibitors or buyers in the Pearl River Delta. It is also equipped with good transport support, including a direct Airport Railway line operated by the MTR Corporation Limited, bus

services and other public transport facilities. Hence, the AWE is also an option for staging exhibitions.

Mr WONG's question is about the possible unavailability of exhibition time slots in the HKCEC. Since the convention and exhibition industry by nature, has peak and non-peak seasons, if exhibitors are to stage exhibitions during the peak seasons, there might not be sufficient time slots available at the AWE and the HKCEC in Wan Chai to satisfy all the demands of the trade. For this reason, we have to constantly assess the adequacy of exhibition facilities and make advance planning. We cannot focus our attention only on the present state of affairs but have to carry out work in future. I hope that we can enhance communication with the industry in our deliberation and in raising the utilization rate of the AWE.

PRESIDENT (in Cantonese): Which part of your supplementary question has not been answered?

MR WONG TING-KWONG (in Cantonese): *President, in fact, recently*

PRESIDENT (in Cantonese): Mr WONG, you can only state in brief which part of your supplementary question has not been answered by the Secretary.

MR WONG TING-KWONG (in Cantonese): *How can the co-operation of the two venues be further promoted and reinforced in future?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, as I said in the main reply, our future task is to examine how the resources of both venues effectively. Actually, there is a very successful example. The "one show, two locations" approach was adopted for the jewelry exhibition held lately, which means that the exhibition was held jointly at the AWE and the HKCEC concurrently.

DR PHILIP WONG (in Cantonese): *I wonder if Miss Tanya CHAN from the Civic Party has become a substitute of Miss CHOY So-yuk, a former Member of this Council, for Miss CHOY was also quite concerned about the exhibition industry at that time.*

President, I have to follow the Secretary in declaring that I am a member of the Council of the TDC. Moreover, being the longest-serving member, I have to act as the Program Chairman most of the time. I can tell Members that the TDC is a pioneer in the exhibition industry. It has been staging trade development fairs in Hong Kong for more than 30 years. Many of the exhibitions currently organized by the TDC are the largest in scale in Asia and even the world.

(Mr Albert HO stood up)

PRESIDENT (in Cantonese): Mr WONG, please wait for a while. Mr HO, do you want to raise a point of order?

MR ALBERT HO (in Cantonese): *Mr WONG should be asking his supplementary question, but why did he seem to be making a speech on behalf of the TDC?*

DR PHILIP WONG (in Cantonese): *I am coming to the supplementary question, may I ask*

PRESIDENT (in Cantonese): Please be as concise as possible.

DR PHILIP WONG (in Cantonese): *..... the development of these activities has positive impact on small and medium enterprises in obtaining orders. However, due to the shortage of booths, more often than not, many small and medium enterprises in Hong Kong could not participate in these exhibitions. May I ask the Secretary of the plan on the future provision of exhibition venues to satisfy the requirements of exhibitors?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Thank you, Mr WONG. The Government has all along been keeping in view and monitoring the demand for exhibition facilities in the market. As Members should know, the completion of Phase 1 of the HKCEC was followed by Phase 2, and the expansion of the atrium of the HKCEC was also completed last year. We will co-ordinate the work with various government departments in the hope of expanding the venues now provided for exhibitions, so that small and medium enterprises can be benefited. As I said in my reply to Mr WONG's supplementary question earlier, we will continue encouraging and promoting the approach of "one show, two locations". We hope that these precious resources can be fully utilized through co-ordination.

MR IP KWOK-HIM (in Cantonese): *President, in part (c) of the main reply, I notice that the TDC will employ a professional management company to undertake the operation of the TDC. However, it is also said that the number of trade fairs solely organized by the TDC accounted for 25% and 29%. Though the percentage seems to be quite small, some members of the industry have questioned whether these trade fairs were staged during the busiest season, whether this would result in grave unfairness. Has this actually happened? During the process, has the TDC ever considered giving up or refraining from participating in organizing or solely organizing exhibitions, so as to give the public a fairer platform for developing the exhibition industry?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): First, I have to point out that the TDC is a statutory body with the statutory function to assist Hong Kong to promote export trade. In the past, when the trade and exhibition industry was not yet well developed, the TDC played a pioneer role, and many exhibitions were organized by the TDC at the early stage.

Certainly, we are now facing great challenges, for Hong Kong has to face keen competition from neighbouring places in exhibition space and as a result of their eagerness to increase market share. Hence, to protect and promote the export trade of enterprises in Hong Kong, we must allow the TDC to launch promotion and obtain orders by means of exhibitions. I thus think that it is most important that the TDC should fulfil its statutory function by demonstrating a

professional attitude, achieving outstanding quality and ensuring fair competition in organizing exhibitions.

PRESIDENT (in Cantonese): Which part of your supplementary question has not been answered?

MR IP KWOK-HIM (in Cantonese): *The Secretary has not answered whether the 25% and 29% of the exhibitions mentioned were organized during the peak season, and whether this was the actual fact.*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): Yes, I have not answered that part, pardon me. I can confirm that the exhibitions were held during peak seasons. As I said, many exhibitions are organized in the peak seasons. Since all exhibitors would like to stage exhibitions during the peak seasons, some exhibitors had been unable to stage their exhibitions as scheduled. However, by the same token, these exhibitions cannot be shelved because it is the peak season, and be rescheduled to be held in the low season, for this is not the preference of exhibitors or buyers in general. Hence, we have to monitor closely the situation of the time slots during that period and make advance planning.

DR RAYMOND HO (in Cantonese): *First, I have to declare that I am the Chairman of Infrastructure Development Advisory Committee under the TDC. May I ask the Secretary one question? As Hong Kong is now facing competition in exhibition facilities from other places, particularly Macao, Guangzhou, Shenzhen and Singapore, the authorities will have to balance the facilities of the two venues, the HKCEC and the AWE. In the course of expansion, how will the Secretary assess the development potential, timing and complexity of the two venues during their expansion to give us an impression that the Government will properly handle the issue of competing with the public for profits?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): President, we attach great importance to the overall development of the industry and the competition environment in the vicinity. Hong Kong has all

along maintained a high rating as an exhibition and trade centre. This is not only because of the international standard achieved by our facilities, but also because our services are considered satisfactory by both the sellers and the buyers.

Moreover, our business environment is outstanding. When we prepare expansion plans, we surely have to focus on the geographical needs of Hong Kong, including site identification. In identifying suitable sites, we have to give detailed consideration to the environmental impact, traffic load, and so on.

However, I would like to point out that the economic benefits brought about by the convention and exhibition industry, be they tangible or intangible, are supported clearly by figures that the industry can bring enormous benefits to Hong Kong. Every time when we submit expansion plans to the Legislative Council for scrutiny, we give a clear account of how we assess these tangible and intangible economic benefits.

Moreover, regarding Mr HO's concern about how we will play our co-ordination role, this is exactly the key task we will undertake in the public consultation. In planning expansion, we must have sufficient justification. For instance, in the middle to long run, we have to consider whether our convention and exhibition facilities can meet the demand in the next 10 years. We will give a detailed account when we come up with an expansion proposal.

PRESIDENT (in Cantonese): Last supplementary question.

MR ALBERT HO (in Cantonese): *One of the focal points of the question today is that the TDC, being a quasi-government body, has the statutory obligation to promote the external trade of Hong Kong. Under this circumstance, should the TDC participate in the market, given that the TDC is in charge of and in possession of such a large exhibition space? Though the management of the exhibition space has already been contracted out, do Members believe such an arrangement has no bearing on the TDC? Many people consider that the arrangement will affect its operation. Besides, its exhibition space is really enormous President, my supplementary question is: Will the participation of the TDC, as an operator in the exhibition industry, in the market give rise to the*

problem of unfair competition? The case is the same as whether the Hong Kong Tourism Board should operate hotels and group tours. What I want to ask is: Does the Secretary think that the TDC should participate in the market? If it participates in the market, do you think this will give rise to unfair competition? This is the thrust of the question.

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): I have indeed emphasized in the main reply that the TDC, being an organizer, should organize exhibitions with professionalism as well as an approach and attitude demonstrating fair competition. In my earlier replies to a number of Members, I also emphasized that the TDC had been organizing exhibitions for more than two or three decades. It played the role of a pioneer when the trading and exhibition industry had not yet developed and prospered. Now that the industry has reached a certain stage of development when there are many other service providers on the market, we surely have to move ahead with time. We will examine how we should promote and enhance the function of the TDC under this circumstance to serve the industry. As regards fair competition, I would like to take this opportunity to mention that the fair competition law will soon be introduced. A very important consideration of the law is whether all statutory bodies should enjoy exemption under the legislation. We will adopt the same criteria in considering whether the TDC should be exempted.

PRESIDENT (in Cantonese): Third question.

Reduction in Commission for Travel Agents by Airlines

3. **MR PAUL TSE** (in Cantonese): *President, it is learnt that Air France (AF) and KLM Royal Dutch Airlines (KLM) have since 1 October 2009 reduced the commission paid to travel agents in Hong Kong in respect of air tickets sold from 5% to 3%, and plan to reduce such commission further to zero starting from 1 April 2010. According to the respective Air Services Agreements (ASAs) between the SAR Government and the French and Dutch Government, airlines' tariffs (including airfares and commissions paid by airlines to the agents selling air tickets for them) are subject to the approval of the Civil Aviation Department*

(CAD) of Hong Kong. In this connection, will the Government inform this Council:

- (a) *whether the CAD has received, vetted and approved applications from AF and KLM for the aforesaid reduction in commission paid in respect of air tickets sold or for the relevant airfare adjustment; if it has, of the reasons for the CAD to approve the applications concerned by AF and KLM; in the course of vetting and approving applications, whether it has considered that the reduction in commission paid in respect of air tickets sold would deal a heavy blow to registered travel agents in Hong Kong and that consumers may need to pay additional service charges to travel agents as a result; if it has not received the applications concerned, whether the CAD will take the initiative to request AF and KLM to submit applications, in order that the reasonable returns of travel agents and consumers' interests are protected;*
- (b) *whether the CAD has formulated policies, procedures and measures in respect of vetting and approving applications concerning airlines' tariffs, and whether it has set up any redress mechanism, so as to enable travel agents to lodge complaints about the commission paid in respect of air tickets sold; if it has, of the specific handling procedure and steps; if not, whether it can set up such a related mechanism expeditiously; and*
- (c) *whether it has assessed the specific impact of the reduction in commission by AF and KLM and other airlines following suit in the future on the travel agent sector and consumers in Hong Kong; if it has, of the relevant impact; if it has not, whether it will conduct such an assessment immediately?*

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

- (a) At present, the air services provided by airlines between Hong Kong and other areas are governed by the bilateral ASAs that Hong Kong has entered into with its aviation partners (including France and the

Netherlands). The purpose of the ASAs is to promote the development of air services between the respective areas and to provide a legal basis for such services. The ASAs provide for the principles, policies, regulatory framework and the specific operational arrangements and requirements concerning the provision of air services, as well as requirements concerning aviation safety, security and related matters.

On economic regulation, the ASAs generally specify the principle for operating the agreed services, that is, there shall be fair and equal opportunity for the airlines of both Contracting Parties to operate the agreed services on the specified routes. The ASAs further provide that the designated airlines of a Contracting Party should avoid affecting unduly the services provided by the designated airlines of the other Contracting Party on the same routes. The ASAs also provide for the taking of necessary measures by the aeronautical authorities of the Contracting Parties to ensure that the airlines of both sides will provide scheduled air services on a fair basis and having regard to the interests of passengers, with a view to promoting the development of tourism, economic and trade ties between the two areas.

According to the ASAs, the tariffs to be charged by the airlines for air services (including the fares charged for the carriage of passengers, the rates charged for the carriage of cargo, the charges and conditions for services ancillary to the carriage, and the rate of commission paid to an agent in respect of air tickets sold for carriage on scheduled air services) shall be those approved by the aeronautical authorities of both Contracting Parties and shall be established at reasonable levels, due regard being had to all relevant factors. Such requirements aim to prevent airlines of either Contracting Party from adopting such practices as dumping and discriminatory or predatory pricing, which distort normal market operations and affect air services, to the extent of adversely affecting the interests of passengers.

AF and KLM applied to the CAD in August 2009 to reduce the rate of commission payable to travel agents from 5% to 3% with effect

from 1 October 2009. The CAD approved the applications in accordance with the ASAs, having regard to the justifications provided by the airlines and relevant factors.

As the mechanism and remuneration arrangements concerning the sale of tickets are a commercial matter to be decided between the airlines and travel agents, it should be determined by the airlines and travel agents. Hence, the CAD will not take the initiative to intervene by asking the airlines to apply for any proposed adjustment of commission.

As for passengers, it is a commercial decision of individual travel agents as to whether they would impose a service charge on passengers following the reduction in the rate of commission by the above two airlines. Passengers may choose to purchase air tickets through travel agents or other channels (such as the websites of the airlines) as they see fit.

- (b) The ASAs have provided for the policies, procedures and measures for handling tariff applications. Generally speaking, airlines are required to file their tariff applications with the relevant aeronautical authorities not less than 60 days before the proposed effective date of the new tariffs. The aeronautical authorities concerned will consider the applications in accordance with the ASAs, taking into account the relevant factors. The proposed tariffs may be approved by the aeronautical authorities of either Contracting Party at any time and shall be deemed to have been approved unless, within 30 days after the date of filing, the aeronautical authorities of either Contracting Party raises objection.

According to the ASAs, the aeronautical authorities of both Contracting Parties shall use their best endeavours to ensure that airlines conform to the tariffs approved and that no airline rebates any portion of such tariffs by any means, directly or indirectly. Hence, should airlines fail to pay travel agents commission at the approved rate, the latter may lodge a complaint with the CAD.

- (c) Individual airlines will set their tariffs, including the rate of commission for travel agents, based on their own circumstances.

The impact of a reduction in the air ticket commission on travel agents and consumers depends on whether the airlines will alter the modes of distributing and selling air tickets, travel agents' responses to the change, channels for consumers to buy air tickets and the choices of airlines and flight routes available to consumers. We are not in a position to predict if other airlines would follow the example of some airlines to reduce the rate of commission. Hence, we are unable to make an assessment on the specific impact of the circumstances.

MR PAUL TSE (in Cantonese): *President, the Secretary's answer in the fourth paragraph of part (a) of the main reply has apparently not addressed the main question at all. What justifications has the Administration based in vetting and approving the applications for the reduction in commission? The Administration cannot deny everything by simply saying that it is a "commercial decision".*

President, please allow me to quote from the ASAs entered into between the Hong Kong Government and the French Government on air services. The relevant charges are stated very clearly in Article 8 of the ASAs. As the provision is written in English, please allow me to read them out quickly: "The tariffs to be charged by the designated airlines of the Contracting Parties for carriage between Hong Kong and France shall be those approved by both aeronautical authorities and shall be established at reasonable levels, due regard being had to all relevant factors, including the cost of operating the agreed services, the interests of users, reasonable profit and the tariffs of the other airline(s) operating over the whole or part of the same route." If we look at the definitions in the relevant ASAs, we will find "'aeronautical authorities', the term 'means in the case of Hong Kong, the Director of Civil Aviation'". As regards the definition of "tariffs", please allow me to quote again: The term means, among other things, "the rate of commission paid by an airline to an agent in respect of tickets sold or air waybills completed by that agent for carriage on scheduled air services."

Hence, President, clearly, in vetting and approving any applications for revising the so-called tariffs or remunerations, the CAD should consider the commissions given to travel agents. It cannot ignore everything by simply stating that it is a commercial decision, for travel agents registered in Hong Kong are required to pay more than \$10,000 a year before they can obtain licenses for operating air ticketing business in Hong Kong. The CAD cannot ignore

everything by saying that it is a commercial decision. Will this constitute maladministration? What action can be taken by affected travel agents to pursue the matter? Can the Government publish the justifications for its approval of reduction in commission so that we can apply for an appropriate judicial review in due course?

PRESIDENT (in Cantonese): Are you asking the Government to give a response to the justifications for approving the reduction in commission?

MR PAUL TSE (in Cantonese): *The justifications and whether public announcement will be made so that we can take appropriate legal actions.*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, first of all, I would like to stress that the CAD acts entirely in accordance with our ASAs, whether in terms of the procedure or considerations. Perhaps I should explain all these again: Why is there such an approval as mentioned in the main reply? What are the considerations within the major framework? Why do the ASAs contain the approved provisions? In fact, the main consideration is to prevent airlines of any Contracting Party from adopting such practices as dumping, discriminatory or predatory pricing, which distort normal market operations and affect air services, to the extent of adversely affecting the interests of passengers. So, what are our major considerations when we consider the reduction in commission by AF, KLM and other airlines? There are two major considerations: First, the operating costs of the airlines. We will consider whether a reduction in commission help reduce their operating costs and maintain their competitiveness, so that they can act in accordance with what is stated in the ASAs, in the hope that the airlines in both places can develop and compete healthily for the benefit of consumers.

Second, the interests of passengers are our main consideration — will a reduction in commission in general directly affect the passengers? This is also our major consideration.

MR CHIM PUI-CHUNG (in Cantonese): *President, in the third paragraph of part (a) of the main reply the Secretary said, "under the ASAs and the rate of commission paid to an agent in respect of air tickets sold for carriage on scheduled air services shall be those approved by the aeronautical authorities of both Contracting Parties." But in the end, the Secretary added that this is a commercial decision between travel agencies and agents, and should be determined by the airlines and the relevant agents.*

May I ask the Secretary whether this policy of the Government is self-contradictory? On the one hand, she said that this is a commercial decision; but on the other, applications have to be submitted to the Government approval. Hence, will the Government conduct a comprehensive review in future of how its policy should be formulated?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): *President, I have already explained earlier the reason why we have such an approval mechanism under this major framework. We do not seek to co-ordinate or arbitrate on the appropriate commission level because it has to be a commercial decision.*

On the contrary, our consideration is whether such factors as costs or expenses will distort the market under the major framework or the ASAs to the extent of adversely affecting consumers' interests. This is our major premise. Under this premise, we will still consider all factors having regard to this framework.

Therefore, our current practice is that if the applications made by the airlines do not affect the normal operation of the market, services, or interests of consumers under the ASAs, we will not intervene in determining what commission level should be considered appropriate. We hold that the present overall regulatory framework has been rationalized.

MR FRED LI (in Cantonese): *President, I have in hand the information read out by Mr Paul TSE just now, which I have also thumbed through quickly. This is stated very clearly in Article 8(1) of the ASAs signed between the SAR Government and the French Government, as read out by Mr TSE just now. I would like to ask the Government: Here is a list of considerations related to the*

interests of users, reasonable profit, as well as charges of other airlines, which are considered factors for determining charges.

However, in reply to the supplementary question of Mr CHIM Pui-chung, the Government indicated that it would not intervene in the commercial decisions made by the airlines. If this is so, is the Government suffering from psychosis? While it talks about commercial decisions here, it talks about reasonable profit there. As regards this paragraph, can the Secretary explain why there will be a reasonable profit? Does this reasonable profit refer to the profit made by travel agencies or airlines? Speaking of reasonable profit, how can the authorities determine that the profit is reasonable, and what does a reasonable profit mean?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, in fact, the ASAs do not merely focus on travel agencies' and airlines' own levels of commission. As regards our major consideration, I have reiterated several times earlier our major purpose of signing ASAs is to prevent any Contracting Party from distorting the market. With reasonable profit being a factor for vetting and approval, we will not determine the commissions for travel agents and airlines. On the contrary, we are concerned about their other applications, such as those relating to tariffs. As regards tariffs, if we see that applications are not made on the basis of reasonable profit, so that, for example, the market will be distorted, or there will be dumping, discriminatory or predatory pricing, our civil aviation authorities might refuse to give approval. For example, if an airline set its tariff at a level at which no reasonable profit can be made for a long period of time, it might be using an anti-competitive tactic, such as dumping, to deal with the competitive environment in which it is competing with our local airlines. Reasonable profit is set out clearly in this major framework because the relevant approval covers a series of applications, including tariffs application.

MR CHAN KAM-LAM (in Cantonese): *President, obviously, the Government does not want to pay much attention to the issue. However, I would like to have a better understanding since the determination of tariffs, prices and commissions was mentioned in the ASAs framework. May I know if complaints are lodged by travel agencies with the Government, will the Government, in implementing the*

ASAs of the two places, reflect the complaints lodged by the travel agencies to the airlines concerned and fight for the interests of the travel agencies?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, it will depend on where the contradictions lie in the negotiations between the travel agencies and the airlines. As I have mentioned earlier, we hold that in fulfilling its responsibility under the ASAs, the CAD is not to determine, co-ordinate, or even arbitrate on a reasonable level of commission. This is not its responsibility.

On the contrary, it is responsible for, generally speaking, monitoring if the airlines have acted in accordance with the spirit of the ASAs and considering whether their applications and the overall framework will affect the normal operation of the market and flight services, to the extent of eventually adversely affecting the interests of passengers. This is the major consideration of the CAD in processing these applications.

MR IP KWOK-HIM (in Cantonese): *It seems that it has strongly been emphasized in the main reply that the CAD will not intervene in issues relating to commission and so on. But actually, as mentioned by Mr Paul TSE just now, travel agencies have to pay some sort of charges related to the commission given by airlines. May I ask which government department apart from the CAD, are there any other departments which will pay heed to or pay attention to the situation of travel agencies and their viability if their commission is reduced to zero, as well as how the views of the industry can be reflected? This is because I note from the last part of the main reply that no relevant assessment has been conducted. Why is there no government department concerned about such a major matter? Apart from the Transport and Housing Bureau, is there other government department concerned about this situation?*

PRESIDENT (in Cantonese): Which Secretary is going to answer? Secretary for Commerce and Economic Development, please answer.

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Cantonese): We are concerned about the challenges faced by the travel industry. President, in fact, the Government and the Travel Industry Council (TIC) have been paying attention to the move by airlines to cut commission, and have made some efforts, such as holding earlier discussions with the industry, and specifically addressing the trend of the aviation industry in reducing commission, in order to understand how the industry faces these challenges. We have also commissioned experts to, through sharing their experiences, recommend ways for the industry to optimize their modes of operation by such means as developing new products, value-added services, or new clientele in order to develop business opportunities under this macro and ever-changing business environment.

Furthermore, in the past few years, the TIC had, in fact, as early as in 2002, started work in this area by discussing sharing its experience with the industry, setting up a committee specifically responsible for planning and development, and through these channels, making joint planning with the industry on ways to develop their business under the said circumstances. President, we are concerned about the situation.

PRESIDENT (in Cantonese): Last supplementary question.

MR PAUL TSE (in Cantonese): *If the Secretary has not said so, I would not have been so angry. She has even "dragged the TIC into the matter". I wonder if the Secretary is aware that in an EMG two weeks ago, the TIC endorsed that it would take the lead to boycott the airline(s) concerned, or even take legal action. I believe the Secretary is definitely aware of this; but she still put it in such a way that the industry has been fully consulted. In fact, in granting its approval, the CAD has never consulted the industry. It seems to suggest, "You have other ways to make money, and so you should figure out the solutions yourselves." Is the CAD taking care of the interests of the industry in doing so?*

President, we are not just talking about AF and the Hong Kong Government. How about other airlines? Given that certain airlines have now taken the lead to reduce their commission to zero, how about those airlines which have not reduced their commission and have a relatively high moral and conscience standard? They will compare less favourably with others and cannot compete, will they not? Furthermore, consumers have to pay extra service charges. Can the Government settle everything by merely saying that it

is a commercial decision and it will not interfere? If it is a commercial decision, why is it stated in the ASAs that commission has to be taken into consideration? President, it is impossible

PRESIDENT (in Cantonese): Please put your supplementary question direct.

MR PAUL TSE (in Cantonese): *The Government cannot simply say that this has been considered without giving its justifications? How are we going to pursue?*

PRESIDENT (in Cantonese): Which Secretary is going to answer? Secretary for Transport and Housing, please answer.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, with regard to the considerations and the major framework, I have already stated the main considerations in the main reply. I have nothing to add.

PRESIDENT (in Cantonese): Fourth question.

Non-civil Service Contract Staff

4. **DR PAN PEY-CHYOU** (in Cantonese): *President, it was reported that a few months ago, a staff member, who had been employed by Radio Television Hong Kong (RTHK) on non-civil service contract for 21 years, died at work. Although the work of the staff member concerned in the past 21 years was no different from that of his civil servant colleagues, his dependents have not been granted gratuity equivalent to that under civil service employment terms. Regarding the provision of protection to non-civil service contract staff, will the Government inform this Council whether it will:*

- (a) *consider providing death gratuity for non-civil service contract staff;*

- (b) *widen the scope of application of the Employment Ordinance and the Labour Tribunal Ordinance to cover non-civil service contract staff; and*
- (c) *in the long run, abolish the appointment system for non-civil service contract staff, and employ the staff concerned on civil service terms of employment?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): President, the Non-Civil Service Contract (NCSC) Staff Scheme, introduced in 1999, aims at providing Heads of Departments (HoDs) with a flexible means of employment to respond more promptly to changing operational and service needs which may be time-limited, seasonal, or subject to market fluctuations; or which require staff on a part-time basis only; or where the mode of delivery of the service is under review or likely to be changed. Generally speaking, NCSC staff, unlike civil servants employed to meet long-term service needs, are not part of the permanent civil service establishment. Hence, it is inappropriate to compare the employment terms and conditions of service of the NCSC staff with those of the civil servants. HoDs may determine the employment package for their NCSC staff having regard to the job nature, condition of the employment market, as well as their management and operational considerations, insofar as the terms and conditions of service for NCSC staff are no less favourable than those provided for under the Employment Ordinance.

After briefly explaining the policy on the NCSC Staff Scheme, my reply to the specific questions is as follows:

- (a) As the NCSC Staff Scheme is to allow HoDs with greater flexibility in meeting service needs, NCSC staff are employed on a fixed term contract basis with an all-inclusive pay package which does not offer fringe benefits. Currently, government employees, including NCSC staff, are covered by the Employees' Compensation Ordinance. They are thus already protected by the relevant laws, including provisions in relation to the compensation for death caused by accident arising out of and in the course of the employment.
- (b) While the Government is not bound by the Employment Ordinance, the current government policy is that the employment package of

government employees is overall speaking no less favourable than the provisions under the Employment Ordinance. The employment package of NCSC staff is determined with reference to the provisions of the Employment Ordinance and is specified in the employment contract of concerned staff, which is legally binding on the Government. The Civil Service Bureau has stipulated the above policy clearly in the detailed guidelines issued to HoDs on employment of NCSC staff.

The Labour Tribunal, established under the Labour Tribunal Ordinance, hears claims arising from the failure of a person to comply with the provisions of the Employment Ordinance or the Apprenticeship Ordinance. It also deals with cases involving breaches of a term of a contract of employment. As a good employer, the Government endeavours to resolve employees' complaints or disputes arising from their employment contracts through direct communication and on-going negotiation. The Civil Service Bureau encourages departments to maintain communication with their NCSC staff and to provide channels for NCSC staff to express their views. Government employees, be they civil servants or NCSC staff, may, under the Labour Tribunal Ordinance, bring money claims against the Government to the Labour Tribunal arising from breaches of employment contract.

- (c) The Civil Service Bureau, jointly with bureaux and departments, conducted a comprehensive review on the employment of NCSC staff in 2006. The findings of the review showed that NCSC staff could effectively complement the civil service workforce in the delivery of services to the public. The Civil Service Bureau considers that bureaux and departments should be allowed the flexibility to continue employing NCSC staff to meet their operational needs, as long as the scope of the NCSC Staff Scheme is adhered to. The review also identified some 4 000 NCSC positions involving work that should more appropriately be performed by civil servants. The bureaux and departments concerned are taking action to replace these 4 000 odd NCSC positions by civil service posts by phases.

DR PAN PEY-CHYOU (in Cantonese): *President, as the Secretary has just said, the NCSC Staff Scheme is introduced because the relevant posts are time-limited, seasonal, or subject to market fluctuations; or which require staff on a part-time basis only; or where the mode of delivery of the service is under review or likely to be changed, I would like to ask the Secretary a question about the non-hypothetical and representative case mentioned in my main question. The person had worked for the same organization for 21 years, straddling 84 quarters and almost one fourth of a century. He was employed in the job and it was his only job, that is, he was a full-time employee. After he died at work, the treatment he received was even worse than that received by an employee working in a private sector. That was how the person was treated by the Hong Kong Government known as a good employer. May I ask the Secretary which of the five conditions I just mentioned is or are applicable to the case I just mentioned? Or, has the Government not mentioned one more condition, that is, employing NCSC staff makes it more convenient for the Government to exploit them?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): President, I believe that the employee mentioned by Dr PAN just now was employed by RTHK on NCSC terms and who just passed away in September this year. The case involved RTHK. Since 1988, RTHK has employed some of its staff on NCSC terms, mainly because the programme production modes and contents of RTHK will change from time to time in light of different market needs. As we need to conduct reviews on whether any changes should be made in terms of the future direction and structure of RTHK, from 1999 onwards, we have suspended open recruitment of civil servants for RTHK. In this case, for the two reasons mentioned above, RTHK has employed some NCSC staff for a relatively long period.

PRESIDENT (in Cantonese): Dr PAN, which part of your supplementary question has not been answered?

DR PAN PEY-CHYOU (in Cantonese): *I think that the Secretary has not answered the part on whether there is a sixth possible condition under the NCSC Staff Scheme which makes it easier to exploit this group of employees.*

PRESIDENT (in Cantonese): I think the Secretary already gave an answer. Regarding the employee in the case you mentioned, the Secretary already explained clearly why the person was not employed on NCSC terms.

MS LI FUNG-YING (in Cantonese): *President, according to the Secretary, the terms and conditions of service for NCSC staff employed by the Government are no less favourable than those provided for under the Employment Ordinance. Such being the case, will the Secretary openly state clearly that the contracts signed in the future between the Government and NCSC staff are binding, and the employment contracts are also applicable to the Government?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): Regarding the contracts signed between employers and employees, if the Government has signed the contracts as an employer, the employment contracts are certainly applicable to the Government. However, I trust that Ms LI's supplementary question is probably about the Employment Ordinance but not the contracts; I think Ms LI may have this in mind.

The Employment Ordinance does not apply to the Government. As I have said in my main reply, the Government is not bound by the Employment Ordinance; but it will not treat its employees in such a way as if it is not a good employer. So, though the Government is not bound by the Ordinance, from a policy perspective, we will ask all departments, whether they employ civil servants or NCSC staff, to set out in the employment contracts terms and conditions of service that are no less favourable than those provided for under the Employment Ordinance.

MR IP WAI-MING (in Cantonese): *When the Secretary answered the two supplementary questions of two Honourable colleagues, she said that these employees were actually not protected under the Employment Ordinance or the ordinances related to civil servants, and they were only protected by the so-called contracts. I do not think they will have any protection in the end. The Secretary has not answered the supplementary question of an Honourable colleague a while ago, that is, after a worker with some 20 years of service died at work, why was the protection given to him not comparable to that given to a private sector employee? In some private organizations, even if an employee*

died on the first day of work, he would still be given a payment equivalent to three years of provident fund scheme benefits, not to mention that the Government is such a large organization. I would like to ask the Secretary if it is intended to review the terms of service of NCSC staff to give them better protection.

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): President, I thank the Honourable Member for his question. First of all, it is not my intention to give people an impression that I understand very well the current terms and conditions of the employment contracts in the private market. Therefore, I cannot agree with or object to Mr IP's remarks just now, that is, the terms and conditions of the contracts currently signed between the Government and NCSC staff are less favourable than those of the general employment contracts in the market. Nevertheless, I can tell Honourable Members that the contracts currently signed between the Government and NCSC staff are fully in line with the spirit of the Employment Ordinance; on the whole, the terms and conditions of the contracts are no less favourable than those provided for under the Employment Ordinance.

Besides, President, the Employees' Compensation Ordinance is different, and the Government is bound by it. For this reason, if civil servants and NCSC staff consider that the terms and conditions of employment offered by the Government as their employer are in breach of the Employees' Compensation Ordinance, they can take legal actions.

PRESIDENT (in Cantonese): Mr IP Wai-ming, which part of your supplementary question has not been answered?

MR IP WAI-MING (in Cantonese): *President, I just asked the Secretary if it was intended to review the terms and conditions of the contracts of NCSC staff to narrow the gap between the protection provided to them and that provided in the private market. However, she just answered that the terms and conditions of the contracts were no less favourable than those provided for under the Employment Ordinance. She has not answered this part of my question.*

PRESIDENT (in Cantonese): Mr IP, please sit down. As follow-up questions similar to the one raised by Mr IP Wai-ming are frequently raised during the question session, I would like to give a brief explanation.

Members often say that some existing government policies are unreasonable and ask if the Government will conduct a review. In replying that the existing policies are reasonable, the government officials have actually responded to Members' views. Therefore, I think Members need not question the Secretary again whether a review will be conducted.

MR WONG KWOK-HING (in Cantonese): *President, according to the Secretary's main reply, there are now 4 000 NCSC staff; if they unfortunately die at work, as with the case cited by Dr PAN Pey-chyou and according to the Secretary, NCSC staff are employed with an all-inclusive pay package which does not offer fringe benefits. I would like to ask the Secretary if a remedial measure will be formulated for those NCSC staff who are not benefited as the Government has not conducted a review or has taken too long to conduct a review lest they should think that they will not even be offered the gratuity given to civil servants if they unfortunately die or have an impression that the Government does not consider their death as pitiable because they just do not live long enough; or else, a review will be conducted on their grades later. Will the Government put in place remedial measures with a human touch added?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): President, the comprehensive review we conducted in 2000 was not intended to review the general terms of appointment of NCSC staff as that was not the subject of our review. The review conducted in 2006 was focused on whether the positions of NCSC staff could actually be replaced by civil servants. That was the focus of the review which did not include reviewing the terms of appointment of NCSC staff.

President, perhaps you might allow me to explain this point more clearly. At present, the terms of appointment of NCSC staff already cover the responsibilities of Hong Kong employers under the Employees' Compensation Ordinance. Although the Government is not bound by the Employment Ordinance, when we design the contract terms for NCSC staff, we have taken into consideration the responsibilities of employers under the Employment Ordinance.

Hence, we think that we are now doing the right thing and it is not necessary to review the terms of appointment of NCSC staff currently offered by the Government.

DR LEUNG KA-LAU (in Cantonese): *I received a lot of emails asking questions about the arrangement for on-call duties during vacation. As currently ruled by the Court of Final Appeal, staff on call during holidays will actually not receive compensation for loss of holidays; this is an explanation given under the existing labour legislation. The Secretary has said a while ago that the arrangement for civil servants are not subject to labour legislation; but, under the relevant policy, it will not be less favourable than that provided for under labour legislation. I would like to ask the Secretary how I should reply to the emails sent by those from the practitioners in my constituency and tell them whether staff performing on-call duties during holidays would receive compensation for loss of holidays within the Civil Service framework in the future.*

PRESIDENT (in Cantonese): Dr LEUNG Ka-lau, the main question is about NCSC staff.

DR LEUNG KA-LAU (in Cantonese): *OK, President, I will talk about NCSC staff. As their employer is the Government, they are not protected under the Employment Ordinance. I will now ask a question about NCSC staff. At the policy aspect, will the Government give them compensation for loss of holidays after they have performed on-call duties during holidays?*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): President, concerning the issue raised by Dr LEUNG, after the ruling by the court, the Civil Service Bureau is now carefully examining the judgment; we will then consider on the basis of the judgment whether there are impacts on civil servants and NCSC staff. Hence, we are now considering the matter at a policy level; after I have completed consideration and arrived at a conclusion, I believe I will report the relevant matters to Honourable Members concerned at a meeting of the Legislative Council Panel on Manpower.

MR LEE CHEUK-YAN (in Cantonese): *I am very disgusted about what I observed just now; the Secretary frequently emphasized that the contracts would be based upon the Employment Ordinance as though imperial favour had been given. I wonder if Members know that the Employment Ordinance represents the lowest standard in Hong Kong; even a store owner — it is not my intention to offend store owners; I mean to say that, even a business of the smallest scale, maybe there is only one employee, should base on the Employment Ordinance. But, the Government employs some 160 000 civil servants and some 10 000 NCSC staff. The Government says that it also base upon the Employment Ordinance; I think that this remark made by the Government reflects that it is merciless and ruthless, even unscrupulous. Thus, I have just*

PRESIDENT (in Cantonese): Please ask your supplementary question directly.

MR LEE CHEUK-YAN (in Cantonese): *I want to ask if the Government is unscrupulous. An employee, who had some 20 years of service died, passed away without being paid death gratuity. Is the Government an unscrupulous employer? Will the Government revise the system and treat this group of NCSC staff with a human touch? Can the Government show us its conscience? The Government should not tell me that there are no such provisions at present. I also know that there are no such provisions at present; otherwise, I do not need to ask the Secretary this question. Hence, I would like to ask the Government if there is a new practice to treat this group of NCSC staff with a human touch.*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): President, I am not in charge of labour policies, but, as a third party, my understanding is that: generally speaking, the labour legislation in Hong Kong is enacted through tripartite negotiations after a consensus has been reached. As far as I understand, one of the three parties is the employees, another party is the employers, and the third party is certainly the Government. Therefore, about the remark just made by Mr LEE, Mr LEE may not mean to say so but it seems to me that he is somewhat belittling the existing labour legislation in Hong Kong. On this point, I hold a different view because the labour legislation is enacted after thorough consultations and deliberations by the three parties. The SAR Government is an employer in Hong Kong and we act fully in accordance with the law. In addition, even though the Government is not bound by the

Employment Ordinance, as regards the appointment of NCSC staff and the design of the terms of appointment of civil servants, at a policy level, I still ask all departments to make sure that the terms and conditions are not less favourable than those provided for under the Employment Ordinance.

MR LEE CHEUK-YAN (in Cantonese): *The existing legislation and provisions cited by me earlier definitely did not work. This is why I asked the Secretary if the Government would demonstrate a human touch in providing death gratuity and establish a mechanism for death gratuity. The Secretary said a short while ago that I had somewhat belittled the labour legislation. I surely did. Throughout her life, she has been a civil servant and she has never had a rough time under the labour legislation; she does not understand the plight of workers who are not protected under the labour legislation. Yet, I*

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan, please do not start debating

MR LEE CHEUK-YAN (in Cantonese): *President, do you know what I am going to ask*

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan, you asked a follow-up question already.

MR LEE CHEUK-YAN (in Cantonese): *I am going to ask whether the Government will establish a mechanism for death gratuity.*

PRESIDENT (in Cantonese): Secretary, Mr LEE Cheuk-yan is asking a question about a human touch. *(Laughter)*

SECRETARY FOR THE CIVIL SERVICE (in Cantonese): President, more often than not, when formulating government policies, I frequently remind myself that it is equally important to be lawful, fair and reasonable, and the consideration

given to fairness cannot override other considerations. On lawfulness, I have just expressed my views. Since we should be fair and reasonable, although the Government is not bound by certain legislation in Hong Kong, we still think that the policies must be implemented in accordance with such legislation in order to be fair and reasonable. I believe that Mr LEE and I have different views on the extent of fairness — a key element among the three elements.

PRESIDENT (in Cantonese): This Council has spent more than 23 minutes on this question. We will now proceed to the fifth question.

Comments of United Nations Committee on Elimination of Discrimination Against Women

5. **MS EMILY LAU** (in Cantonese): *President, in 2006, the United Nations Committee on the Elimination of Discrimination against Women (the Committee) conducted a hearing on the implementation of the Convention on the Elimination of All Forms of Discrimination against Women by the Hong Kong Special Administrative Region and put forward comments and recommendations, including concern at the low prosecution rate of domestic violence (DV), recommendation for improving gender-sensitivity training for judicial and law-enforcement officials, and concern at the low level of representation of women in the functional constituencies (FCs) of the Legislative Council, which may constitute indirect discrimination against women. In this connection, will the executive authorities inform this Council:*

- (a) *of the respective numbers of cases seeking assistance, which involved DV, received by the Social Welfare Department (SWD) and the Integrated Family Service Centres (IFSCs) of non-governmental organizations (NGOs), as well as the respective numbers of reports received and prosecutions instituted by the police, which involved DV, in the past three years; whether they have studied the reasons for the differences between the figures; if they have, of the details; if not, the reasons for that;*
- (b) *whether they have provided gender-sensitivity training for judicial and law-enforcement officials since 2006; if they have, of the details; if not, the reasons for that; and*

- (c) *given the Committee's comment that "the electoral system of functional constituencies may constitute indirect discrimination against women", what improvement measures the Government had taken to address this concern?*

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

- (a) Statistics on cases concerning DV collected by the SWD, the IFSCs operated by NGOs and the police in 2006, 2007 and 2008 are set out at Annex.

According to the statistics collected by the SWD and the police respectively, the first half of 2009 saw a downward trend in the overall number of DV cases. Comparing with the figures in the first half of 2008, the statistics compiled by the SWD show that the overall number of DV cases in the first half of 2009 dropped by nearly 10%, whereas the figures collected by the police show a drop of nearly 30%.

On the statistics collated by the police, the DV cases handled by the police include crime cases and miscellaneous cases (miscellaneous cases include in general incidents of dispute, common assaults, and request for police assistance or investigation, and so on, that involve breach of peace). The police would handle and investigate all reports of DV cases. Depending on the circumstances of and evidence shown in individual cases, the police will decide whether to initiate prosecution action. As DV cases are commonly "one-on-one" cases involving the victim and the abuser only, the police may encounter difficulty in verifying the testimonies of both parties in the absence of other witnesses. If, for various reasons, the victim declines to provide further information or testify against the abuser, it would be difficult for the police to initiate prosecution against the abuser despite the existence of medical reports or other circumstantial evidence.

The police received and handled 1 811, 2 505 and 2 341 DV crime cases in 2006, 2007 and 2008 respectively. Of these crime cases, 1 408, 2 199 and 2 060 were dealt with by the Court in the respective

years, accounting for 77.7%, 87.8% and 88% of the total number of DV crime cases reported to the police during the respective periods. As regards DV miscellaneous cases, there were 760, 1 690 and 1 637 cases involving common assaults in 2006, 2007 and 2008 respectively. Of these common assaults cases, 463, 1 220 and 1 330 were dealt with by the Court, accounting for 60.9%, 72.2% and 81.7% of the total number of DV common assault cases reported to the police respectively.

Given the different statistical definitions and basis adopted by the SWD and the police, there are naturally differences between the statistics captured by the two departments. First, the police record the number of cases according to the number of reported abuse incidents, regardless of whether the incidents involve the same victim; whereas the central system of the SWD records the number of abuse cases on the basis of individual victim. For example, if there are two reported DV incidents concerning the same victim within a couple of months, the police will count it as two cases while the central system of the SWD will record it as one case.

In addition, the number of child abuse cases recorded by the police is collected based on the statutory definition of the "Crimes Against Children". It includes all crimes against children, irrespective of the relationships between the victims and the offenders. The SWD, on the other hand, captures child abuse cases committed by individuals who, because of their specific identities (for example, in terms of age, status, knowledge, organizational form), are in a position of differential power that renders a child vulnerable.

There are also some differences between the two departments as to what would constitute a recordable incident or case. For example, the SWD generally would not regard unlawful, voluntary sexual intercourse between children in a couple relationship as a child abuse case. In contrast, the police would, irrespective of the relationship between the victim and the abuser, record the incident in its statistics as it constitutes a criminal offence.

- (b) On training, the Judicial Studies Board provides training programmes for judges and judicial officers (JJOs) at all levels.

According to the information provided by the Judiciary, the Board organizes and co-ordinates JJOs' participation in various professional training courses, international/local conferences, seminars and visits every year. In June and December 2007, experience-sharing sessions on dealing with DV cases and related issues were organized. As part of its ongoing efforts to update JJOs on issues of public concern, new legislation and crime trends, the Judiciary will continue to organize suitable training programmes for JJOs.

In tandem, the police have, over the years, strengthened its training programmes so as to enhance the capability of police officers in handling and investigating DV cases, with particular focus on risk assessment, questioning techniques, conflict management, sensitivity and awareness of family dynamics, and victim psychology, and so on. Whenever laws are enacted or amended, the police will consider to strengthen the relevant handling procedures and the provision of relevant training to front-line officers. In light of further amendments to the Domestic Violence Ordinance to extend protection to same-sex cohabitants, the police are actively considering the provision of relevant training so as to enhance the sensitivity of the police officers in handling DV cases.

In addition, the Government has been providing training for civil servants to enhance their knowledge on gender issues and gender sensitivity in daily work. Apart from classroom training, we are planning to launch a set of gender-related online training programme. The programme is scheduled to be uploaded onto a web-portal on gender mainstreaming in early 2010 for reference of all civil servants.

- (c) In respect of women's representation in politics, the current electoral system does not contain structural obstacles to women's equal political participation. In Hong Kong, women and men enjoy the same right to vote as well as to stand for election. This right is safeguarded by the Basic Law. It is a gross simplification to say that the FCs are dominated by business organizations and professional bodies. The constituencies represent substantial and

important sectors of the community, such as education, labour, social welfare, health care, and so on, in addition to businesses. The electorate of the 28 FCs is delineated in accordance with a set of clearly established criteria.

Indeed, in the current Legislative Council term, there are 11 female Legislative Council Members. Four of them were returned from the FC elections and seven from the Geographical Constituencies. There is no evidence that the FC elections have disadvantaged female candidates.

Annex

Statistics on Domestic Violence Cases
Collected by SWD, IFSCs Operated by NGOs and the police
in 2006, 2007 and 2008

(i) *SWD*

The number of newly reported battered spouse, child abuse and elder abuse cases captured by the Central Information System on Battered Spouse Cases and Sexual Violence Cases, the Child Protection Registry and the Central Information System on Elder Abuse Cases in 2006, 2007 and 2008 are as follows:

	2006	2007	2008
Battered spouse	4 424	6 404	6 843
Child abuse	806	944	882
Elder abuse	522	612	647
Total	5 752	7 960	8 372

(ii) *IFSCs operated by NGOs*

The number of battered spouse, child abuse and elder abuse cases handled by IFSCs operated by NGOs are as follows⁽¹⁾:

	2006	2007	2008
Battered spouse	272	293	280
Child abuse	58	65	53

	2006	2007	2008
Elder abuse	43	44	57
Total	373	402	390

Note:

- (1) According to the relevant procedural guidelines of handling battered spouse, child abuse and elder abuse cases, IFSCs operated by NGOs would report the relevant cases to the respective central information systems of SWD by completing information inputting forms. Hence, the numbers of relevant cases handled by IFSCs operated by NGOs are reflected in the statistics captured by the central system of SWD.

(iii) The police

The number of domestic violence, child abuse and elder abuse cases handled by the police are as follows:

	2006	2007	2008
Domestic Violence ⁽²⁾	4 704	7 509	7 278
Child abuse ⁽³⁾	1 255	1 550	1 643
Elder abuse	338	315	315
Total	6 297	9 374	9 236

Notes:

- (2) According to the statistical definition adopted by the police, domestic violence is generally defined as any incident involving an assault or breach of peace between persons generally regarded as having marital or intimate partner relationships. "Persons having marital or intimate partner relationships" include spouses, spouses who are separated or divorced, (former) cohabitants and (former) lovers of opposite sex.
- (3) Includes statistics on cases of "Sexual Crimes Against Children" and "Crimes Against Children".

MS EMILY LAU (in Cantonese): *President, the Secretary said the current electoral system does not contain structural obstacles to women's equal political participation, but this was exactly the comment made by the United Nations back then. President, just take a look at the existing provision governing the Legislative Council elections: 30 seats from 28 FCs, shall be returned by the FC elections. In the 2004 Legislative Council election, there were 19 male candidates. Then, let us take a look at the FCs: Heung Yee Kuk, Agriculture and Fisheries, Insurance, Transport, Real Estate, Tourism, Commercial (First),*

Commercial (Second), Industrial (First), Industrial (Second), and so on. A survey shows that a great majority of proprietors and directors are male, and this is also why the United Nations (UN) commented that it is structurally unfair to women. In the 2004 election, there were 19 FCs in which there were only male candidates; and last year, there were 22 FCs in which there were only male candidates, and the male candidates of 11 of these FCs were uncontested. If this cannot be regarded as evidence, does it mean the Government of the Hong Kong Special Administration Region (SAR) is blind?

PRESIDENT (in Cantonese): Which Secretary will give a reply? Secretary for Constitutional and Mainland Affairs, please reply.

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): President, I have certainly noticed this situation in the elections mentioned by Ms Emily LAU, but I would like to provide Members with a few additional important facts.

First of all, the register of electors contains 3.37 million electors at present. There is an almost equal distribution of male and female electors, with female electors accounting for 49.8% and male electors accounting for 50.2%. Second, the register for Geographical Constituencies contains about 225 000 electors, with female electors actually taking up a larger proportion, accounting for 54%. Third, what I would like to point out to Members is that these elections are fair, open and just, and they are open to fair competition by all. In fact, in this Legislative Council, there are four female Members who were returned by FC elections, and the FCs they belong to, namely the Transport, Legal, Labour and Textiles and Garment FCs, have a larger proportion of male electors. On the contrary, in three FCs with more female electors than male electors, including Education, Health Services and Social Welfare, the Members returned were male. Therefore, there is no established principle on whether or not having a larger proportion of female electors will be more favourable to female candidates or vice versa. The elections of Hong Kong are fair, open and just, and there is fair competition for all.

MR CHEUNG MAN-KWONG (in Cantonese): *There is a very deep structure in the fact pointed out by Ms Emily LAU just now, that is, in the 30 FC seats this year, over 70% of the candidates contesting 22 seats, were male, with no female candidate at all. Which FCs are they? They are the Commercial, Industrial and Finance FCs. In some FCs with primarily corporate electors, such as Heung Yee Kuk, the number of male electors is even 30 times that of female electors. Even though there are many female practitioners in these FCs, as pointed out by the Secretary, the number of female candidate was zero, and it has always been so in previous elections over the years. Is this phenomenon of zero-female-participation in the elections of those 22 seats a proof for the query raised by the UN, that is, the electoral system of FCs may constitute indirect discrimination against women? What is the reason for that? How can one explain this long-standing situation of zero-female-participation in the elections of the 22 FCs?*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): President, one fact is that even for FCs with corporate votes, two female Members in this Legislative Council were successfully returned from the Labour FC and the Textile and Garment FC, which are constituencies with corporate votes.

PRESIDENT (in Cantonese): Which part of your supplementary question has not been answered?

MR CHEUNG MAN-KWONG (in Cantonese): *He has definitely evaded my key question concerning the 22 FC seats which have been dominated by corporate electors and have zero female participation. These seats account for the largest proportion of FC seats, but he has not mentioned them. Just citing a couple of isolated examples does not entail that the general phenomenon has been addressed.*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): President, there is no provision in our election legislation governing

the gender of candidates, and both males and females are free to stand in the elections.

MR CHEUNG KWOK-CHE (in Cantonese): *President, I would like to speak on the issue of DV victims again. Just now, the Secretary mentioned that some DV victims backed off and decided not to pursue their cases after arriving at the police station due to various circumstances, or there were difficulties in collecting evidence. May I ask the Secretary whether the authorities have provided DV victims with some support measures, so that they will have the confidence to reveal the truth and bring the abusers to justice?*

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): I would like to thank Mr CHEUNG for raising this question, about which we are also very concerned. Actually, if Members have paid attention to the policy address this year, they may have noticed that the Chief Executive has already announced that the SWD will introduce a support programme for DV victims next year. This programme seeks to provide these victims with targeted assistance. Specifically, our objective is to enhance support for DV victims, in particular, victims of spouse battering and child abuse. We are especially concerned about spouse battering cases. Support will be provided to the relevant victims, in particular, those who have to appear in judicial proceedings, that is, appear in court.

Perhaps, let me give a brief account of the individualized services available to them. First, we will provide them with information on legal proceedings and community support services, such as how to apply for legal aid. As some of them may be new immigrants to Hong Kong, we have to assist them on matters such as housing, so that they may live apart from their spouses, which would be safer for them; and another example is health care information, such as how to take care of kids or abused children. Second, emotional support is also very important. We will arrange for social workers to accompany victims to court proceedings when necessary in order to ease their worries and sense of helplessness, which is also very important. Lastly, we will enhance their abilities by working closely with social workers in order to help them resume their normal life as soon as possible. We will identify some operators, and

according to our timetable, we hope this service will roll out around April to June in the next financial year. I hope more individualized and effective services will be provided to victims by then.

MS CYD HO (in Cantonese): *The Secretary for Constitutional and Mainland Affairs just said that 54% of the electors in FCs are female. May I ask the Secretary to inform us of the one or two FC(s) in which there is a large concentration of female electors, and whether a great majority of them belong to the Education, Social Welfare and Health Services FCs? Actually, the structural problem arises from the fact that we have many "nil-gender" FCs, that is, those 22 FCs, in which the gender of the electors is not specified. May I ask the Secretary how to raise the chance of returning female candidates in these "nil-gender" FCs?(Laughter)*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): President, I have already pointed out just now that there is a larger proportion of female electors in number of FCs. For example, there are 59 000 female electors in the Education FC, accounting for 66% of its total number of electors; there are more than 8 800 female electors in the Social Welfare FC, accounting for about 71.8% of its total number of electors; and in other FCs including the Health Services FC, there are more than 28 000 female electors, accounting for 77% of its total number of electors.

As for the issue highlighted by Ms Cyd HO that there are primarily corporate electors in some FCs, such as the Commercial and Industrial FCs, I have to reiterate that all candidates, be they male or female, are free to solicit the support of their respective FCs. I would also like to point out that there are actually many very successful females in the commercial and professional sectors in Hong Kong. Over the years, different sectors in Hong Kong have made plenty of efforts, and some of them even succeeded in gaining entry to this Council.

PRESIDENT (in Cantonese): Which part of your supplementary question has not been answered?

MS CYD HO (in Cantonese): *President, my final question put to the Secretary was how to make it easier for female candidates in FCs with the gender of electors not specified to be elected, but the Secretary only indicated just now that they are*

PRESIDENT (in Cantonese): You have already raised your follow-up question. Secretary for Constitutional and Mainland Affairs, please reply to it.

MS CYD HO (in Cantonese): *..... free to stand in elections, but no solutions have been provided.*

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): President, I think it is most important to continue to maintain the free and open system as well as the fair, open and just elections in Hong Kong so that all individuals are free to stand in elections.

PRESIDENT (in Cantonese): Last supplementary question.

MR LEUNG YIU-CHUNG (in Cantonese): *President, when the Secretary mentioned the number of electors in FC elections just now, he merely gave a general list of the numbers of female electors in certain FCs. However, there are only some FCs with more female electors than male electors, while the situation in some other FCs is exactly like what Ms Cyd HO described. The status and power of females are not clearly represented in some FCs with corporate electors.*

Ms Emily LAU pointed out in the main question the concern of the United Nations Committee on the Elimination of Discrimination against Women that the low level of representation of women in the FCs of the Legislative Council may constitute indirect discrimination against women. This main question is a direct censure. Therefore, may I ask the Secretary whether the concern expressed by the Committee is superfluous? What is the Government's view on this concern? If the Government regards this as superfluous, what is the reason for that? If it

is not superfluous, why does the Government adopt this practice? How would the Government respond to this comment which is not superfluous?

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): President, regarding the view of the United Nations, we will certainly consider it very carefully, but we have to look at the facts after all. The Legislative Council electoral system has already undergone changes after the reunification. One third of the seats in the First Legislative Council in 1998 were returned by direct election, and subsequently already half of the seats in the Third and the Fourth Legislative Council were returned by direct election. In fact, this change has enabled the introduction of more seats returned by direct election, and an equal distribution of registered male and female electors may vote for the male or female candidates. As you may notice, under an environment of fair competition and with the electoral system gradually becoming more and more open from the First to the Fourth Legislative Council, there were full participation by both male and female candidates, and the gender distribution of candidates who succeeded in gaining entry to the Legislative Council has basically remained stable. In the First Legislative Council in 1998, there were a total of 10 female Members, and in the Second Legislative Council, there were 11, and subsequently in the Third and the Fourth Legislative Council, there were 12 and 11 female Members respectively.

Therefore, the existing electoral system has already undergone changes, with a larger proportion of Members being returned by direct elections. Under an environment of fair competition, both male and female candidates may stand in these elections and compete for the seats. Generally speaking, the existing record is that 10 to 12 female candidates have succeeded in being elected as Members of the Legislative Council.

PRESIDENT (in Cantonese): Which part of your supplementary question has not been answered?

MR LEUNG YIU-CHUNG (in Cantonese): *President, the Secretary was not answering my question. His answer was*

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung, I know you are not satisfied with the Secretary's reply.

MR LEUNG YIU-CHUNG (in Cantonese): *It is not that I am not satisfied, I just said he has not answered my supplementary question.*

PRESIDENT (in Cantonese): But I think the Secretary has already given an answer.

MR LEUNG YIU-CHUNG (in Cantonese): *I have not pointed out which part of my question has not been answered, so how can you say that I am not satisfied?*

PRESIDENT (in Cantonese): Please point out immediately which part of your supplementary question has not been answered by the Secretary.

MR LEUNG YIU-CHUNG (in Cantonese): *I hope that in future, President, you will allow me to make my point before you make your judgment, alright?*

PRESIDENT (in Cantonese): Please point out which part of your question has not been answered by the Secretary.

MR LEUNG YIU-CHUNG (in Cantonese): *President, I have just asked the Secretary what he thinks about the Committee's concern, and whether this concern is superfluous and incorrect. If it is superfluous and incorrect, he should give a clarification. What exactly does he think about it? Does or does he not think it is the case? What should be done?*

PRESIDENT (in Cantonese): Mr LEUNG, your follow-up question is very clear. I think the Secretary has already given a reply. Let me see if the Secretary has anything to add.

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): President, I do not have anything to add.

PRESIDENT (in Cantonese): Last oral question.

Floor Numbering of New Buildings

6. **MR JAMES TO** (in Cantonese): *President, it has been reported that the issue of floor numbering of buildings has earlier aroused public concern because of the floor numbering arrangement of a first-sale property, whereby not only the numbers of those floors generally considered to be inauspicious (for example the fourth, 13th, 14th, 24th and 34th floors) by the public are omitted, the floor numbers also jump from 39th to 60th immediately, and from 68th to 88th. In this connection, will the Government inform this Council:*

- (a) *whether, in vetting and approving the building plans for buildings, the Buildings Department (BD) will consider if the floor numbers provided by the developers are arranged in a logical sequence; and in the event that the arrangement concerned deviates significantly from the common practice (for example, the second floor is numbered as the 288th floor), whether it will advise the developer to revise the arrangement;*
- (b) *whether, in vetting and approving the pre-sale of uncompleted flats, the Lands Department will consider if the floor numbering of the buildings concerned will easily give rise to misunderstanding among the public (for example, misleading them into thinking that a building is 88-storey high when it is in fact only 46-storey high); and*
- (c) *whether the floor numbering of buildings has any implication for the provision of emergency rescue services by the Government?*

SECRETARY FOR DEVELOPMENT (in Cantonese): President, the Building Authority (BA) considers and approves building plans in accordance with the provisions of the Buildings Ordinance (Cap. 123). Section 16 of the Ordinance stipulates the specific considerations where the BA may refuse to approve

building plans. Such considerations do not include the arrangement of floor numbers of a building. Therefore, the BA cannot refuse to approve a building plan because of the floor numbering arrangement of the building as shown on the plan, or the BA may be accused of acting *ultra vires* and be subject to legal challenges. Nevertheless, if the BA considers the floor numbering as shown on a building plan may cause confusion, he may suggest the applicant to make amendments, albeit such suggestion is advisory in nature without statutory effect.

Regarding the development project at Conduit Road which the public is concerned about recently, the floor numbering arrangement of the building actually has two scenarios. Firstly, the building has adopted a very common practice in Hong Kong to omit floor numbers of the 4th, 13th, 14th, 24th, 34th and 44th floors which are generally considered inauspicious (commonly known as "skipping floors"). In addition, the building plans also indicate that there is an "also known as" designation of floor numbers, under which the 40th, 41st, 42nd, 43rd, 45th and 46th floors of the building are respectively "also known as 60th floor" and so on as 61st, 63rd, 66th, 68th and 88th floors. Under the provisions of the current legislation, the BA has no statutory power to refuse to approve the building plans because of the arrangement of floor numbers of the building as shown on the plans. Since the actual and the "also known as" floor numbers I have just mentioned were arranged from lower to upper floors in ascending order, the BA considered that there was no need to advise the applicant to make amendments.

I now reply to the three parts of Mr TO's question:

- (a) As I replied earlier, the BA has no statutory power under the Buildings Ordinance to refuse to approve a building plan because of the arrangement of floor numbers of a building as shown on the plans. Nevertheless, if the BA considers that the floor numbers of a building as shown on the building plans are not arranged in a logical sequence and generally in order, he may still suggest the applicant to make amendments, albeit such suggestion is advisory in nature without statutory effect. In fact, the public is concerned about the Conduit Road case not because of a significant deviation from the common practice in floor numbering. It is because the case adopts a very rare arrangement of adding an "also known as" designation of floor numbers on top of the actual floor numbers.

In view of the recent public concern over the floor numbering arrangement of buildings, the BD has, after consideration, decided to review and amend the existing Practice Note for Authorized Persons, Registered Structural Engineers and Registered Geotechnical Engineers together with the relevant stakeholders. The aim is to formulate a reasonable approach and a code of good practice for floor numbering for the industry to adopt on a self-discipline basis. Promulgation of practice notes is a method used by the BD to require the industry to adopt good practices in building design. Such method has been effective. The BD will soon make proposals and consult the Building Subcommittee of the Land and Development Advisory Committee in respect of floor numbering arrangement for buildings, with a view to revising the Practice Note as soon as possible. According to past experience, upon promulgation of the Practice Note by the BA, the industry will adopt. We believe that the recurrence of arousing public concern on similar buildings could be avoided.

- (b) The Consent Scheme is an administrative measure. One of its primary objectives is consumer protection, that is, to protect buyers of uncompleted flats against losses arising from developers' failure to complete their developments.

According to the requirements of most of the land grant documents, one of the prerequisites for approving the pre-sale of uncompleted flats by the Government is that the Deed of Mutual Covenant (DMC) concerned must be approved by the Director of Lands. In vetting and approving the DMC, the Lands Department will accept the floor numbers shown on the building plans approved by the BD as the floor numbers set out in the DMC.

To enhance the transparency of the sales of uncompleted residential properties, the Consent Scheme and the guidelines issued by the Real Estate Developers Association of Hong Kong (REDA) require developers to provide prescribed property information, including the salient points of the DMC, in the sales brochures.

In general, developers have provided in their sales brochures cross-section diagrams of floors which show the total number of

storeys of respective building and the position of respective floors, as well as floor numbering information in the "Information for Reference" section in the latter part of the sales brochures.

To further enhance the transparency of floor numbering information in the sales brochures, the Transport and Housing Bureau will discuss with the REDA on the requirement for developers to set out the floor numbering information clearly in the section on "Basic Information of the Development" at the front part of the sales brochure.

- (c) According to the information provided by the Security Bureau, for the provision of emergency services by the Government, correct address of the incident, including the floor number, is a piece of crucial information which can facilitate prompt arrival of front-line staff at the scene to attend to the emergency situation. Generally speaking, minor changes to floor numbering, such as the omission of certain floor numbers, will not have a significant impact on the police's handling of emergencies or the Fire Service Department's fire fighting and ambulance operation. However, if the floor numbering is too unconventional and overly complicated, it may affect the efficiency of the Government's provision of emergency services. As mentioned in part (a) of the reply, in mapping out the approach for floor numbering arrangement and the code of good practice, the BD will consult the Security Bureau and take into account the latter's advice.

MR JAMES TO (in Cantonese): *President, as mentioned in part (c) of the main reply, the Security Bureau pointed out that if "skipping floors" was overly complicated or too unconventional, safety would in fact be jeopardized. However, the Government pointed out in part (a) of the main reply that the BA's suggestion did not have any legal effect, and even if the Practice Note was amended, the industry would only adopt it on a self-discipline basis. Therefore, may I ask whether the Government has to wait until safety is jeopardized as a result of the recurrence of such unconventional or overly complicated "skipping floors" before it will consider stipulating measures with binding effect, or it*

should consider stipulating some measures with binding effect to avoid recurrence of such incidents?

PRESIDENT (in Cantonese): Which Secretary will reply? Secretary for Development, please reply.

SECRETARY FOR DEVELOPMENT (in Cantonese): Of course, in safeguarding public interests, the Government will not rule out the possibility of adopting some regulatory measures with binding effect. However, as what I have mentioned in the main reply, neither the general public nor many people can seek approval from the BD in respect of building plans. Therefore, our regulatory targets are authorized persons or registered engineers. A very good mechanism is already in place, under which the BA will issue some practice notes. According to our experience, the industry will certainly follow them. Therefore, is it more effective and efficient to allow us to adopt this well-established method to stipulate new rules for the industry to follow after consultation?

PRESIDENT (in Cantonese): Which part of your supplementary question has not been answered?

MR JAMES TO (in Cantonese): *The second method mentioned by the Secretary just now is to amend practice notes for the industry to adopt on a self-discipline basis. My supplementary question is: Is it the case that the Government has to wait until recurrence of such situation before it will stipulate measures with binding effect?*

PRESIDENT (in Cantonese): Mr TO, I think the Secretary has already answered your question.

MR JAMES TO (in Cantonese): *President, she has not mentioned whether she will wait or not. I have not heard her reply. What answer did you hear — will she wait or not?*

PRESIDENT (in Cantonese): Mr TO, please sit down. I have already mentioned earlier that if Members ask whether the Government will adopt a certain practice and the Government's reply is that the existing practice is most effective, it has in fact answered the question. However, Secretary, do you wish to give a formal reply on whether you will wait or not? *(Laughter)*

SECRETARY FOR DEVELOPMENT (in Cantonese): As mentioned in my main reply, upon promulgation of the Practice Note, we believe that such confusing situation can be avoided. Therefore, I expect that such situation will not occur again. But if such situation occurs again upon promulgation of the non-legally binding Practice Note and request for amendments, then I will certainly not evade from exercising control with binding effect.

PROF PATRICK LAU (in Cantonese): *President, the Secretary has stated clearly in part (a) of the main reply that the Practice Note will be amended expeditiously, and another very important thing to do is to conduct a consultation. As mentioned by the Secretary just now, the Building Subcommittee comprises mainly authorized persons such as architects and engineers. If the Government seeks our advice, we will actually follow the opinions given by the owners and developers who have employed us. Therefore, I would like to ask who will be consulted by the Government. As this is a matter of public concern, will Fung Shui masters be consulted?*

SECRETARY FOR DEVELOPMENT (in Cantonese): Apart from stakeholders from the industry, there are also other members in the Building Subcommittee. So, I believe that there will be a wide representation of views. However, I am aware of the different views, on floor numbering in society. As

such, I will take Prof LAU's views into account proactively to see whether we can consult other areas or bodies.

MS STARRY LEE (in Cantonese): *President, developers come up with the idea of "skipping floors" today, and may also come up with other methods tomorrow. In view of public concerns, the Secretary said that the Practice Note would be amended; as regards the pre-sale of uncompleted flats, developers could be monitored by guidelines only. My question is: These practice notes and guidelines have been drawn up after consulting the industry and then obtaining its consent, which has finally led to consensus. So, why such important practice notes and guidelines not be legislated, so that more messages of safeguarding public interests can be conveyed through the Legislative Council and the BA be empowered by such legislation to refuse approving certain plans?*

PRESIDENT (in Cantonese): Ms LEE, I think your supplementary question has already been discussed just now. Let me see if the Secretary has anything to add.

SECRETARY FOR DEVELOPMENT (in Cantonese): Perhaps, let me add a few words here. In principle, what Ms LEE has mentioned is also correct. However, we should also consider the regulatory work by the Government in each area. For example, which area should be regulated by means of binding requirements and which area can be regulated by means of stipulating the best practices through consultation? However, if the latter cannot fulfil the former's objective, we will certainly proceed with the former, that is, resort to regulation by means of legislation. Each matter should undergo a brewing process and discussions in society before the Government will respond to it proactively.

MR LEE WING-TAT (in Cantonese): *President, this matter is stemmed from complaints. But where does the problem lie? After Mr Albert HO and I met with the Director of Lands and then contacted the Director of Buildings, we had revealed that the practice was becoming increasingly ridiculous, including naming the second floor as the 888th floor; the third floor as 8 888th floor and the fourth floor as 88 000th floor. However, the Director replied that he had no*

power to handle this matter. We then asked the Director: Did he have anything to tell the Secretary regarding such ridiculous situation? But he had not answered me.

Secretary, what is my supplementary question about? In fact, very often, some very unconventional things will occur. But the question is: Those Directorate staff also turn a blind eye to some unconventional things, simply putting a full stop to them by saying that they have no power to handle them. As such, a lot of ridiculous and unconventional things will occur in our society. Therefore, I would like to ask the Secretary whether she has discussed with her subordinates, whether in a private or official capacity, that they should handle things with common sense. As for this unconventional matter, he said that there was no legislation to regulate it. However, has he ever told you that he was going to handle this matter or what? Therefore, I would like to ask the Secretary, what do you and your colleagues, that is, colleagues of the departments under your purview (the Lands Department and the BD) think about the enormous power conferred on them?

SECRETARY FOR DEVELOPMENT (in Cantonese): Mr LEE has mentioned a relatively macroscopic issue. Of course, our law-enforcement departments should, first of all, be legal and act within our scope of authority. However, I am aware of and totally agree with a statement made by Secretary Denise YUE just now, and that is, as an administrator and provider of public services, we have to be legal, as well as conventional and reasonable. Therefore, as the Secretary for Development, I have always encouraged my senior colleagues that in handling every matter, apart from being legal, we should also pay attention to see if we are reasonable and sensible. And so, after the occurrence of this incident, I have already discussed with the Director in person. Therefore, as stated in the main reply, we consider it necessary to take some actions. However, we should, first of all, make use of the well-established Practice Note to avoid such confusing situations from occurring again.

MR ALAN LEONG (in Cantonese): *President, in fact, we are not saying that the BA had not refused to approve the plans concerned. Rather, he had not made any suggestion at all. I would like to ask, the Secretary has mentioned in part (a) of the main reply that apart from the numbering of "the actual floors", there is an "also known as" arrangement as well, which (I quote) is a "very rare*

arrangement". If it is such a rare arrangement, it is surprising that the BA has not made any suggestion for such an arrangement to be revised. Will the Secretary consider the BA quite careless or improper in doing so?

SECRETARY FOR DEVELOPMENT (in Cantonese): In fact, regarding Mr LEONG's question, I have also replied Mr LEE just now. My colleague, who was responsible for handling this case, put much emphasis on the legal basis. Therefore, when he had no statutory power to handle it and I have also mentioned in the main reply that in this special case, as shown on the building plan, there is actually no skipping in the floor numbers. The floor numbers are in order, only that some inauspicious ones have been skipped, and the rest are all there. However, something is added in bracket, for instance, the 40th floor is also known as 60th floor. This is considered to be a rare arrangement, as he forgot whether he had seen it before. Perhaps, it is the one-and-only-one such arrangement. In response to Mr LEONG, this is certainly not a question of carelessness. However, can we consider the public reaction to this incident in a more comprehensive manner outside the legal scope? In this connection, we will certainly handle our daily work in a more comprehensive manner.

PRESIDENT (in Cantonese): We have spent more than 2 hours 15 minutes in this question session. Oral questions end here.

WRITTEN ANSWERS TO QUESTIONS

Operation of Municipal Services Appeals Board

7. **MR TOMMY CHEUNG** (in Chinese): *President, recently, I have received complaints from many members of the trade, pointing out that the requirements for vetting and approving new applications for liquor licences and applications for renewal of liquor licences (including restrictions on the operation conditions) by the Liquor Licensing Board (LLB) were more stringent than those in the past. Quite a number of applicants lodged appeals with the Municipal Services Appeals Board (the Board) after they were informed of LLB's decisions, and the waiting time for hearings to be held on the relevant appeal cases increased substantially, and in some cases as long as several months, with the result that hearings were not even scheduled upon the expiry of the*

appellants' liquor licences. Members of the trade have pointed out that the appeal mechanism concerned serves no real purpose, which causes operators to suffer losses and also adversely affects the business environment of the catering industry. In this connection, will the Government inform this Council:

- (a) of the number of appeals received by the Board regarding applications for liquor licences each year from January 2006 to June this year, as well as the average waiting time for hearings to be held on such cases;*
- (b) of the existing manpower of the Board for handling such appeal cases, and whether it has assessed if the existing manpower is sufficient, so as to ensure that the relevant appeal cases can be completed within a reasonable period of time; and*
- (c) whether the Board will formulate a performance pledge for the waiting time for hearings to be held on the appeal cases concerned; if not, of the reasons for that?*

CHIEF SECRETARY FOR ADMINISTRATION (in Chinese): President,

- (a) The number of appeals received by the Municipal Services Appeals Board (the MSAB) regarding applications for liquor licences each year from January 2006 to June this year, as well as the average waiting time for hearings to be held on such cases are as follows:

	2006	2007	2008	2009 (up to June)
No. of appeals received by the MSAB regarding applications for liquor licences	21	27	24	22
Average waiting time for hearings to be held on the appeals regarding applications for liquor licences	77 days	102 days	97 days	100 days

- (b) The MSAB currently comprises a Chairman, three Vice-chairmen and a panel of 74 members. Each appeal will be heard by an Appeals Board comprising the Chairman or the Vice-chairman and two panel members.

The Board Secretariat comprises a Board Secretary and shares three clerical staff with another appeals board.

We have from time to time assessed the manpower of the MSAB. We shall continue to closely monitor the caseload of the MSAB to see if it is necessary to increase the manpower and also the number of hearings in order to shorten the waiting time required for appeals to be heard.

- (c) There are statutory time limits governing the processing of appeals by the MSAB including provisions for the granting of extension of time. The Secretariat will only be able to issue the Notice of Hearing upon receipt of all relevant documents subsequent to the lodging of the appeal. Moreover, the date of a hearing also depends on whether the Appellant seeks an extension for submission of the appeal.

For example, according to regulation 17(5) of the Dutiable Commodities (Liquor) Regulations, the applicant for the liquor licence may, within 28 days after the date of the notice given by the LLB, appeal to the MSAB. Nevertheless, the Appellant may apply in writing to the Chairman of the MSAB to extend the time limit to lodge the appeal under section 17(1) of the MSAB Ordinance.

Moreover, under section 9(1) of the MSAB Ordinance, the Respondent (that is, the LLB in liquor licensing appeal cases) is required to serve on an Appellant a statement relating to the administrative decision within 28 days. However, the Respondent may also apply for extension of the time for serving statement under section 17(2) of the same Ordinance. The Chairman may extend the time limit if he is satisfied that there is good cause for doing so.

As explained above, there are certain statutory procedures governing the processing of appeals by the MSAB and the actual waiting time

may vary considerably depending on the circumstances of each case. Hence it would not be realistic to set a performance pledge on the waiting time of the MSAB. That said, we will continue to keep in view its caseload and strive to reduce the waiting time for the appeals to be heard as far as possible.

Government Efforts in Addressing Climate Change

8. **MS CYD HO** (in Chinese): *President, governments around the world are committed to developing policies to address climate change, and the United Nations will convene the 15th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (Copenhagen Conference) in Copenhagen from 7 to 18 December this year to discuss details of the agreement on reducing global greenhouse gas (GHG) emissions after 2012. As the Convention has been extended to Hong Kong through the Central People's Government since 2003, Hong Kong is obliged to keep pace with the international community in striving for emission reduction so as to mitigate climate change. In this connection, will the Government inform this Council:*

- (a) *given that the Inter-departmental Working Group on Climate Change (Working Group) under the lead of the Environmental Protection Department (EPD) started an 18-month consultancy study on climate change at the end of March 2008, when the authorities will release the findings of the study and conduct public consultation;*
- (b) *given that the mitigation of climate change involves many policy areas, including environment, development, economy and social welfare, and so on, whether the authorities will upgrade the Working Group to a strategic group and place it under the lead of the Chief Secretary for Administration instead, so as to better coordinate the related work of the various bureaux and government departments;*
- (c) *given that the Central People's Government promulgated the China National Plan for Coping with Climate Change as early as 2007, and the various provinces on the Mainland also rolled out provincial-level plans in 2008, when the authorities will develop and*

introduce comprehensive policies to address climate change, and of the relevant details;

- (d) given that the information provided by the EPD indicates that the total emissions and per capita emissions of carbon dioxide in Hong Kong have been on the rise since 1999, whether the authorities have evaluated whether their targets set earlier to achieve a reduction in energy intensity of at least 25% by 2030 from the 2005 level are able to reflect the actual situation; whether they will set targets that are more meaningful and actually reflect the emissions reduced;*
- (e) given that the data from the Hong Kong Observatory indicate that the annual mean temperature in Hong Kong has been rising, with the temperature in urban areas rising at a rate far greater than that in the rural areas, and that the annual mean temperature is estimated to rise by 4.8°C by the end of this century, what measures the authorities will introduce to reduce the annual mean temperature in urban areas by 2°C; and*
- (f) given the importance of the Copenhagen Conference in mitigating climate change, whether the Hong Kong Special Administrative Region Government will delegate senior officials to attend the Conference and report the preparatory work and the outcome to this Council before and after the Conference?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (a) To further enhance our efforts in reducing GHG emissions and adapt to climate change, the Administration commenced a consultancy study on climate change in March 2008. The study, expected to conclude in early 2010, seeks to review and update the local inventories of GHG emissions and removals; characterize the impacts of climate change in Hong Kong; and make recommendations to the Administration for formulating long-term measures for Hong Kong to mitigate GHG emissions as well as to adapt to climate change; and so on. The consultants will conduct stakeholder engagement before completion of the study report.

- (b) To formulate and take forward measures to reduce GHG emissions and adapt to climate change, the Administration has established the Working Group under the lead of the Environment Bureau. It comprises representatives from five bureaux and 16 departments. We consider the current composition of the Working Group appropriate, is fully capable of effectively managing, coordinating and promoting actions to address climate change and reduce GHG emissions.

(c) and (d)

The Government attaches great importance to the climate change issue and is committed to taking effective actions to reduce GHG emissions. In respect of our emissions reduction target, alongside some other 20 member economies of the Asia-Pacific Economic Cooperation (APEC), Hong Kong has adopted the "APEC Leaders' Declaration on Climate Change, Energy Security and Clean Development" as announced at the APEC Leaders' Meeting held in Sydney in September 2007. We pledged to reduce our energy intensity by at least 25% by 2030 from the 2005 level. To underscore our commitment, the Chief Executive reaffirmed in the 2007 Policy Address that Hong Kong would endeavour to achieve this target. Fully achieving this target in 2030 will avoid emission of approximately 20 million tonnes of GHG every year.

As a service-based economy, Hong Kong is a relatively small GHG emitter. Our level of emissions per capita is considerably lower than most of developed economies. Since Hong Kong does not have any energy-intensive industries, the energy sector (mainly power plants) is the principal source of GHG emissions. It is followed by the transportation sector, contributing about 16% of the total emissions. Other emission sources include the waste sector, industrial processing and agriculture, and so on. In terms of end-uses, buildings consume about 89% of total electricity in Hong Kong. Taking account of the local situation, the strategy being carried out to control local GHG emissions is mainly therefore premised on improving the overall energy efficiency (in particular building energy efficiency) and using cleaner fuels.

A host of measures have been set in train to reduce our level of GHG emissions. These include implementation of the Buildings Energy Efficiency Funding Scheme and the Mandatory Energy Efficiency Labeling Scheme; setting up a district cooling system at the future Kai Tak Development; banning the construction of coal-fired power generating units; and providing economic incentives to encourage development of renewable energy sources; and so on. At the same time, policy measures are being pursued to address GHG emissions from other major emission sources including the transportation sector and landfills. These include continuously extending the coverage of the public transport system (in particular the railway network), promoting the use of electric vehicles, and enhancing the utilization of landfill gas as alternative fuels. Through the above-mentioned strategies and measures, we are confident that the target of reducing energy intensity by at least 25% from the 2005 level will be achieved by 2030.

- (e) The rise of average temperature in Hong Kong is related to the increase in global mean surface temperature. According to the Intergovernmental Panel on Climate Change assessment report published in 2007, joint actions across the globe are required to avoid a continued increase in the global mean surface temperature. As a member of the global village, Hong Kong will continue to support and participate in international efforts to tackle climate change.
- (f) Although Hong Kong is not a Party to the United Nations Framework Convention on Climate Change (the Convention), representatives from the Administration had joined as members of the Chinese delegation to Conferences of Parties to the Convention in the past. As for the fifteenth session of the Conference of Parties to the Convention to be held in Copenhagen in December this year, the Secretary for the Environment will participate at the Conference as a member of the Chinese delegation, as compared to the previous occasions which were attended by officials of professional and directorate grades. We briefed the Legislative Council Panel on Environmental Affairs on 2 November the Administration's preparation for the Conference. According to past practice, the Secretariat of the Convention will disseminate, through various

media, information on the progress of the Conference and consensus reached by Parties during and after the session.

Disposal of Unsold Vegetables

9. **MR CHAN KAM-LAM** (in Chinese): *President, recently, it has been reported that the Vegetable Marketing Organization (VMO) discards on average more than one tonne of unsold vegetables every day. In this connection, will the Government inform this Council:*

- (a) of the existing mechanism for disposing of unsold vegetables by the VMO;*
- (b) whether the VMO will take the initiative to contact food banks and the other relevant charitable organizations to arrange for donation of unsold vegetables; and*
- (c) how the VMO determines the vegetable throughput to be sold in its wholesale markets, and whether it has made timely adjustment to the vegetable throughput according to market demand, so as to reduce wastage?*

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

(a) and (b)

There are about 230 vegetable wholesalers operating in the VMO. They import fresh vegetables every day and conduct wholesale business at the VMO's wholesale market in Cheung Sha Wan. At close of business, wholesalers will hand over unsold vegetables of the day to the VMO. If the wholesaler is willing to donate unsold vegetables to charitable organizations (including "food banks"), interested charitable organizations will be notified to collect free of charge from the wholesale market those vegetables which are still of good quality. The VMO may also provide free delivery service. The VMO will dispose of vegetables of poor quality, and unsold vegetables which wholesalers declined to donate.

At present, the wholesale market concerned handles about 30 000 baskets of vegetables every day. The amount of vegetables disposed of by the VMO for the wholesalers averages about 80 baskets a day, accounting for less than 0.3% of throughput.

- (c) The VMO's role is to provide a transaction platform for vegetable wholesalers and buyers. Wholesalers will make their own decision on the quantity to be imported according to market demand and supply. This is a business decision which the Government should not interfere. That said, the VMO will continue to encourage wholesales to donate their unsold vegetables to reduce wastage.

Arrangements for Disregarded Earnings Under CSSA Scheme

10. **MR WONG SING-CHI** (in Chinese): *President, regarding the arrangements for disregarded earnings (DE) under the Comprehensive Social Security Assistance (CSSA) Scheme, will the Executive Authorities inform this Council:*

- (a) *of the respective numbers of CSSA recipients benefiting from monthly DE arrangement and their average amounts of monthly DE in the whole of last year and in the period from January to September this year;*
- (b) *of the respective numbers of CSSA recipients with a monthly earning of \$800 or below, \$801 to \$4,200 and over \$4,200 in the past five years;*
- (c) *whether it will collect statistics on the number of CSSA cases in which recipients had benefited from DE and subsequently left the CSSA net; if it will, when the annual numbers of such cases in the past five years can be provided; if not, the reasons for that; and*
- (d) *given that the authorities stated in its reply to a question raised by a Member of this Council on 16 January last year that "we will review the DE arrangement again after this new arrangement has been in*

operation for a period of time", whether they have set a specific timetable for such a review; if so, of the details; if not, the reasons for that?

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. There is a Support for Self-reliance (SFS) Scheme under the CSSA Scheme to assist CSSA able-bodied recipients aged between 15 and 59, who are unemployed or whose monthly working hours or earnings are less than those prescribed by the Social Welfare Department (SWD), in securing full-time paid employment and moving towards self-reliance.

The DE arrangement (the arrangement) is part of the SFS Scheme. It aims at encouraging the above CSSA recipients who have the ability to work to find jobs and remain in employment. Under this arrangement, a portion of the CSSA recipient's monthly earnings from employment will not be deducted from his CSSA entitlement. The maximum level of the monthly DE is \$2,500 at present.

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

- (a) As at the end of December 2008, a total of 36 615 CSSA recipients benefited from the monthly DE arrangement. Their average monthly DE was \$1,816. The corresponding figures in September 2009 were 36 481 recipients and \$1,784.
- (b) The respective numbers of CSSA recipients with monthly earnings of \$800 or below, \$801 to \$4,200 and over \$4,200 in the past five years are set out in the table below:

<i>Year</i>	<i>Number of CSSA recipients (Year-end figure)</i>		
	<i>\$800 or below</i>	<i>\$801 to \$4,200</i>	<i>Over \$4,200</i>
2004	4 750	15 991	14 721
2005	4 896	17 075	16 536
2006	5 262	18 473	16 888

Year	<i>Number of CSSA recipients (Year-end figure)</i>		
	<i>\$800 or below</i>	<i>\$801 to \$4,200</i>	<i>Over \$4,200</i>
2007	5 331	18 266	16 416
2008*	5 012	17 202	14 707

Note:

* Some of the CSSA recipients are not included in the beneficiaries in part (a) of this reply because they had been on CSSA for less than two months, hence not yet eligible for DE.

- (c) SWD does not keep statistics on the number of CSSA cases having benefited from DE and subsequently left the CSSA net. However, many of the CSSA recipients in the SFS Scheme have secured paid jobs and benefited from the arrangement. In the past five years, altogether 16 223 recipients had successfully left the CSSA net.
- (d) Since December 2007, we have relaxed the eligibility criterion for DE from being on CSSA for not less than three months to two months, and have raised the no-deduction limit of the monthly DE from the first \$600 to the first \$800 of income. The Administration needs time to observe the effectiveness of these measures and will conduct a review on the arrangement at an appropriate time.

Compensation and Rehousing for Tenants Affected by Urban Renewal Authority Projects

11. **MR ALBERT HO** (in Chinese): *President, under the existing policy, the tenants affected by the redevelopment projects of the Urban Renewal Authority (URA) are entitled to ex-gratia payments or ex-gratia allowances, and eligible domestic tenants are entitled to rehousing units offered by the Hong Kong Housing Authority or the Hong Kong Housing Society. However, I have learnt that some owners had terminated the tenancies of their tenants immediately after the announcement of the redevelopment projects, resulting in the affected tenants not being able to receive any compensation or rehousing offer. In this connection, will the Government inform this Council if it knows:*

- (a) *the measures implemented by the URA to safeguard the right to compensation or rehousing of those tenants who are affected by its*

redevelopment projects and who have been occupying the premises concerned before the relevant Freezing Survey commences, and whether such measures include streamlining the procedures to confirm as early as possible the affected tenants' eligibility for compensation or rehousing, and narrowing the difference in amount between the compensation for owner-occupiers and that for non-owner-occupiers, and so on;

- (b) in respect of each URA's redevelopment project in the past 10 years, the number of affected tenants at the time when the relevant Freezing Survey was conducted; how the number compares with that of the tenants who ultimately received ex-gratia compensation or rehousing; and the reasons for the discrepancy between the two numbers; and*
- (c) focusing on the recent situation where some tenants were evicted by the property owners concerned after the announcement of a URA's redevelopment project in Sham Shui Po, how URA assists the tenants who are affected by the project and who have been occupying the premises concerned before the relevant Freezing Survey commenced, so that they will be compensated or rehoused?*

SECRETARY FOR DEVELOPMENT (in Chinese): President,

- (a) Under the prevailing policy of the URA, a domestic property owner affected by URA redevelopment projects will receive the market value of their properties valued on a vacant possession basis. Besides, any owner-occupier of domestic property will receive a further *ex-gratia* "Home Purchase Allowance" (HPA). If the property is vacant or let out, the owner will receive a "Supplementary Allowance" (SA). The amount of HPA is higher than that of SA.

The URA has been using the occupation status of the property as at the date of the freezing survey to determine whether the owner is entitled to a HPA or a SA. The change in the occupation status of the property after the freezing survey will not affect the amount of allowance payable to the owner. Hence, even if the owner evicts

the tenants from the property between the time of the freezing survey and the time of the completion of property acquisition by the URA and becomes owner-occupier, he/she will not receive a higher allowance.

For the past redevelopment projects of the URA, the majority of the tenants registered at the time of the freezing surveys resided in the properties until completion of acquisition by the URA. Hence, there was no need for the URA to adopt any targeted measures to provide early rehousing and early *ex-gratia* payment for the tenants.

- (b) Since its establishment in 2001, the URA has completed site assembly for 14 of its redevelopment projects. Based on the available statistical records of four of these projects, there were 470 tenant households registered at the freezing surveys. At the completion of site assembly for these four projects, 407 of these registered tenant households were still residing at the properties. There was a discrepancy of 63 tenant households.

As the tenant households had already left the properties before the URA made acquisition, the URA did not have confirmed information on the reasons for their departure. Based on the information provided by the other households and the Social Service Teams, some tenant households left after having been allocated public housing; some left after the expiry of their tenancies; and some made their own arrangements for other residence.

- (c) With regard to the recent case of a URA redevelopment project in Sham Shui Po where the tenant households have been asked to leave early after the freezing survey, since the URA has yet to be authorized to proceed with the project and to make acquisition offers, the URA is not in a position to intervene in the landlord and tenant matters in the project area. Notwithstanding, the URA Board had, after learning about the matter, decided at their Board meeting on 19 October to provide assistance to the tenant households through the following measures announced on 3 November:

- (i) Doubling the amount of Relocation Assistance (RA): Upon the recommendation of the Social Service Team and the

approval of the URA, the tenant households who have difficulty will be able to receive the RA as soon as they have moved out from the properties; and

- (ii) Lowering the approval threshold so that more tenants can benefit: For example, under the improved measures, the Hong Kong residency requirement for the tenant households will be relaxed.

In addition, the Urban Renewal Social Service Team will, depending on the need of the individual tenant households who have been asked to leave early, continue to assist them in their application for compassionate rehousing through the Social Welfare Department so as to tackle their long term housing need.

The URA will consider revising prevailing policies as the need arises and as the circumstances of the individual project require with a view to enhancing protection of the tenant households.

Opening Hours and Utilization Rates of Ball Game Pitches/Courts Under LCSD

12. **MR ABRAHAM SHEK** (in Chinese): *President, members of the public have reflected that for various reasons, the opening hours of ball game pitches/courts under the Leisure and Cultural Services Department (LCSD) are not the same, thus rendering the residents nearby unable to use such facilities for physical fitness exercises. In this connection, will the Government inform this Council:*

- (a) *whether the lack of a floodlight system is the reason why the Bowen Road Tennis Court in Wan Chai is not open to the public at night; if so, why it is not fitted with such a system; if not, of the reasons for not opening the tennis court at night;*
- (b) *of the other ball game pitches/courts under the LCSD in which the situation is similar, the distribution of the location of such pitches/courts, and whether there is any plan to improve the situation; if so, of the details; if not, the reasons for that; and*

- (c) *whether, in the past three years, statistics had been collected on the utilization rates of ball game pitches/courts under the LCSD and improvements had been made to the utilization; if such statistics had been collected and improvement had been made, of the details; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President, my reply to the three parts of the question is as follows:

- (a) Bowen Road Tennis Court, which is managed by the LCSD has four standard tennis courts that are not fitted with floodlights. The courts are open daily from 6 am to 7 pm in summer (that is, from April to September every year) and from 7 am to 6 pm in winter (that is, from October every year to March of the following year). The courts are located on top of the Bowen Road Fresh Water Service Reservoir, and the installation of floodlights would entail the erection of structures on top of the reservoir to support the floodlight posts. This would have an adverse impact on the structure of the reservoir and for this reason, floodlights cannot be installed at this venue.
- (b) The LCSD manages 260 tennis courts. Apart from Bowen Road Tennis Court in Wan Chai, the only courts that are not fitted with floodlights are those located at Ma Tau Wai Service Reservoir Playground. This venue is located on top of a service reservoir, and is therefore subject to the same constraints as Bowen Road Tennis Court. All other tennis courts under LCSD management are fitted with floodlights and are open at night.

As for other outdoor venues under LCSD management, the department provides 89 natural or artificial turf pitches for activities such as football, rugby, hockey and lawn bowls. All but 13 of those pitches are fitted with floodlights. The pitches without floodlighting are at Aberdeen Sports Ground (one), Happy Valley Recreation Ground (five), Tai Hang Tung Recreation Ground (three), Kowloon Tsai Sports Ground (one), Tin Kwong Road Recreation Ground (two) and Morse Park (one). The LCSD is planning to convert three natural turf pitches at Happy Valley

Recreation Ground and one natural turf pitch at Morse Park into third generation artificial turf pitches and provide them with floodlights. As for the other 9 pitches, they are not fitted with floodlights due to site constraints or to other constraints in the neighbouring areas. If conversion or re-surfacing works for these pitches become necessary in future, the LCSD will also examine the feasibility of installing floodlights at these pitches.

- (c) The utilization rate for tennis courts under LCSD management rose from 43% in 2006 to 63% last year. The utilization rate of courts at popular venues such as Victoria Park and Causeway Bay Sports Ground was as high as 86%. The LCSD continues to monitor the utilization of tennis courts and has arranged for the organization of more tennis training courses at venues with lower utilization in order to enhance public interest in tennis and increase usage. If the utilization rate of individual tennis courts remains persistently low, the LCSD will consider converting the courts into other facilities such as basketball courts, mini-soccer pitches, archery practice ranges and tai chi gardens. In the past seven years, the LCSD has converted a total of 15 tennis courts to other uses.

As for turf pitches, the demand has always been very high. The average utilization rate and the utilization rate during peak hours for artificial turf pitches in the past three years were around 75% and 95% respectively. The utilization rate for natural turf pitches is close to 100%.

Issue of Tropical Cyclone Warnings and Fire Danger Warnings by Hong Kong Observatory

13. **MR FREDERICK FUNG** (in Chinese): *President, regarding the meteorological services provided by the Hong Kong Observatory (HKO), will the Government inform this Council:*

- (a) *given that the HKO has adopted a new set of reference for the issue of Tropical Cyclone Warning Signals No. 3 and No. 8 since 2007 by expanding the reference from the Victoria Harbour to a network of eight reference anemometers covering the whole of Hong Kong, and*

No. 3 or No. 8 Signal, as the case may be, will be issued when half or more anemometers in the reference network have registered or are expected to register sustained strong winds or gale/storm force winds and the wind condition is expected to persist, of the statistical and analytical information of the new reference since 2007, including the number of warnings issued by the HKO even though the tropical cyclones did not meet the relevant reference, and the number of contrary cases; whether it has assessed the reasons behind and whether this reflects that the new reference is unable to cover all the determining factors; whether the authorities have conducted any preliminary or detailed evaluation and review on the new reference; if they have, of the outcome; if not, the reasons for that, and when the authorities will conduct such evaluation and review; and

- (b) *given that, in accordance with the information provided on the HKO web site, the issue of fire danger warnings are based on weather conditions favouring the occurrence and spread of fires, such as low humidity and high wind speed, as well as the information on the dryness of vegetation supplied by the Agriculture, Fisheries and Conservation Department, but some members of the public have queried that Yellow or higher level of fire danger warnings are always issued on and around festivals such as the Ching Ming Festival, Mid-Autumn Festival and Chung Yeung Festival, and factors such as humidity are disregarded, of the humidity, wind speed and other determining factors when fire danger warnings were issued on and around these festivals in the past three years; whether the authorities will draw up a clearer scientific definition of the Yellow and Red Fire Danger Warnings and list out specifically all the determining factors and reference?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, with reference to the question raised by Mr Frederick FUNG about the Tropical Cyclone Warning Signals and Fire Danger Warnings issued by the HKO, our reply is as follows:

- (a) The purpose of issuing Tropical Cyclone Warning Signals is to alert the public of the threats posed by the winds associated with tropical

cyclones, in the interest of reducing the loss of lives and property. As minute changes of a tropical cyclone may lead to significant variations in wind conditions at different parts of the territory, the HKO would take the following factors carefully into account when considering the issue of signals:

- (i) data from the network of eight reference anemometers located at different parts of Hong Kong, especially whether half or more anemometers in the reference network have registered or are expected to register sustained winds meeting the respective threshold, including whether the wind condition is forecast to persist; and
- (ii) the latest movement or forecast track of the tropical cyclone as well as the weather conditions over offshore areas, and so on.

In the past three years, the HKO had issued Tropical Cyclone Warning Signals No. 3 or No. 8 on 21 occasions. Of them, ten turned out to be accurate. On the other 11 occasions the wind conditions were not as severe as that forecast. The statistics also show that on no occasion in the past three years had the HKO under-estimated the ferocity of the winds brought by tropical cyclones (in other words, we did not have a situation where the wind speed had reached the respective threshold when the HKO was yet to issue a warning signal).

I wish to emphasize that the Tropical Cyclone Warning Signals are forecast by themselves. The actual weather conditions, affected as they often are by erratic factors (such as the tropical cyclone's own movement, intensification or weakening), may differ from the forecast.

The HKO would review the system of issuing Tropical Cyclone Warning Signals regularly and make adjustments to improve the service as necessary; and

- (b) The purpose of issuing Fire Danger Warnings is to alert the public of conditions when fire risk is high, in the interest of protecting lives and property. The HKO would take the following factors into account when considering the issue of such warnings:

- (i) weather and vegetation conditions — including humidity, wind speed, the chance of rain and its intensity, as well as the dryness of vegetation; and
- (ii) other environmental and human factors conducive to fire outbreaks — for example, past records show that there were more fires during some festivals (such as the Ching Ming, Mid-Autumn and Chung Yeung festivals).

It is on the basis of the above factors that the HKO issued the Fire Danger Warnings. Whilst the number of warnings issued during the above festivals is higher than those on other days, this is not necessarily so. The Annex shows that the HKO is not indiscriminate in issuing the warnings during the above festivals. The Ching Ming festival in 2008 is one such example.

Annex

Statistics showing the Fire Danger Warnings issued by the HKO (and the relevant reference factors) on and around Ching Ming, Mid-Autumn and Chung Yeung festivals (2006-2009)

<i>Date</i>			<i>Fire Danger Warning issued</i>	<i>Relative humidity (afternoon) %</i>	<i>Wind speed (afternoon) km/hr</i>	<i>Daytime rainfall, mm</i>	<i>Grass curing, %*</i>
2006	Day before Ching Ming	Tue	-	79	7	0	29
	Ching Ming	Wed	Yellow	79	7	0	
	Day after Ching Ming	Thu	-	87	14	0	
2006	Day before Mid-Autumn	Thu	-	74	5	0	6
	Mid-Autumn	Fri	Yellow	71	5	0	
	Day after Mid-Autumn	Sat	Red	66	7	0	
2006	Day before Chung Yeung	Sun	Yellow	68	7	0	12
	Chung Yeung	Mon	Yellow	66	5	0	
	Day after Chung Yeung	Tue	Red	57	10	0	
2007	Day before Ching Ming	Wed	-	84	9	0.5	23
	Ching Ming	Thu	Yellow	84	4	0	
	Day after Ching Ming	Fri	-	83	4	0	
2007	Day before Mid-Autumn	Mon	-	93	11	16.7	45
	Mid-Autumn	Tue	-	85	15	0.1	
	Day after Mid-Autumn	Wed	Yellow	74	13	1.0	
2007	Day before Chung Yeung	Thu	-	68	8	0	16
	Chung Yeung	Fri	Red	42	10	0	
	Day after Chung Yeung	Sat	Red	65	12	0	

Date			Fire Danger Warning issued	Relative humidity (afternoon) %	Wind speed (afternoon) km/hr	Daytime rainfall, mm	Grass curing, %*
2008	Day before Ching Ming	Thu	-	97	13	0.3	35
	Ching Ming	Fri	-	91	12	0	
	Day after Ching Ming	Sat	-	83	9	0	
2008	Day before Mid-Autumn	Sat	Red	57	6	0	7
	Mid-Autumn	Sun	Red	58	9	0	
	Day after Mid-Autumn	Mon	Red	59	8	0	
2008	Day before Chung Yeung	Mon	-	70	11	0	11
	Chung Yeung	Tue	Yellow	79	6	0	
	Day after Chung Yeung	Wed	-	77	12	0	
2009	Day before Ching Ming	Fri	-	78	16	0	39
	Ching Ming	Sat	Yellow	78	10	0	
	Day after Ching Ming	Sun	Yellow	72	8	0	
2009	Day before Mid-Autumn	Fri	Yellow	73	7	0	4
	Mid-Autumn	Sat	Yellow	71	5	0	
	Day after Mid-Autumn	Sun	Red	50	8	0	
2009	Day before Chung Yeung	Sun	Yellow	76	5	<0.05	12
	Chung Yeung	Mon	Yellow	72	11	<0.05	
	Day after Chung Yeung	Tue	-	71	14	0	

Note:

* 100% means completely dry

Handling of Planning Applications for Developments Which may Create Wall Effect

14. **MR KAM NAI-WAI** (in Chinese): *President, members of the public have expressed grave concern about the wall effect created by development projects in recent years. Recently, the development project at King Wah Road, North Point, has aroused objection from quite a number of residents and organizations in North Point district due to its possible wall effect. Moreover, urban development density, the opinions provided by the Planning Department (PlanD) to the Town Planning Board (TPB) and the various assessment reports submitted by the developers concerned in respect of their planning applications have also caused considerable repercussions among members of the public. In this connection, will the Government inform this Council:*

- (a) *given that I have proposed that the Government should study the option of transfer of plot ratio, whereby developers are allowed to transfer their approved gross floor areas to be developed in urban*

areas to other relatively remote areas, so as to balance development densities, whether the Government has studied such an option; if so, of the study result; if not, whether it will consider conducting the study;

- (b) whether the PlanD had, in the past five years, provided opinions concerning planning applications for development projects to TPB in accordance with the guideline in the Hong Kong Planning Standards and Guideline (HKPSG) that "taller buildings should be located inland, with lower developments on the waterfront, to avoid dominating the harbour and increase permeability to the waterbody", and whether it had requested TPB to follow that guideline; if not, whether it had assessed if the HKPSG would be degraded to a "window-dressing policy"; and*
- (c) whether the Government will consider providing financial support to the organizations concerned for conducting traffic impact assessments and air flow assessments in respect of development projects, with a view to obtaining clearer and more impartial assessment results?*

SECRETARY FOR DEVELOPMENT (in Chinese): President,

- (a) Given Hong Kong's precious land resources and the huge difference in land value between various regions, it is very difficult to implement the concept of "transfer of plot ratio", which could also cause grave public concern. In view of this, "transfer of plot ratio" is only applicable under the heritage conservation policy endorsed by the Executive Council in 2007 in a limited way on a case-by-case basis. We have no plan to extend the practice of "transfer of plot ratio" to other policy areas.
- (b) In accordance with the Hong Kong Planning Standards and Guidelines (HKPSG), the planning standards and guidelines should be applied with a certain degree of flexibility, having regard to factors such as land use demand, local conditions, development constraints, and so on. They should not be applied in isolation and

cross-reference between standards and guidelines should be made whenever necessary.

The Urban Design Guidelines in the HKPSG include the design guidelines for waterfront sites. With respect to building height along the waterfront, the relevant guidelines mainly cover three aspects, namely, that "taller buildings should be located inland, with lower developments on the waterfront", "diversity in building mass should be encouraged to avoid a monotonous harbour image", and "a varying building height profile should be created".

Since the formulation of the above guidelines in 2003, the PlanD, when processing relevant planning applications, will refer overall to these principles and advise the TPB on such principles and other relevant urban design considerations, so that the TPB can consider them along with other relevant planning considerations. As stated in the Urban Design Guidelines, it is essential that any urban design concept has to be specifically tailored to meet development needs. The urban design guidelines should hence not be over-restrictive and prescriptive, but encourage innovative design. The TPB is well aware of these principles.

- (c) Under the existing practice, planning applications and all relevant professional impact assessments submitted by applicants are forwarded to the professional government departments concerned. In making their professional and objective comments, the departments concerned will consider these impact assessments, and examine whether the proposed development will cause any obvious adverse impact, such as in terms of traffic or air ventilation, on the environment of the application site on the basis of their own statistics and professional analyses. The professional comments and recommendations made by these departments will be included in the set of planning application documents for the TPB's consideration. Where necessary, representatives from the departments concerned will be invited to attend TPB meetings to give their views and answer members' inquiries about the impact assessments submitted by applicants.

The above mechanism ensures that the TPB is able to obtain clear and impartial professional comments. We do not consider it necessary for the Government to offer financial support to organizations concerned to conduct impact assessments.

Right of Abode in Hong Kong of Mainland Children who were Born to Hong Kong Residents

15. **MR ALBERT CHAN** (in Chinese): *President, recently, members of the public have relayed to me that quite a number of children and young people born on the Mainland, whose father or mother is a Hong Kong resident, have not been issued One-way Permits because they have no household registration on the Mainland. Although subsequent to their illegal entry into Hong Kong they have lived in Hong Kong for seven consecutive years and have also been allowed to receive education here, they are not granted the right of abode in Hong Kong, leaving them unsure of what to do. In this connection, will the Government inform this Council:*

- (a) of the current number of the aforesaid children and young people in Hong Kong;*
- (b) of the reasons why the authorities refuse to issue Hong Kong identity cards to these children and young people; and*
- (c) whether the authorities will consider afresh issuing Hong Kong identity cards to these children and young people and granting them the right of abode in Hong Kong so that they can live normally and grow up healthily in Hong Kong; if they will, of the details; if not, the reasons for that?*

SECRETARY FOR SECURITY (in Chinese): President,

- (a) According to the records of the Immigration Department, there are 11 children or young people born on the Mainland, whose father or mother is a Hong Kong resident, and who claimed that they could not obtain One Way Permit (OWP) as they do not have Mainland household registration, and have stayed in Hong Kong for seven

years or more after entering Hong Kong illegally and have been granted permission for schooling.

- (b) According to the Registration of Persons Ordinance and prevailing policy, these persons had entered Hong Kong illegally and are not eligible to register for Hong Kong identity card.
- (c) Mainland residents who wish to enter Hong Kong for legal settlement must apply for OWPs from the Mainland Public Security authorities. Those who do not have Mainland household registration should apply for one before submitting an OWP application. We understand that the Mainland authorities will consider the individual merits of household registration applications from such persons.

It is an offence to enter Hong Kong illegally or to overstay after entry. Mainland residents who remain in Hong Kong illegally should return to the Mainland as soon as possible and apply for settlement in Hong Kong through the proper channel.

Measures to Combat Prostitution Activities on Internet

16. **MS STARRY LEE** (in Chinese): *President, it has been reported that through cyber patrols, the police combatted prostitution activities on the Internet under the name of making friends and "compensated dating". At present, the authorities apply various ordinances (including the Control of Obscene and Indecent Articles Ordinance (Cap. 390), the Crimes Ordinance (Cap. 200) and the Prevention of Child Pornography Ordinance (Cap. 579)) to combat illegal activities relating to prostitution as well as publication of obscene and indecent articles on the Internet. In this connection, will the Government inform this Council:*

- (a) *of the number of law enforcement actions carried out by the police through cyber patrols last year to combat prostitution activities on the Internet, and the details of the actions concerned;*
- (b) *of the respective numbers of persons, who were involved in the aforesaid illegal activities, arrested by the police under the above*

Ordinances in each of the past three years and, among them, the respective numbers of persons being prosecuted and convicted, the penalties imposed on them, as well as the respective numbers of females and crime syndicates involved in "compensated dating" activities; and

- (c) *whether the police had, in the past three years, assessed if the actions against such prostitution activities on the Internet were effective, and whether prostitution activities in chat rooms or discussion forums on the various web sites had decreased?*

SECRETARY FOR SECURITY (in Chinese): President,

- (a) and (b)

There is no specific definition of the term "compensated dating" in the laws of Hong Kong. It usually refers to the participation of young girls or individuals in financial need through public information platforms in social activities involving financial transactions. Some of these activities involve prostitution.

The police are all along committed to combating all kinds of illegal prostitution activities, especially prostitution activities organized by syndicates and those involving underage girls, including illegal prostitution activities conducted under the guise of "compensated dating". At present, the police combat prostitution-related offences in accordance with legislation including the Crimes Ordinance (Cap. 200), the Control of Obscene and Indecent Articles Ordinance (Cap. 390) and the Prevention of Child Pornography Ordinance (Cap. 579), to prevent the exploitation of others for the purposes of prostitution; combat organized prostitution activities; and lessen the nuisance to members of the public that vice activities may cause.

To crack down on individuals who arrange illegal prostitution activities through the Internet, the police regularly conduct cyber patrol and enter the chat rooms or discussion forums of suspicious websites to check if anyone arranges illegal prostitution activities in any manner, and take enforcement actions whenever necessary.

The police have not maintained separate statistics on enforcement actions taken against illegal prostitution activities on the Internet in the guise of making friends and "compensated dating" and on the number of persons involved in the activities of "compensated dating". In respect of individual operations, the police arrested 23 persons through evidence collected during cyber patrols in a large scale operation carried out in recent years. Seven persons were subsequently prosecuted for engaging underage girls in prostitution and enticing customers for them, and were sentenced up to 21 months imprisonment upon conviction.

- (c) With the police stepping up efforts against illegal prostitution activities on the Internet, public information about suspected prostitution activities found by the police on discussion forums and dating web sites during cyber patrols has decreased. Some web masters have even posted warning messages on their web sites reminding users not to be involved in illegal prostitution activities. Some web masters also take the initiative to delete messages relating to prostitution whenever such information is identified. The police will continue to take law enforcement actions against illegal prostitution activities.

Retrofitting of Noise Barriers Along Tsing Yi Section of Airport Railway

17. **MR LEE WING-TAT** (in Chinese): *President, on 11 February this year, I asked a question on the project of retrofitting noise barriers along the Tsing Yi section of the Airport Railway (the Tsing Yi section), and the Government replied that the project would be completed in the first half of this year. Yet, recently from time to time I still received complaints from residents about the noise generated by trains running along the said section. In this connection, will the Government inform this Council:*

- (a) *whether it knows if the aforesaid project of retrofitting noise barriers has been completed; whether it has monitored the improvement in the noise level in the residential areas nearby; if it has, of the details;*

- (b) *of the number of complaints received by the Environmental Protection Department (EPD) in the past six months about the noise generated by trains running along the said section and, among such complaints, the number of substantiated cases as well as the follow-up actions taken by EPD and the other relevant government departments; and*
- (c) *whether it has discussed with the MTR Corporation Limited (MTRCL) the consideration of retrofitting noise barriers along all the portions of the Tsing Yi section which are close to the residential areas; if it has, of the details; if not, the reasons for that?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (a) The MTRCL completed the retrofitting of noise barriers for the Tsing Yi section in March 2009. Following completion of the works, tests carried out by the MTRCL have shown that the project can effectively reduce the noise generated by passing trains by 2 to 5 decibels.
- (b) In the past six months, the EPD received a complaint about noise generated by trains running along the Tsing Yi section. EPD staff took measurements at the complainant's flat. The results showed that the noise generated by trains did not exceed the statutory limit. The EPD has informed the MTRCL of the noise complaint.
- (c) According to the information available to the EPD, noise generated by trains running along the Tsing Yi section did not exceed the statutory limit. Therefore the EPD has not discussed with the MTRCL on retrofitting noise barriers at other locations along the Tsing Yi section. The EPD will continue to monitor the noise situation along this section.

Regulation of Chargeable Short Messages

18. **MR LAU KONG-WAH** (in Chinese): *President, it has been reported that some companies sent out chargeable short messages (SMS) to the subscribers of*

mobile phone numbers, and most of those chargeable SMS were sent with a sender code using "50" as the first two digits, and requested the subscribers concerned to enter letters or numbers in order to start using the services described therein. Yet, the SMS did not indicate in advance that fees would be charged for the relevant services, resulting in many old people, women and children having to pay additional service charges without being aware of it. In this connection, will the Government inform this Council:

- (a) of the number of complaints received from members of the public about chargeable SMS and the amount involved in each of the past three years; and*
- (b) whether the authorities will consider regulating the aforesaid chargeable SMS; if they will not, of the reasons for that?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President,

- (a) Since January 2009, the Office of the Telecommunications Authority (OFTA) began categorizing all complaints related to the billing of mobile service. It is thus unable to provide figures on complaints related to SMS delivering chargeable contents before this date. The number of such complaint cases received by the OFTA from January to September 2009 is 44. The amounts in dispute range from less than HK\$20 to around HK\$4,000.
- (b) If misleading or deceptive conducts are involved in the provision of services by mobile network operators (MNOs), the OFTA may commence investigations under section 7M of the Telecommunications Ordinance. There is no exception to SMS. The OFTA has also studied the practices of service providers on providing charge information of SMS. The results indicated that service providers generally included charge information in the SMS. However, in individual cases, the charge information was not displayed at the beginning of the message on the screen of the handset.

To help consumers to be properly informed, the OFTA has urged MNOs through daily contacts to deliver clear messages about the charges to the customers. The OFTA plans to discuss with the trade shortly over how to improve the arrangements of delivering the charge information. In addition, the OFTA is planning to publicize a "consumer alert" on its webpage shortly to remind consumers to read carefully the terms and conditions before agreeing to use a particular service carried by SMS. The OFTA will continue to monitor the situation and, if necessary, strengthen public education and assess if the implementation of further measures is warranted.

Incidents of Explosion in Manholes

19. **MR CHEUNG HOK-MING** (in Chinese): *President, it has been reported that recently incidents of explosion in manholes occurred one after another, which has aroused public concern about the safety of manholes, and the Highways Department (HyD) is conducting an inspection of all the manholes in Hong Kong. It has also been reported that the risk level of explosion in manholes depends mainly on the amount of explosive gases accumulated as well as the types of pipes used in manholes. Among such risks, the highest is that of explosive gas entering manholes for telecommunication facilities, and the risk of explosion in Towngas manholes is also relatively high. In this connection, will the Government inform this Council:*

- (a) *when the HyD is expected to complete the inspection of all the manholes in Hong Kong; among the manholes of which inspection has been completed so far, of the number of those with very high risk of explosion, as well as the districts in which they are located;*
- (b) *whether it has considered further enhancing the safety equipment provided to persons entering and working in manholes, with a view to reducing the chances of accidents;*
- (c) *of the details of the current safety standards stipulated for the materials for various types of pipes to be used in manholes; and whether it will focus on manholes with relatively high risk of gas explosion, and examine upgrading the safety standards of the*

materials for the pipes used in such manholes; if it will not, of the reason for that;

- (d) what new measures are in place to reduce the accumulation of explosive gases, such as methane, in manholes; and*
- (e) whether it will consider formulating an explosion risk classification table for all the manholes in Hong Kong and making it available for public inspection?*

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

- (a) To more thoroughly assess the systemic explosion risk of manholes on public roads and to study the relevant preventive measures, the HyD completed a consultancy study entitled "Prevention of Gas Explosion in Utility Manhole" (the Study) in May 2008. The Study concluded that amongst the risk of gas explosion for the manholes of various public utilities, the risk level of manholes for town gas and those for telecommunication facilities is relatively higher. But the actual risk of individual manholes is closely related to their design, installation and surrounding environment (for example, whether there are sources of flammable gas nearby). Given the unique nature of different types of manholes in terms of their operation, maintenance and safety, different types of manholes are put under the regulatory control of different authorities/departments. The Study under the HyD focused on the examination of the overall explosion risk and the preventive measures for different types of manholes, and its purpose was not to comprehensively inspect all manholes in Hong Kong. The crucial point, however, is that the measures for improvement of safety and reduction of risks and accidents suggested by the Study were being implemented and followed up. Details in this regard are set out in parts (c) and (d) of the reply below. As regards the general safety inspections for different types of manholes, they are conducted by the relevant authorities/departments according to other established procedures.
- (b) Work safety in manholes is mainly governed by the Factories and Industrial Undertakings (Confined Spaces) Regulation (the

Regulation) administered by the Labour Department (LD). The Regulation sets out the safety requirements for working in confined spaces, including requirements for risk assessments to be carried out by competent persons and for workers to undergo approved safety training. On enforcement, the LD conducts routine inspections of the working conditions in confined spaces as well as surprise checks at night. Any proprietor or contractor who contravenes the Regulation is liable to a maximum penalty of a fine of \$200,000 and imprisonment for 12 months.

The LD also seeks to enhance safety awareness of the trade on working in confined spaces through a variety of promotion and publicity activities, including:

- publications, such as the "Code of Practice for Safety and Health at Work in Confined Spaces", "Safety Guide for Work in Manholes" and "Prevention of Gas Poisoning in Drainage Work", to provide relevant duty holders with practical guidance for promotion of strict compliance with the Regulation;
- announcement in the Public Interest on television and radio as well as mini-dramas on radio;
- roving exhibitions; and
- health talks.

(c) and (d)

At present, the materials for the ducts and valves installed in different types of manholes comply with the relevant safety standards. The Study has also identified the following feasible measures to reduce the risk of explosive gas accumulating inside manholes:

- sealing up ducts leading into manholes to prevent explosive gas from entering and accumulating inside manholes;

- filling up the empty space inside manholes with bags of light-weight and flame-retardant materials to prevent excessive volume of explosive gas from accumulating;
- enhancing the ventilation of the manholes by connecting them to vents or installing manhole covers with vent openings; and
- installing restraints on manhole covers to prevent them from substantial displacement in case of an explosion.

The Study also recommended that the relevant government departments and utility companies should, in the light of actual need, adopt the above precautionary measures for the type(s) of manholes under their purview. The HyD has passed the relevant information of the Study to other relevant government departments, public utilities and regulatory authorities for reference and follow-up action.

Cable manholes

Based on the recommendations of the Study, the HyD has completed the improvement works for all its cable manholes. To reduce the risk of gas explosion, empty space inside the manholes is filled up with bags of light-weight and flame-retardant materials to prevent excessive accumulation of explosive gas.

Electricity manholes

Local power companies usually lay their underground electricity cables using direct burial method under soil instead of wiring through underground ducts. Therefore, the chance of flammable gas entering the electricity manholes is low. The two power companies also conduct inspections of their respective manholes to ensure safety. The Electrical and Mechanical Services Department (EMSD) monitors the progress of their work.

Manholes for drainage and water supply facilities

On manholes under the management of the Drainage Services Department (DSD) and Water Supplies Department (WSD), the

drains provide ventilation which reduces the risk of gas accumulation in drainage manholes. On the other hand, water pipes are sealed and there is no gap between pipes and manhole walls to allow entry of explosive gas into water supply manholes. Nonetheless, the DSD will continue to carry out preventive cleaning for its sewers and manholes regularly to further prevent and reduce the risk of explosive gas (such as methane) from accumulating.

Town gas manholes

The Hong Kong and China Gas Company Limited (HKCG) is installing restraints on the covers of its manholes (where necessary) to prevent substantial displacement of the covers in case of an explosion, as recommended in the Study. It is expected that the improvement works will be completed by end 2009. Moreover, the HKCG has implemented a series of measures to reduce the possibility of gas leakage from town gas pipes. The HKCG has since 2006 increased the number of routine leakage surveys for all underground medium pressure ductile iron (MPDI) pipes in Hong Kong from three to six times per year, while the EMSD has stepped up regular inspections and surprise checks. The HKCG has also drawn up annual programmes for replacing MPDI pipes with polyethylene pipes which perform better in preventing gas leakage.

Manholes for telecommunication facilities

The Office of the Telecommunications Authority has set up a Joint Forum comprising representatives from the fixed network operators, the HyD, EMSD and Fire Services Department with a view to identifying specific measures and implementation plans for mitigating the risk of gas explosion in telecommunications manholes. The Joint Forum meets regularly to co-ordinate the development of mitigation measures and risk assessments. The aim is to work out a set of guidelines or code of practice on risk mitigation of gas explosion for compliance by the relevant fixed network operators.

- (e) The Study has assessed the relative risks of gas explosion for different types of manholes and proposed specific preventive

measures. Accordingly, the relevant entities have taken corresponding measures to further reduce the risk of their facilities. The relevant authorities and departments do not consider there is a need to formulate an explosion risk classification table covering individual manholes.

Linked Exchange Rate System

20. **MRS REGINA IP** (in Chinese): *President, it has been reported that due to a continuous inflow of hot money into Hong Kong from various places in recent months, the Aggregate Balance of the Hong Kong banking system as at 15 September this year rose to about HK\$230 billion, while the Monetary Base in Hong Kong as at the end of August this year rose to about HK\$790 billion. Moreover, with the support of mainland buyers, the Hong Kong real estate market (especially the luxury real estate market) has continued to rise in recent months, arousing market concerns that there would be a bubble-burst of the real estate market. In this connection, will the Government inform this Council:*

- (a) *if it has looked into whether the recent continuous rise in property prices in Hong Kong is caused by the persistent inflows of hot money into the Hong Kong market from various places, and whether the Government intends to adopt measures to prevent the occurrence of "overheating" in the entire real estate market;*
- (b) *given that the Hong Kong Monetary Authority (HKMA) has to inject funds into the market to buy US dollars when the exchange rate of Hong Kong dollar against the US dollar touches the strong-side Convertibility Undertaking, which stands at HK\$7.75, according to the requirement of the operational mechanism of the Currency Board system, whether it has assessed if the measure of increasing the supply of Hong Kong dollars persistently by the HKMA will trigger off rises in consumer prices; if the assessment outcome is in the affirmative, how the HKMA curbs such rises in consumer prices;*
- (c) *whether the authorities will consider widening the floating range of Hong Kong dollar's exchange rate against the US dollar to foster the long-term development in Hong Kong's macro-economy and maintain the stability of the financial system; and*

- (d) *given that Hong Kong's economy is increasingly close to the Mainland, and China and the United States are for a long time at different economic cycles, whether the Government will consider linking the Hong Kong dollar to Renminbi in the future?*

FINANCIAL SECRETARY (in Chinese): President,

- (a) Residential property prices are affected by the relative supply and demand conditions in the housing market. Abundant liquidity in the banking sector is one of the factors that can shape the housing demand conditions. Other factors include economic fundamentals, market sentiment, households' financial position, affordability and the opportunity cost of owner-occupied housing, and so on.

While household income in Hong Kong has generally fallen after the financial crisis, mortgage interest rates remain at low levels, thereby keeping housing affordability relatively stable. Taking a flat of 45 sq m in saleable area under a general mortgage term of 20 years as an example, according to the figures of the second quarter of 2009, the mortgage repayment accounted for about 34% of the median household income of dwellers in private residential properties, and this was much lower than the 93% at the peak in 1997. It was still better than the average level of 53% over the past two decades.

The HKMA notes that the prices of luxury properties have increased rapidly in the last few weeks. Prices of Class E properties (size of 160 sq m or above) have already exceeded their peak in the third quarter of 1997 and the risks of banks lending to this market segment have increased significantly. At present, the prices of individual high-end properties have surpassed the peaks in 1997, but in the sector of small/medium flats, prices are still about 25% lower. About 90% of the property transactions over the past few months were predominately of small/medium flats (that is, flats of saleable area below 70 sq m), and the buyers were mainly users.

To ensure that banks properly manage the risks of mortgage lending, and to safeguard the stability of the banking system, the HKMA

wrote to banks on 23 October 2009, requiring them to reduce the maximum loan-to-value ratio for properties with a value of HK\$20 million or more from 70% to 60%. The HKMA also demanded banks to strengthen their risk management system for mortgage lending, including conducting valuation of properties prudently and carefully assessing borrowers' repayment ability. In particular, banks should assess the potential impact on borrowers' repayment ability if the current unusually low interest rates were to return to more normal levels. The HKMA intends to conduct a round of thematic examinations in the near future to check banks' compliance with the above requirements.

The Government policy on private property market is to maintain a fair and stable environment to enable sustained and healthy development of the property market. The Government is very concerned about the sharp rise in prices in the property market recently, particularly those of the luxury end. As pointed out by the Chief Executive in his policy address, Government will closely monitor market changes in the coming months. If necessary, we will fine-tune the land supply arrangements, and discuss with the Urban Renewal Authority and MTR Corporation Limited with a view to speeding up the pace of bringing readily available residential sites to the market. The Government understands the ramifications our policy decisions will have on the operation of the property market, and we will act prudently.

- (b) Hong Kong has inherited low nominal interest rates and imported quantitative easing under the Linked Exchange Rate System (LERS). Accommodative monetary conditions are appropriate given that Hong Kong is in the early stage of recovery. While a continuous loose monetary environment may heighten the risk of inflation in the future, local inflationary pressure has been subdued recently, with year-on-year headline Composite Consumer Price Index inflation rate remaining subdued since mid-2009.

Partly reflecting slow economic recovery, global inflationary pressure is expected to remain muted in the near future. On the other hand, should global inflation return, central banks, including United States Federal Reserve, would probably exit from

quantitative easing and raise interest rates. Under the LERS, Hong Kong's monetary conditions would automatically tighten along with the United States to relieve inflationary pressure.

Under the LERS, the primary monetary policy objective of Hong Kong is to maintain the exchange rate stability of Hong Kong dollar against US dollar, rather than to target asset prices or consumer price inflation. In fact, for a small and open economy like Hong Kong, room for policy manoeuvre under a flexible or fixed exchange rate regime is substantially restricted by large and volatile capital flows. Over the longer term, the LERS has proved to be an important anchor for monetary stability in Hong Kong.

- (c) Widening the exchange rate band will likely fail to promote the long-term macro-economic development and stability of the financial system, as it may invite market speculations on the likelihood of further band-widening, thereby undermining the credibility of the LERS. In the current circumstances, such a move may also induce expectation of further appreciation of the Hong Kong dollar, and hence encourage more capital flows into Hong Kong.
- (d) We believe that the US dollar continues to be the more appropriate anchor currency for the Hong Kong dollar than the renminbi, taking into account factors such as international usage, business cycle synchronization, the stage of economic development and currency convertibility:
 - (i) The renminbi is still not fully convertible, making it technically infeasible to be a reserve currency. Yet convertibility of the currency is not the only factor for consideration. The appropriateness of an anchor currency should consider, among other factors, its ability to maintain Hong Kong's monetary and financial stability, its potential impacts on trade, finance and the status of Hong Kong as an international trade and financial centre, and the commonality of shocks faced by the two economies.

- (ii) The US dollar is still the most commonly used currency for conducting international trade and financial transactions, so pegging to the US dollar can help the development of Hong Kong as an international trade and financial centre.
- (iii) Despite increased economic and financial integration, the economies of Hong Kong and the Mainland are at very different stages of economic development and the difference is unlikely to disappear in the near future.
- (iv) An HKMA research shows that business cycle synchronization between Hong Kong and the United States is higher than that between Hong Kong and the Mainland, so monetary policy stance in the United States is generally more appropriate to the circumstances of Hong Kong through economic cycles, although in the short run that may not necessarily be the case.
- (v) The appropriateness of the LERS should be judged by its ability to deliver monetary and financial stability in Hong Kong through economic cycles, and should not depend solely on the cyclical condition of the economy at a particular time.

MOTIONS

PRESIDENT (in Cantonese): Motions. Proposed resolution under the Disability Discrimination Ordinance to approve the Disability Discrimination Ordinance (Amendment of Schedule 5) Notice 2009.

I now call upon the Secretary for Labour and Welfare to speak and move his motion.

PROPOSED RESOLUTION UNDER THE DISABILITY DISCRIMINATION ORDINANCE

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, I move that the motion, as printed on the Agenda, be passed. The objective of this resolution is to seek the approval of Members of the amendment to Schedule 5

under section 87(2) of the Disability Discrimination Ordinance (the Ordinance) to include as further exceptions to Schedule 5 the provision of fare concessions by MTR Corporation Limited (MTRCL) to a particular group of persons with disabilities.

In May this year, the MTRCL proposed to offer concessions amounting to nearly half-fare concessions to recipients of assistance under the Comprehensive Social Security Assistance Scheme (CSSA) aged between 12 and 64 and with 100% disability, and recipients of Disability Allowance (DA) of the same age group by the end of this year. The Government welcomes the proposal of the MTRCL, and believes that this will encourage persons with disabilities to participate more in activities away from home, thereby enhancing their contact with and integration into society. The objective of the proposal is in line with the Government's policy objective on rehabilitation in facilitating persons with disabilities to fully integrate into society.

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

In the light of the request of the MTRCL to ensure that its fare concession scheme will not constitute a contravention of the Ordinance, there is a need to amend Schedule 5 to the Ordinance. Since the definition of "disability" under the Ordinance is very broad, the provision of fare concessions only to a particular group of persons with disabilities may give rise to arguments as to whether the fare concessions may constitute a violation of the Ordinance. In this connection, the Department of Justice (DoJ) and the Equal Opportunities Commission (EOC) have examined the feasibility of relying on the exception provision in section 50 of the Ordinance as a defence. The DoJ and the EOC are both of the view that while the fare concession scheme can rely on section 50 of the Ordinance as a defence, there is uncertainty over whether such a defence can be established, as the ultimate decision is left to the court. For this reason, in order to minimize the risk of possible legal challenges and disputes brought about by the implementation of the fare concession scheme, the Government now proposes to amend Schedule 5 to the Ordinance with respect to the content of the fare concession scheme.

I am grateful to Members for agreeing that it is unnecessary to establish a subcommittee to scrutinize the resolution, so that I can propose this resolution

smoothly today for passage, thereby enabling the fare concession scheme to be implemented expeditiously.

If the resolution is passed by Members today, the Amendment Notice concerned will come into operation on 6 November (the day after tomorrow) on which the Notice is published in the Gazettee, so as to facilitate the MTRCL to dovetail its timetable for implementing the fare concession scheme by the end of this year. I hope Members will support this resolution, so that the persons with disabilities concerned can benefit as soon as possible.

Deputy President, I propose the motion. Thank you.

The Secretary for Labour and Welfare moved the following motion:

"RESOLVED that the Disability Discrimination Ordinance (Amendment of Schedule 5) Notice 2009, made by the Chief Executive in Council on 6 October 2009, be approved."

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

MR WONG KWOK-HING (in Cantonese): Deputy President, after eight years of fighting by this Council for fare concessions for people with disabilities, the MTR Corporation Limited (MTRCL) has finally made a concession today. The Government has also tabled a resolution to amend the Disability Discrimination Ordinance (the Ordinance) and revise the relevant Schedule to remove the hurdles for the implementation of fare concessions for people with disabilities by the MTRCL.

However, this resolution has imposed a restriction on the number of beneficiaries. As the Secretary has stated, the concessions are only offered to a certain group of people. The scheme covers merely Comprehensive Social Security Assistance (CSSA) recipients with 100% disability and recipients of disability allowance, who are aged between 12 and 64. According to the statistics of this age group, only 96 000 persons with disabilities can enjoy the

fare concessions, which are close to half-fare concessions, offered by the MTRCL. I hold that this arrangement cannot fully satisfy people with disabilities because the concessions scheme is constrained in a certain aspect. Therefore, CSSA recipients without 100% disability will be unable to enjoy the concessions; non-CSSA recipients and persons who are not recipients of the DA will also be ineligible for the concessions.

Therefore, I hold that it is but a breakthrough for the Government and the MTRCL to take this step today. However, in view of years of lobbying by the Council and the proposing of related motions for a number of times each year by Mr LEUNG Yiu-chung, as well as the keen support of Honourable Members for the Government in enabling the concession scheme to be implemented expeditiously, I can only support this breakthrough in amending the relevant Ordinance. I also hope that, after this breakthrough, the scheme can be further expanded to ultimately benefit all people with disabilities. Therefore, my support today is conditional.

If this resolution is passed by the Council today, it will be our first step to strive for half-fare concessions for people with disabilities, but this will definitely not be the final step. I hold that it is perfectly appropriate to say that "This concessionary improvement has yet to achieve success, and so comrades have to keep up their efforts". Therefore, I hope Honourable colleagues, regardless of their political parties or groupings, can work together with one heart, after this breakthrough today, to continue to lobby the Government. I hope that the Government will not, even if this resolution is supported and passed by the Council today, think that it is sufficient for this step to be taken and that the issue of fare concessions for people with disabilities have been properly, comprehensively and thoroughly resolved. I hold that the Government has to fulfill its own responsibility and take care of all people with disabilities on behalf of taxpayers. In particular, it is a major shareholder of the MTRCL. Its views can actually dominate the policy decision of the MTRCL and whether half-fare concessions should be offered to people with disabilities. Therefore, under this circumstance, I hold that the Government should conduct a timely review after this resolution is passed today.

Under this circumstance, I also hope that the Government can make a response for a further review to be conducted after the implementation of the concession scheme after a certain period of time, say, one year, because the current definition of 100% disability has many drawbacks and loopholes. For instance, in a case involving a person with disability whom I assisted a year before last, he had his right lower limb cut off due to injury at work. However, according to the definition of disability in Schedule A, only two limbs missing out of four can be defined as handicapped. Even the missing of one limb is not considered as disability. How unreasonable it is! This person, used to be a forklift truck driver, has to climb on to containers at work; but with one leg missing, how can he step on the pedal? How can he drive a forklift truck and climb on to containers? Even ordinary people regard him as a person with disability, but still he is not considered meeting the definition of people with disabilities in the Schedule A which is already outdated. In this regard, we will make another effort to fight in some other ways, and so, I will stop here. I cite this example to illustrate that, given the present restrictions, the definition of people with disabilities is severely constrained, outdated, obsolete, and unreasonable. Therefore, upon the passage of this resolution today, I hope the Government can conduct a review a year later.

In the review to be conducted a later, consideration should be given to relax the concession scheme to cover persons accompanying people with disabilities in using public transport, because people with disabilities have to bear the travelling expenses of their escorts, and the expenses are also a heavy burden to them. In fact, people with disabilities need to be accompanied, and their escorts are essential to helping them to participate in society and community activities. Why can concessions not be provided to their escorts as well? At present, concessions are offered only to people with disabilities *per se*. Their escorts have not been taken into consideration.

On the other hand, I also earnestly hope that the MTRCL can further improve the existing barrier-free measures in all its platforms and concourses, so as to make these barrier-free measures truly meet the if the resolution is passed today, more people with disabilities will be encouraged to use MTR as their mode of transport. Therefore, I earnestly hope that the railway platforms along the East Rail, in particular, can be improved further and expeditiously. Otherwise, there will still be very wide gaps between the platform and the train.

Even if the railway corporation allows wheelchairs to get into the train, it will still be difficult for people with disabilities to bridge the gap. As a result, they can still not to take the East Rail.

Besides, since the Government encourages people with disabilities to participate in social activities, I also mentioned in an amendment to a motion earlier that I hoped the Government can also take people with disabilities who are drivers into consideration. If these people use private cars, they should be granted concessions for petrol duty, license fees, tunnel tolls, and so on, and further improvement and relaxation should be made according to the need of the prevailing situation and needs for improvement.

Finally, I earnestly hope that our concerted views over the years can be heard by the Secretary — our ultimate hope is that half-fare transport concessions can be offered by the whole society to all people with disabilities, not just a certain group of them. It is not only humane and loving caring for us to do so, the wish of the whole society to take care of people with disabilities can also be realized.

Thank you, Deputy President.

MR LEUNG YIU-CHUNG (in Cantonese): Deputy President, I am feeling quite contradictory today. Just as Mr WONG Kwok-hing has said, I should have felt very happy, because over the years — the decade-long fight for this half-fare transport concession by myself, people with disabilities groups and friends who are concerned about the rights of people with disabilities and the tabling of relevant motions to the Council over the past eight years. The result achieved after such a long time today certainly makes us happy, Secretary. However, the question is whether such result makes all of us happy. Certainly not. It is because only people with disabilities with 100% disability and who are receiving social welfare assistance from the Government can be benefited. In fact, the number of beneficiaries is now around 110 000, accounting for only half of the number of people with disabilities in Hong Kong. In other words, half of them are not yet covered. We really are very unhappy about this.

However, as I have pointed out just now, having concessions is better than no concessions at all. In fact, we are heartened by this step. Why is this so? The main reason is the \$2 million received by the MTR Corporation Limited (MTRCL) from the Government will be used for Octopus development. Not only MTR commuters can make use of the Octopus, in future, if other public transport operators (including franchised buses) agree, the concessions may also benefit their passengers. This progress makes us feel hopeful. However, Deputy President, this is certainly just a hope, and I do not know whether it can be realized. Even if it can be realized, I do not know for how long we have to wait. Will we have to wait as with the case of the eight years' war in the past? This is certainly not what we would like to see.

Deputy President, with regard to the amendment today, I would indeed like to propose a further amendment. Why? It is because I hope the concessions will benefit not only passengers of the MTRCL, but also passengers of all transport operators with an one-off amendment and no need for further amendments. However, I do not want to give the Government an impression that I am causing trouble and wasting everybody's time. Therefore, I have not proposed any amendments this time, and hope that after the expeditious passage of this amendment, as I have said just now, we can take the second and third steps after this first step. However, Deputy President, the Secretary must understand that if the Disability Discrimination Ordinance (the Ordinance) is still being taken seriously and recognized, there will be no need for us to amend it today; it is only that in a bid to achieve the good deed expeditiously, we choose to force one amendment of the Ordinance.

It is because section 50 of the Ordinance clearly provides that an act that is reasonably intended to afford persons with a disability or a particular disability goods, or access to services, facilities or opportunities would not constitute a contravention of the Ordinance. It is stated clearly in the Ordinance that the provision of such things would not be against the law. However, in order to protect itself, the Government seeks to make an amendment. We do not want to go on arguing, because our Subcommittee has worked for one year last year; if the dispute continues, I am worried that we have to spend another one year or even longer. Therefore, we adopt a compromised attitude and hope that the Government can implement the scheme expeditiously. Nevertheless, I believe in addition to Mr WONG Kwok-hing, other Honourable Members who will speak

later will also say that we will not just stop at this point, and that we will urge the Secretary again to work harder to include other franchised buses just mentioned and enlarge the scope of benefits offered to people with disabilities to prevent the scope from getting too narrow and benefiting only those with 100% disability and who are on social welfare assistance. I hope the authorities concerned can achieve this.

Otherwise, I will still feel that discrimination exists, and will find it unfair and unjust. In this regard, I hope the Secretary can see the concerted efforts made by Honourable colleagues today in support of this amendment. I also hope that when the Secretary has another opportunity to speak later, he can give us confidence and tell us that the step taken jointly by us today is only the first step, and the second and third steps will follow. Moreover, we will proceed at a much faster pace than before. Then, we will be even more delighted.

Just now, Mr WONG Kwok-hing said he hoped that the scheme could be reviewed one year after its implementation. Certainly, this proposal is not bad, and can be considered. However, I hold that a review is not necessary, because a consensus on this issue has been reached in society, only that certain agencies, especially certain franchise operators, are reluctant to do so. Even the MTRCL is reluctant to do so. Therefore, since we have now taken the first step, we should take the second and third steps expeditiously, so that we can truly achieve the result and the most important goal. What is this goal? The concept of our fight for half-fare concessions mainly serves two purposes: First, to enable people with disabilities to live harmoniously with the able-bodied; second, to enable people with disabilities to enjoy a "barrier-free transportation environment with equal opportunities". These two concepts are most important. We are not greedy for concessions. We just hope to create certain environments, so that certain people can integrate into society with equal opportunities. This is our most important purpose. However, at present, only some of them manage to do it, and this is not in line with the original purpose and intent of enabling people with disabilities to live harmoniously with the able-bodied and integrate into a barrier-free society. Therefore, I hope the Secretary will understand our intention.

At the same time, I hold that the issue of escorts, as raised by Mr WONG Kwok-hing just now, warrants the Secretary's serious consideration. The need

for escorts is indeed an issue of concern, for even wheelchair-bound persons cannot reach their destinations by themselves after taking the MTR, for they still have to negotiate a lot of ramps, and the barrier-free access in many places are not yet satisfactory. Under such circumstances, they need to be accompanied. However, their escorts are required to pay full fares, even though they are, on behalf of the Government helping some people voluntarily to integrate into society. Does it seem that they are being punished? Even if they are not being punished, they will still be deterred from participating in volunteer work. Why? It is because they have to spend not only time, but also money while it is not too difficult for them to spend time, it is not so easy for everyone to spend money. Therefore, I do not want to frequently mention vague terms, claiming that people with disabilities have been able to live harmoniously with the able-bodied in society. Although this concept has been implemented, it does not mean it has been put into practice, which is useless. This is also the most important point. The Secretary has often mentioned "accomplishment". What does "accomplishment" mean? Now, we can only say that only we been half has accomplished, and full accomplishment has not yet been achieved. I hope full accomplishment can be achieved, can we do that? This is most important.

Therefore, Deputy President, I support today's amendment, and hope that the Secretary can listen to our demands and expeditiously put into practice the concept of enabling people with disabilities to live harmoniously with the able-bodied to allow the former to enjoy a barrier-free transport environment, fully integrate into society and live with us.

Thank you, Deputy President.

MR ALAN LEONG (in Cantonese): Deputy President, on behalf of the Civic Party, I express our great support for this resolution. However, if we analyse in detail the brief remark given by the Secretary just now, we will see that the mission definitely has not been completed. If the fare concessions offered to persons with disabilities this time around can benefit all persons who fall under the definition of "disability" and are in need of transport services, the resolution today will simply be redundant because the resolution is proposed today out of the concern that other people falling in the definition of "disability" may be subject to discrimination. The Secretary said that the resolution aimed to remove the obstacles for the MTR Corporation Limited (MTRCL) to implement

its concessionary measure. Hence, Deputy President, persons with disabilities do need to integrate into society, and it is important that they can travel at will to places they desire.

The Secretary said earlier in his brief remark that he recognized the importance of enabling persons with disabilities to live harmoniously with the able-bodied and the integration of the former into society. I believe the Secretary will continue to work hard and take the same position as that of Members of the Legislative Council. I hope that the measure introduced this time around, which is applied only to persons with 100% disability now receiving Comprehensive Social Security Assistance and aged between 12 and 64, is only a small step forward in the eight-year prolonged fight. It is hoped that after this breakthrough, the concessions can be expanded to other persons with disabilities and other means of transport in phases. We also share the view expressed in the speeches of other Members that the escorts of persons with disabilities should also be considered, and the authorities should make an effort to achieve this target. Deputy President, the views I would like to express have already been put forth by two other Members earlier, so I do not want to spend too much time on this. Actually, during the eight-year prolonged fight has manifested the unanimous position taken by various parties and groupings and Members of the Legislative Council. I believe the Secretary has heard our views. I hope that he will continue with his effort upon achieving the small breakthrough this time.

MR TAM YIU-CHUNG (in Cantonese): Deputy President, I will now speak on behalf of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) on the resolution moved by the Secretary for Labour and Welfare under the Disability Discrimination Ordinance.

In principle, this resolution seeks to make technical amendments to enable the implementation within this year of the fare concession measure announced by the MTR Corporation Limited (MTRCL) in May this year, for the provision of fare concessions to recipients of Comprehensive Social Security Assistance (CSSA) with 100% disability and persons with disabilities receiving Disability Allowance, to alleviate the burden on the transport expenses borne by these people. The DAB supports this resolution, and it is also the result of our long-running fight. We believe that fare concessions will provide incentive for

persons with disabilities to go out, thereby facilitating their integration into society.

Being the first transport operator offering fare concessions to persons with disabilities, the MTRCL not only plays a leading role in the public transport sector, it also takes a step forward in catering for the transport needs of persons with disabilities. We hope that the Government can act proactively to encourage other transport operators to follow the practice of MTRCL and fulfil their social responsibility to offer fare concessions to persons with disabilities, so that persons with disabilities will enjoy more choices and convenience.

While promoting the relevant policy, the Government should also consider providing fare concessions to different groups of persons with different degrees of disabilities, for though these people do not fall under the definition of 100% disability, as laid down by the Social Welfare Department (SWD), they are also faced by various degrees of inconvenience and restrictions in using public transport. Hong Kong is a harmonious and caring society. It is more than reasonable and sensible to provide them with fare concessions to encourage them to go out more often and work. We hope that the Government can continue to proactively promote this policy, so that all persons with disabilities can be benefited.

(THE PRESIDENT resumed the Chair)

In addition to fare concessions, the Government should also continue to promote vigorously the policy of "Transport for All" as a complementary measure. Many persons with limited mobility have reflected to us time and again that they cannot reach the places they desire to go just because there are several steps of stairs in major accesses. Moreover, they have often lost the desire of going out because of the shortage of low-floor buses serving the bus routes they need to take. The Government must address these problems concurrently before it can truly encourage persons with disabilities to integrate into society.

In the light of the recently concern about the procedures and mechanisms adopted by the SWD in vetting and approving the Disability Allowance, I think

the SWD, as a key provider of social security in Hong Kong, is obliged to enhance the relevant procedure and mechanism, so that people in need will receive proper assistance and enjoy fare concessions.

Thank you, President.

MR LEE CHEUK-YAN (in Cantonese): I felt quite strange after I read the content of the resolution today, for only the MTR Corporation Limited (MTRCL) is mentioned therein. Surely, we know that by now, only the MTRCL is willing to offer concessions, but I hope that we can successfully strive for the provision of similar offers by all bus companies in future. In that case, whenever a bus company is willing to offer the concession, the Government will have to submit a resolution to the Legislative Council stating the name of the bus company. Is this really necessary? Why can all public transport operators in Hong Kong be covered? It is alright for the Government to state that the concessions provided by these operators will not be regarded as discriminatory. In fact, the Government can include all public transport operators The Government can list spell out the names of the transport operators it is referring to, and then state that the provision of concessions by these transport operators will not constitute a contravention of the legislation. It will be more straightforward and clearer for the Government to do so. Otherwise, according to the current practice, the Government will have to table a motion to this Council whenever a bus company says that it will offer concessions.

Anyhow, we have taken a step forward. We can also demonstrate to bus companies that the so-called legal obstacle is not really an obstacle. If they are willing to do so, motions can be tabled to the Legislative Council at any time. We can all see that Members of the Legislative Council strongly support this. There is even no need for the Subcommittee to convene meetings, for we all know what we are doing and we all hope that persons with disabilities can benefit from the concessions expeditiously. But regrettably, only the MTRCL is willing to offer concessions this time around. I hope that the Secretary can step up his efforts expeditiously to encourage all transport operators to follow the practice of the MTRCL to offer half-fare concessions. We say we desire social integration, but it is so far mere empty talk. If persons with disabilities fail to integrate into society and participate in activities because of financial difficulties, it is actually an obstacle. Money is an obstacle, too. We hope that other bus companies can follow the MTRCL in removing this obstacle.

However, I hope that the Secretary — it should be the Secretary for Transport and Housing — will pay attention to another issue related to bus companies, that is, the issue of low-floor buses. Even if we can successfully make bus companies offer concessions, persons with disabilities will still be unable to enjoy the concessions if the number of low-floor buses is inadequate, for they can hardly wait for a low-floor bus. So, we must adopt a two-pronged approach. On the one hand, persons with disabilities should be offered half-fare concession as soon as possible, and on the other hand, we have to expeditiously require bus companies to switch to low-floor buses when replacing all buses. Bus companies must have a clear timetable for bus replacement. We really hope that social harmony can be achieved expeditiously.

It is a great pity that many years have passed, but we are still moving at snail pace. Members all know that we have spent eight years striving for the concessions offered by the MTRCL. If we have to spend another eight years to fight for concessions offered by another bus company, it would be a really long wait. I do not hope to see a timetable like this. I hope the Secretary can make all bus companies offer concessions to persons with disabilities in the next year.

Thank you, President.

MR WONG SING-CHI (in Cantonese): President, we have no alternative but to accept this resolution, for it reflects that we should better be cautious in doing good deeds. Otherwise, an act of offering concessions, as what is proposed in this resolution, may be liable to the charge of discrimination. In other words, good deeds may not lead to good consequences. I hope that the Chief Executive will learn a lesson from this. When he introduces policies that he thinks the public will consider them good in the future, he should consider carefully.

President, we can see from this resolution that the transport concessions for persons with disabilities, which we have been striving for years, are long overdue. But still, only some persons with disabilities, that is, only persons with 100% disability, are eligible for the concession. But this is better than having no concession at all. In the future, the Kowloon Motor Bus (KMB) bus

companies in particular, should follow the practice of the MTR Corporation Ltd (MTRCL) to introduce concession measures as soon as possible.

The Democratic Party definitely supports this resolution, but we still hope that the Government and other transport operators can make further efforts. The concession offered this time is only applicable to persons with 100% disability. However, when these persons use MTRCL services, an escort will certainly, or usually, follow them to their destinations. Nonetheless, these caretakers will have to pay full fare for the trips. The offer of concessions to persons with disabilities will not bring real loss to the MTRCL. On the contrary, the revenue of the MTRCL will indeed be increased, because with more persons with disabilities using this mode of transport, it means that their caretakers, who are able-bodied persons paying full fare, will be using this mode of transport too.

Under this circumstance, I think this issue should be further examined in future to determine whether supporters and companions of persons with disabilities should also be offered half-fare concession. We will put this on the agenda for detailed discussion later.

Obviously, the half-fare concession offered to persons with 100% disability will not bring any loss to the MTRCL; on the contrary, its revenue may even be increased. For this reason, other bus companies should follow suit. I hope that the resolution will include other modes of public transport in future, so that their good deeds can win the appreciation of the public, rather than having their good deeds hastily done without producing good results.

Thank you, President.

MR LEUNG KWOK-HUNG (in Cantonese): President, this resolution reminds me of a former Member of this Council, Fernando CHEUNG, who used to fight for this, though he is no longer in this Council. I think if all seats of the Legislative Council are to be returned by direct elections, he might still be here in this Chamber today listening to the results of what he has been striving for. Certainly, I know that Mr LEUNG Yiu-chung has also been striving for this concession for a long time.

What is the problem we are facing now? The problem is, whenever a reform is launched, the incapability of this Government that is elected by a small coterie will be brought to light. For instance, the promotion of the use of compact fluorescent lamps, by itself a reform, demonstrates to us the incapability of the Government.

According to the MTR Corporation Limited (MTRCL), given that persons with disabilities have been striving for this concession for such a long time, free rides are now offered to persons with 100% disability. But I think the concession is too late and too little. We see that the measures implemented by the Government are fragmented, as if its brain is following its bottom. Let me cite an example to illustrate this. When I asked Secretary Matthew CHEUNG about elderly care service, for some 7 000 elderly people, who were unable to be admitted to aged homes in five years, died with deep regret, he immediately mentioned the concept of ageing in the community, saying that assistance would be provided to people caring for the elderly.

According to the current requirement, only persons with 100% disability, that is, only persons losing two limbs, are eligible for the benefit. People losing one limb are ineligible — I am quoting Mr WONG Kwok-hing, but he is not in the Chamber now. Persons losing one limb are ineligible; only those losing two limbs can apply. Surely, these persons need to be taken care of. I wonder whether people do so out of sympathy.

Some people asked about the progress of aged homes. The concept of "ageing in the community", now advocated by us, is a tailor-made service. But what is the situation now faced by those people? There is no policy at all. The same logic varies completely in different situations. This is a typical example of personality disorder. I have seen many of these cases. Is the rule of the authorities logical? For the unfortunates, the Government will subsidize those providing assistance to them, whether in the form of government assistance or by public money. It is exactly for this reason that I criticized the Secretary after receiving his reply for doing things he should not do. The same situation arose last time, for when I asked the Secretary how he would alleviate poverty, he said he was dealing with the issue of elderly care.

There is something praiseworthy about our city, and I agree that we are doing pretty good, only that the fares charged by the Octopus cards are quite high. Since the Octopus cards have such a good computation method, the information obtained can be used for statistical purpose. By means of this mechanism, we can grasp the general picture of how the public use modes of transport to facilitate the provision of assistance. Unlike other cities, our city is relatively concentrated, and this will facilitate the computation work.

At present, only the MTRCL agrees to provide such concession, but we have persuaded the MTRCL for so many times. May I ask the Secretary whether the elderly have no such needs? At present, the MTRCL often says that the authorities are to be blamed, for the privatization of the Mass Transit Railway Corporation was a serious administrative blunder. But the authorities do not have the courage to right this wrong. But then, to protect the interest of minority shareholders was used as an excuse for not introducing the reform. Is it a downright act of a blackguard? How much does it cost to buy back the MTRCL? How can it build the Guangzhou-Shenzhen-Hong Kong Express Rail Link? The money has been wrongly spent, has it not? It fails to do what it should but involves itself in other issues.

We have often asked the authorities to do better and make use of the railway system to provide concessions to people regarded as the disadvantaged. However, it expressed regret for being unable to do so for fear that the minority shareholders, which accounted for more than 20%, might sue the Government. Why does the Government not learn from Richard LI? He knows how to manipulate minority share holders. Honourable Members, have you ever heard of major shareholders being controlled by minority shareholders? The authorities are indeed abusing public opinions by assuming that some minority shareholders will abandon their consciences, as the Government did, and sue the Government for providing the concession at the expense of the interest of minority shareholders. Have the authorities conducted any studies or surveys? The Government likes to conduct opinion polls, does it not? During the study of the constitution reform, the Government has often fabricated opinion poll results to deceive us. The authorities might as well conduct an opinion poll to see whether the minority shareholders will act improperly like the Government.

First, the authorities have persuaded the MTRCL for so many times, but how about the two bus companies? If the authorities can provide subsidies for switching to Euro IV vehicles, why can they not provide funding for the replacement of high-floor buses? I would like to share with Members some of my experience. Once when I was having breakfast in Berlin, I heard a man blustering. I did not know what he was complaining about for I do not know German. I later found out that he blustered because he had waited for two rounds of buses but there was no low-floor bus. Though he had only been waiting for two rounds, he blustered vehemently. At first, I found his behaviour annoying, but then I found him right in doing so after some people told me that the Government of Berlin promoted a people-based government and a harmonious society, and I thus considered he had a cause to be cross about it.

Having come to this pass, do the authorities not consider this a disgrace? Must I scold Donald TSANG and Secretary Matthew CHEUNG like that man in Berlin before they will feel at ease? If such is the case, I will urge people having the same experience to bluster like the man in Berlin every time such things happen to them and point it out specifically that Donald TSANG and Matthew CHEUNG have put them in such a miserable situation. It is treating different people with different attitudes, is it not? When the business of car dealers is bad, the authorities provide subsidy for car replacement. Has the Secretary ever considered acting in this way? As LEE Cheuk-yan said earlier, even if fare concession is provided, if the vehicles required are not available, they still cannot use the services. Will Matthew CHEUNG carry these people on to the buses? No way.

So, the policies formulated by the Government are simply fragmented. Every time when it wants to do something good — when the popularity rating of Donald TSANG falls below 50 and they want to come up with some good ideas to boost his rating, they cannot resist the ghost in their mind, that is, the big market principle. Nor can they resist the pressure exerted by the rich in reality when they are chatting while having abalone, shark's fin and wine. As a result, good things turn bad, and bad things get worse.

Since Fernando CHEUNG, a friend I respect very much, ceased to be a Member of the Legislative Council, I have been thinking about this issue: Is the functional constituency election is all evil? Just think about what the royalists said today. They said that all Members are united. Buddy, do not cheat me!

Actually, this Council has been forced to form a united front over the past few years. But there are still many grievances, complaining this or that, or saying this should be the only exception and no more expansion. President, do you go on a vacation every summer? I also want to go on a vacation, but I cannot, for in late-July every year, a group of people will definitely be gathering at the lobby of MTR stations shouting loudly, condemning the MTRCL and the Government for acting unscrupulously, and failing to provide concessions to persons with disabilities.

Every time when we shouted loudly there, people passing by us would try to stay away from us, for we were really very noisy, and so was I, but they later found out the truth. The glamorous concourse of the MTR station is actually a holy temple where robbers are hiding, and it was built with money paid out of the pocket of the people of Hong Kong. The farce of unfairness is put on show everyday. People point their fingers at the MTRCL every year. I witnessed a parent telling his child that those people crying out there were not bad guys. Instead, people who forced them to do so were bad guys. Then, the kid greeted me. We have been forced to do so year after year. For this small-coterie council which has proven to be effective to implement such a small reform, Fernando CHEUNG, a former Member, failed to get re-elected because of the small coterie election I bet that if all seats of this Council were returned by direct election, he would surely have the opportunity to witness this scenario today. The situation today is indeed pathetic, for Members are distorting the history.

When we discussed the take-over of the former Kowloon-Canton Railway Corporation by the MTRCL, Members talked about all the merits it would bring, saying it was right for a partially privatized enterprise to take over a railway enterprise wholly owned by the Government, for this would bring flexibility. Had there been flexibility, why is it more good deeds have not been done? Why does the issue have to be brought up for discussion again today? Why is it suggested that there is something wrong and the market must be followed? What does the market mean? The market is a place for the exchange of goods. The one who is in control of more goods and money will gather capital and shift to the market during the exchange process, particularly when money can be turned into votes. In other words, the one who has more money will secure more votes from the 800 persons. This is how we come to this pass.

Donald TSANG still dares to talk about harmony. Every time a reform is introduced, he will make to spectacle of himself. Why? Because the reform is unjustified. It is like charity. Like the powerful and the rich who are over-fed, they will throw a piece of bone from their plates to people outside crying in hunger. This is their attitude. So, every time when the Secretary does something wrong, he will say that he is acting in good faith and query why we keep blustering and questioning his motives. If one does not want people to know what he is doing, do not do it.

To date, the Chief Executive still does not have the courage to tell his story. As I said before, when I was complained for being rude to a female reporter, I told my side of the story and let them carry out the investigation. Does he have the courage to do so? I have never seen a politician like him. When someone makes an allegation against him, he asked his sister-in-law to come forward to explain the case

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, please speak according to the content of the present resolution.

MR LEUNG KWOK-HUNG (in Cantonese): Alright, I understand. It is because of the incapability and shamelessness of the Chief Executive that we have come to this pass and that the issue has been dragged on for so long. I will follow the instruction of the President. The problem exists in reality, and it was handled by the two Chief Executives in the same manner. First, TUNG Chee-hwa allowed the problem to be dragged on until now. Then, has Donald TSANG, being the Chief Executive drawn up any great plan to provide barrier-free public transport services for persons with disabilities in Hong Kong? Does he have any plan? Can he provide the timetable? Does he plan to extend the concessions to other disadvantaged groups? If he considers his plan impracticable, has he planned to buy back the current shares of the MTRCL, so that better transport services can be provided to carry persons with disabilities to their destinations? Why does he have to spend \$65 billion to maintain a utopia for someone else, whereas this utopia is built with Mainland capital?

President, I mean every word I say. Today, we criticize the governance of the Government. We cannot be satisfied with the chicken rib thrown to us by

the Government after it has had enough, for we will die whether we take it or not. We have already got what we want. So today is the time for us to strive for more for more people, is it not? Should we still fight for that chicken rib and claim credit for getting it?

President, people embracing different philosophies will adopt different approaches in their speeches. I know that you, your goodself, are not entirely familiar with this. But in discussing politics in this Council, every Member has his or her own approach. I do not mean to monitor the Secretary or compete for some meagre gains — I surely have got some meagre benefits, as I have already said — so, let me ask this question again: What great plans does Donald TSANG have?

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, your speaking time is up.

MR LEUNG KWOK-HUNG (in Cantonese): I know.

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

(No Member indicated a wish to speak)

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

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): President, I would like to thank the seven Members for the many valuable and constructive views and suggestions they have put forth on the transport needs of persons with disabilities and the fare concession scheme for persons with disabilities proposed by the MTR Corporation Ltd (MTRCL).

The Government, like Honourable Members, shows grave concern about the needs of persons with disabilities for "Transport for All" and the importance of the integration of persons with disabilities with the able-bodied. I welcome

the fare concession scheme offered by the MTRCL to encourage persons with disabilities to participate more in social activities, thereby facilitating their full integration into the community. To facilitate the MTRCL to implement the fare concession scheme as soon as possible, as I mentioned earlier, colleagues from the Social Welfare Department and I will spare no effort, and we have indeed been doing our level best, to amend the Disability Discrimination Ordinance and verify the particulars of applicants, and so on. The MTRCL has made proper preparations for the application mechanism, procedures and the arrangements of the scheme, and the Notice will come into operation after being gazetted on the day after tomorrow upon its passage by the Legislative Council today.

Members hope that other public transport operators can, similarly, provide fare concessions to persons with disabilities, and request the MTRCL to consider expanding the scope of the fare concession scheme to cover other groups of persons with disabilities and their travel companions or caretakers in future. I fully understand these views. At the Council meeting held two weeks ago, that is, 21 October, the Secretary for Transport and Housing and I responded to the motion titled "Facing up to the transport needs of people with disabilities". Secretary Eva CHENG pointed out clearly that the Government would continue reflecting to public transport operators the public's aspiration for fare concessions, so that the operators would understand and consider the people's keen expectation for fare concession. At the same time, the Government will vigorously encourage public transport operators to offer concessions by all means in the light of their own operational situation and the social and economic condition to reduce the public transport expenses of the public, including persons with disabilities. I know that Members are deeply concerned about ways to reduce public transport expenses borne by the public, especially persons with disabilities. I also know that the Legislative Council will conduct a motion debate on this subject shortly. I will surely convey the views expressed by Members just now on the provision of fare concessions by public transport operators to the Secretary for Transport and Welfare, so that she may respond later.

President, with these remarks, I hope Members will support this resolution.

Thank you, President.

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

(Members raised their hands)

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

(No hand raised)

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

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Two proposed resolutions under the Interpretation and General Clauses Ordinance.

First motion: Extending the period for amending the Building (Minor Works) (Fees) Regulation.

I now call upon Mr CHAN Kin-por to speak and move his motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR CHAN KIN-POR (in Cantonese): President, I move that the motion under my name, as printed on the Agenda, be passed.

In the House Committee meeting on 16 October 2009, Members had agreed to the formation of a Subcommittee to examine the Building (Minor Works) (Fees) Regulation laid on the table of the Legislative Council on 14 October 2009. To allow sufficient time for the Subcommittee on the Building (Minor Works) (Fees) Regulation (the Subcommittee) to conduct

scrutiny work, and to report the result of the scrutiny to the House Committee, in the capacity as Chairman of the Subcommittee, I move that the scrutiny period of the subsidiary legislation be extended to the meeting of 2 December 2009.

President, I implore Members to support this motion.

Mr CHAN Kin-por moved the following motion:

"RESOLVED that in relation to the Building (Minor Works) (Fees) Regulation, published in the Gazette as Legal Notice No. 178 of 2009 and laid on the table of the Legislative Council on 14 October 2009, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 2 December 2009."

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

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr CHAN Kin-por be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Second motion: Extending the period for amending the Rules of the High Court (Amendment) Rules 2009.

I now call upon Dr Margaret NG to speak and move her motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

DR MARGARET NG: Mr President, in my capacity as the Chairman of the Subcommittee to study the Rules of the High Court (Amendment) Rules 2009, that is, the Legal Notice gazetted on 9 October 2009, I move the motion standing in my name on the Agenda.

As the Subcommittee is still in the process of scrutinizing the Amendments Rules, members agreed that I should move a motion to extend the scrutiny period of these Rules to the Council meeting on 2 December 2009.

With these remarks, I implore Members to support the motion.

Dr Margaret NG moved the following motion:

"RESOLVED that in relation to the Rules of the High Court (Amendment) Rules 2009, published in the Gazette as Legal Notice No. 186 of 2009 and laid on the table of the Legislative Council on 14 October 2009, the period for amending subsidiary legislation referred to in section 34(2) of the Interpretation and General Clauses Ordinance (Cap. 1) be extended under section 34(4) of that Ordinance to the meeting of 2 December 2009."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Dr Margaret NG be passed.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Dr Margaret NG be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Two motions with no legislative effect. I have accepted the recommendations of the House Committee: that is, the movers of these motions each may speak, including reply, for up to 15 minutes, and have another five minutes to speak on the amendments; the movers of amendments each may speak for up to 10 minutes; and the mover of amendment to amendment and other Members each may speak up to seven minutes. I am obliged to direct any Member speaking in excess of the specified time to discontinue.

PRESIDENT (in Cantonese): First motion: Alleviating the burden of travelling expenses.

Members who wish to speak in the debate on the motion will please press the "Request to speak" button.

I now call upon Mr CHEUNG Hok-ming to speak and move his motion.

ALLEVIATING THE BURDEN OF TRAVELLING EXPENSES

MR CHEUNG HOK-MING (in Cantonese): President, I move the motion as printed on the Agenda.

President, last year, I also moved a similar motion on transport issues, and to my great delight, the motion was passed by the Legislative Council with the support of Members. One year has since gone by, but we have not yet seen any positive responses from transport operators and the Government. Quite the contrary, transport operators have one after another increased their fares under the guise of abolishing various fare concessions. Some are even so blatant as to apply directly for fare increases without the slightest regard to the affordability of the public.

It can be said that the recent spate of fare increases by public transport operators was triggered off by the Mass Transit Railway Corporation Limited (MTRCL). Early this year, it first abolished the interchange fare discount for the outlying island ferry passengers. This was followed by the bus companies' abolition of their "same day return fare concessions", and long-haul passengers are made to bear a *de facto* fare increase of 5% to 10% as a result. Subsequently, the "Star" Ferry Company Limited, which has been noted for its low fares, also increased its fares on grounds of business hardship. And, in August this year, taking the opportunity presented by the commencement of the Kowloon Southern Link, the MTRCL announced that the free feeder-bus service of K16 would be abolished one month later. There are also the fare increases of green minibuses and taxis. In the case of the former, since January this year, fare increases have been approved for 74 green minibus routes. And, 34 green minibus routes will also apply for fare increases in the near future.

President, amidst the spate of fare increases, we fail to see any willingness of transport operators to bear their corporate social responsibility and offer people more fare concessions to help them tide over their difficulties. Nor can we see any willingness on the part of the SAR Government to side with the public to

exert pressure on transport operators and request them to withdraw their fare increase decisions or reinstate their fare concessions, so as to relieve people's burden of travelling expenses.

The only thing we can see is the usual excuse of "market principles" flaunted by the SAR Government. It has all along resorted to the excuse that since public transport operators in Hong Kong are privately or commercially operated, it is impossible for the Government to impose any monitoring on them. Its attitude is one of total indifference, and it has even claimed that it is unable to help despite all its good intentions.

We are of the view that the Government's arguments are mere sophistry, intended only to confuse the public.

President, the reason is very simple. Public transport operators in Hong Kong are not totally market-led as such. In the case of the MTRCL, for example, although it is a publicly-listed corporation, the SAR Government is still its major shareholder. The Secretary for Transport and Housing and the Commissioner for Transport are both on its Board of Directors. All major policies, such as the rail merger and railway construction must be driven by the Government. And, the Government also provides various forms of subsidies for railway development, such as superstructure property development projects, giving up of dividends and low-priced land resumption. As for other transport operators, it is true that no government officials are on their managing boards, but the Government still provides them with various degrees of subsidies such as the waiving of fuel duty for franchised buses, franchised or licensed ferries, LPG taxis as well as minibuses.

It is especially worth mentioning that there is a policy of low land premiums and rents for bus termini. Bus companies do not have to worry about finding suitable sites for bus termini. As for taxis and minibuses, their conversion to the use of LPG is also subsidized by the Government. Therefore, the SAR Government should not always resort to the private operation of transport operators as a "Sword of Imperial Sanction" and claims that it is impossible to impose any monitoring on them. Arguments of this kind are simply not tenable.

As a matter of fact, both in far-away countries and nearby Macao and Shenzhen, government assistance is offered to relieve people's burden of travelling expenses. In Macao, for example, a public transport fare subsidy

scheme has been in operation since 2008. Under this scheme, the Macao SAR Government provides fare shortfall subsidies to enable all Macao residents holding the Macao Pass, including the elderly, students and housewives, to travel all over Macao by bus at fixed concessionary fares ranging from MOP\$2 to MOP\$3.

There is also Singapore, which often competes with Hong Kong for a higher ranking in various fields. In this country, the SBS Transit, which has a market share of 75%, is not a government-owned organization but just a listed private enterprise. However, when urged by the government, it is still willing to show concern for people's livelihood and launch a full-scale fare reduction scheme during the difficult period of the financial tsunami. Under this scheme, fare reduction started in April this year and will continue up to the end of June next year. The rate of reduction for the relevant bus and railway fares is 4.6% on average. At the same time, the provision of fare concessions for school children, the elderly and interchanging passengers will continue. There is also a plan for the implementation of distance-based bus and railway fares at all times, with a view to relieving people's heavy burden of expensive travelling expenses.

President, it is presumably difficult for Hong Kong to follow the examples of Macao and Singapore within a short period of time. The Democratic Alliance for the Betterment and Progress of Hong Kong (DAB) and the general public can appreciate the difficulties involved. However, we may still make reference to these examples.

When the DAB put forward its expectations regarding the policy address last year, it made a proposal similar to the transport subsidies offered in Macao. We advised the Government to provide the public with a 50% transport subsidy on Saturdays, Sundays and public holidays. We explained that this could encourage people to go out with their family members and friends while fostering social harmony and boosting local consumption on entertainment and leisure activities.

However, it is a great pity that the Government did not accept the proposal in the end.

The SAR Government did not tell us the reasons for its refusal, but the DAB maintains that even though the authorities cannot provide the public with

half-fare concessions on weekends, it must at least urge transport operators to provide the elderly with holiday fare concessions as a permanent measure.

Many elderly persons have expressed to us the hope that they can enjoy such fare concessions and go out with family members and friends every week. However, transport operators often package such fare concessions as measures of opening up new market segments and building their corporate images, and set a time limit for such fare concessions, completely forgetting that these concessions are the very measures they should implement in order to repay society and discharge their corporate social responsibility. Once the periods of concessions are over, elderly persons must again reduce their social activities because of increases in travelling expenses.

Fare concessions with time limits are also very common with other modes of transport. For example, time limits are set for the Fare Savers, monthly tickets and interchange fare concessions of the MTRCL. Passengers are thus faced with the threat of "deadlines". They are worried that once the concession periods are over, their travelling expenditure may go up, thus affecting their daily life.

The business results of the several transport operators over the years show that the MTRCL has been reaping a profit of several billion a year. In the case of the Kowloon Motor Bus (1933) Limited (KMB), its profit in the first half of this year also stood at \$230 million. We simply fail to see how the provision of transport fare concessions will adversely affect the profits earned by these transport operators. That being the case, why do the authorities refuse to actively urge transport operators to provide various fare concessions on a permanent basis, so as to relieve people's burden of travelling expenses in a simple and straightforward manner? In fact, the provision of half-fare concessions to the elderly and students, daily tickets, monthly tickets and short-trip monthly tickets on a permanent basis will help secure certain categories of passengers, thus ensuring the stable revenue of the operators. Should the SAR Government find this proposal worth considering, it may actually conduct a relevant review when the franchises of transport operators are due for renewal. Or, it may even include such concessions as a condition of renewal in the course of negotiations.

Apart from advocating the provision of permanent fare concessions, we also hold the view that the fare adjustment mechanism formulated by the

Government for transport operators is much too lenient. To put it more candidly, there are many "grey areas", with the result that despite all our efforts, it has been impossible to bring transport fares down to reasonable levels.

The bus fare structure is an example. The DAB has repeatedly pointed out that many components of the existing bus fare structure are inappropriate in the present-day context, and we have thus questioned the Government on many related "grey areas". For example, while nearly all buses of the two bus companies are air-conditioned nowadays, separate fares are still charged for air-conditioned and non-air conditioned ones. In the case of the KMB alone, nearly 80% of its bus routes are using air-conditioned buses, but there are still two separate types of bus fares. In addition, the fares for cross-harbour routes after crossing the harbour remain rather high. We think that this is very unreasonable.

As for the MTRCL, the Government has not effectively monitored and reviewed its fare structure either. The MTRCL has been left to determine fares "on its own". It was not until the inauguration of the Kowloon Southern Link in August this year that the public realized the problem of "fares for short-haul trips being more expensive than those for long-haul trips". The fares for the new Austin Road Station are based on those for Kowloon Station. President, Austin Road Station is neither part of the West Rail nor part of the East Rail. There is no justification for adopting the same fare levels as those for Kowloon Station. Another point is that in a bid to force passengers to take the Kowloon Southern Link, the MTRCL has scrapped the feeder bus service of K16. This has forced passengers to take a higher-fare mode and deprived passengers of their right to choose their means of transportation, thus leading to huge public discontent. However, government departments have still refused to respond to people's demand by resorting to the excuse that transport operators are privately-run organizations.

President, clothing, food, accommodation and transportation are people's daily necessities, so travelling expenses will affect people's livelihood very greatly. It is necessary for the authorities to squarely address the unreasonable phenomena mentioned above and review the present fare structures of the various transport operators, rather than tolerating their continued existence.

Battered by high travelling expenses, many people can no longer remain silent by now. In the past week, the DAB launched a signature campaign on "relieving the burden of travelling expenses". In just four days, some 20 000 members of the public signed up to express their support for this motion. And,

earlier on, several dozen Tin Shui Wai residents also marched from Chater Garden in Central to the Government Secretariat to voice their opposition to exorbitant transport fares. They demanded half-fare concession for students and hoped that the authorities could conduct a comprehensive review of its transport policy.

President, the installation of compact fluorescent lamps for a household may only involve several hundred dollars, and it is only a one-off policy. But the policy has already led to huge public outcries. It can be said that before it can even achieve the desired purpose, the policy has instead led to negative impacts. The policy can hardly win people's applause. However, if the SAR Government can really pay heed to people's financial pressure and conduct a review of the fare policies of transport operators, if it can look at things from people, change its attitude and take concrete steps to relieve their burden of travelling expenses, I am sure that it will definitely win people's hearty applause. In that case, the popularity rating of the SAR Government will surely soar.

With these remarks, I move the motion. Thank you, President.

Mr CHEUNG Hok-ming moved the following motion: (Translation)

"That, as the people of Hong Kong are still under the impact of the financial tsunami, many of them face difficulties in life and bear a heavy burden of travelling expenses, this Council urges the Government to discuss with various public transport operators and adopt effective measures to alleviate the burden of travelling expenses on the public, which include:

- (a) to provide subsidies to the MTR Corporation Limited, bus companies, green minibus and ferry operators so that they will offer half-fare concessions to passengers on Saturdays, Sundays and public holidays, thereby enabling the public to have more opportunities to get together with their families and friends on those days;
- (b) to extend the deadline for submitting applications under the Transport Support Scheme, further relax the eligibility criteria and the subsidy period under the Scheme and expand it to cover all districts in the territory;

- (c) to discuss with various public transport operators to offer the Free-ride Day for the elderly on public holidays and specified days of each week on a permanent basis, formulate an implementation timetable for the provision of half-fare concessions to people with disabilities, and study the feasibility of introducing daily, weekly and monthly travel passes that are valid among various public transport operators;
- (d) to discuss with the MTR Corporation Limited to continue extending its fare-freeze period, re-launch the 'Ride 10 Get One Free' Promotion, set up more MTR Fare Savers according to the requests of the residents and by using more consistent standards, and explore further extension of the existing monthly and daily ticket schemes, including introducing monthly tickets for short-haul trips and making it a permanent arrangement, etc;
- (e) to rationalize the fare structure of the MTR Corporation Limited, including rectifying the unreasonable and chaotic situation of 'fares for short-haul trips being more expensive than long-haul trips', adjusting downwards the fares of the Kowloon Southern Link to a reasonable level, and enabling the passengers to travel to Hung Hom Station using Tuen Mun-Nam Cheong Monthly Pass at the original price; as well as resume the service of the free bus route number K16;
- (f) to discuss with the franchised bus companies to re-launch same day return fare concessions, improve their existing fare structures, expeditiously revise the scale of fares under the Public Bus Services Ordinance as well as the route groupings under the scale, re-formulate the existing guidelines on the setting of fares to provide comprehensive sectional fares and bus-bus interchange concessions, including discounts for interchange among buses of different companies, provide half-fare concessions to all full-time students, as well as introduce daily and monthly ticket schemes for buses; and
- (g) targeting at the problem of high fares of outlying island ferry services, to actively study various suitable options, including

substantially increasing the non-fare box revenue of ferry operators or the Government directly operating the services, etc; allocate resources to alleviate the burden of ferry service expenses on outlying island residents; and offer half-fare concessions on ferry services to students of outlying islands."

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

PRESIDENT (in Cantonese): Two Members will move amendments to this motion. This Council will now proceed to a joint debate on the motion and the two amendments.

I will call upon Mr Andrew CHENG to speak first, to be followed by Mr LEUNG Kwok-hung; but no amendments are to be moved at this stage.

MR ANDREW CHENG (in Cantonese): President, I remember in December last year, Mr CHEUNG Hok-ming also moved a motion on the topic under discussion today. Subsequently, in March this year, the Administration submitted to the Legislative Council a report on the progress made since the passage of the motion last year. I believe that the contents of this report will once again be heard in the Secretary's reply later. And, I quote, "The Government has all along been encouraging public transport operators to introduce fare reduction or concession as far as possible to help reduce passengers' travelling expenses, taking into account the operators' respective operating and financial conditions, overall economic environment and passenger needs." And "in line with the spirit of free enterprise, the provision of fare concessions, including the detailed arrangements, is the commercial decision of individual public transport operators."

These quotations from the progress report have been the standard reply given by government officials over all these years in both the relevant motion debates and during the Panel on Transport's discussions on relieving the burden of traveling expenses. There has been no change to this position over all these years. Therefore, if the two quotations are really an apt summary of the Government's position on the motion today, I believe that as mentioned every

year by Mr LEUNG Yiu-chung in his motion on "squarely addressing the transport needs of persons with disabilities", we will have to move motions with the same topic repeatedly in this Council. But it is sad to say that even so, there will not be too much help either.

President, speaking of the demands contained in the motion today, I believe that Honourable Members, especially those returned by geographical constituencies through direct elections, can all appreciate that travelling expenses are a very heavy burden on residents in remote areas such as New Territories West and New Territories East. I believe that regardless of the voting outcome today I mean, even if the motion can be passed today, all will still end up in our great disappointment as long as the Government does not change its position. I will speak on the impacts of travelling expenses on grass-root people, concentrating on issues such as sectional fares for bus passengers, interchange fare discounts and MTR fares. I shall leave the issue of transport fare waiver for the elderly to other Members of the Democratic Party.

President, according to the statistics of the By-census in 2006, 65% (roughly 560 000) of the 870 000 employees earning less than \$8,000 a month must use buses and the railways as their main modes of transportation. This is information provided by the Government. Therefore, bus and railway fares will certainly affect these people's quality of living very greatly (even if we are just talking about a difference of less than a hundred dollars a month). At present, more than 65% of the residents in the New Territories must leave their home districts to work in Kowloon or on the Hong Kong Island. We may look at a security guard living in the North District and earning \$5,500 a month as an example. If he works in Kowloon or on the Hong Kong Island, his monthly travelling expenses will amount respectively to some \$650 and some \$1,000. In other words, his travelling expenses will account for 12% or 18% of his monthly income.

Most residents in the New Territories must leave their home districts for work because the Government's planning for new towns cannot provide them with sufficient local employment opportunities. If there were enough local employment opportunities, these low-income people would not have to leave their home districts for work, and they would not have to bear all the exorbitant travelling expenses. Such a heavy burden of travelling expenses makes these working people tighten their belts, thus directly affecting their quality of life. Therefore, whether from the perspective of making up for its erroneous planning, or from that of promoting low-income residents' well-being, it is equally necessary for the Government to relieve their burden of travelling expenses,

either through a transport assistance scheme or by exercising its power of demanding the MTRCL and the bus companies to provide fare concessions.

Speaking of MTR fares, I must emphasize once again that when the rail merger bill was discussed years ago, the Democratic Party already pointed out the undesirable consequence that would result from the dominance of one railway corporation after the privatization of the railway companies. That is why we have never supported this proposal of such far-reaching implications. The Government is the major shareholder of the MTRCL, but it has never discharged its responsibility of monitoring the railway corporation on behalf the public interest. When the Government wants the Legislative Council to approve funding for subsidizing railway construction, it will talk about the MTRCL's commitment to the public interest. But when fares and various concessions are discussed, it will emphasize the MTRCL's commercial operation. In other words, when the Legislative Council is requested to approve funding for subsidy, the priority of the public interest is put forward as a reason. But when people complain about its exorbitant fares, then, very sorry, they are simply told that it must operate on a commercial basis. How can things work out that way? This will only add to grass-root people's already heavy burden of travelling expenses. And, this Council has all the time appeared so powerless.

During the scrutiny of the rail merger bill, I put forward an amendment on the establishment of a fare stabilization fund. The MTRCL is granted a franchise to operate for an initial period of 50 years. Assuming that the annual net profit is \$5 billion on average, the allocation of around \$100 million to \$200 million from the profit to the fare stabilization fund every year will mean a cumulative total of \$5 billion to \$8 billion over the 50-year period. When the economy is in poor shape, the fund can serve as a basis of fare stabilization. However, the Government only said that it would "explore" the proposal, and nothing has since been heard from it.

We hope the Government can realize that a fare stabilization fund will certainly be able to deal with an inadequacy of the present fare adjustment mechanism. This inadequacy concerns people's affordability. It is always possible that people's affordability This rigid and immovable formula (that is, the fare adjustment mechanism) may reflect all sorts of factors for upward and downward fare adjustments, but at the end of the day, all must depend on people's ability to bear the pressure of fare increases. The railway corporation may claim

that due to unforeseen factors in a certain period, it has no alternative but to increase its fares. If there is a fare stabilization fund, it will be possible to strike a balance between the commercial interests of the consortia and the public interests. Therefore, I must once again express the hope that the Secretary can Her predecessor mentioned the term "explore". But the incumbent Secretary has not even mentioned it. Given the apparent bias towards commercial interests under the present fare issue, the establishment of a fare stabilization fund may well be a way out. I hope the Secretary can respond to this proposal later on.

President, every time when this Council strives for MTR fare concessions, or expresses its views on fare issues, the Government does watch with folded arms, much to everybody's frustration. We have been advocating sectional fares for bus passengers for a very long time, for example. The President and many Honourable Members here may still remember that sectional fares were available when they were very small. The Octopus Card is such a superb system, and every holder must pay a deposit of \$50 for the Card. With the accumulated deposit of several hundred millions, we will certainly be able to develop a system for introducing sectional fares for bus passengers. This proposal may seem "inadvisable" to the bus companies, but in fact, it will do them good. The reason is that they will surely be able to get huge revenue from short-haul passengers. At this juncture, I wish to express the hope that the Secretary can tackle the issues of sectional fares and a fare stabilization fund during the remaining time of her term of office and make efforts to relieve the burden of exorbitant travelling expenses on Hong Kong people.

Thank you, President.

MR LEUNG KWOK-HUNG (in Cantonese): President, by putting forward my amendment, I just want to make one point. The Mass Transit Railway Corporation Limited (MTRCL) has been turned into a super consortium that monopolizes railway development of Hong Kong, thanks to all the government support. I request it not to construct the Guangzhou-Shenzhen-Hong Kong Express Rail Link (ERL) and recoup the \$65 billion What I mean is that the Government should buy back the shares of the MTRCL, so as to stop it from frequently claiming that it must look after the interests of individual shareholders, and that if it takes any actions that can improve people's livelihood, it will be sued

by others. If it does anything which benefits, say, a certain Mrs LI in Tin Shui Wai or a certain Mr CHAN in Tung Chung, and it will then be sued by others, this will solve the problem once and for all. One who has committed a sin must himself face the music, right? Mr TUNG already did so on the excuse of having sore feet, right? One must face the music.

While doing all sorts of calculations on the \$65 billion, the Government then thinks of the Eastern Harbour Crossing (EHC) and the Western Harbour Crossing (WHC). As Members all know, Larry YUNG was brought crashing down by accumulator speculation. I have long asked the Government to "kill him while he is ailing", advising it to hold negotiations with him immediately on buying back the EHC and the WHC. President, just imagine, if a mainland tycoon or you yourself are back to Hong Kong from the Mainland for a meeting one day and you are caught in a dense traffic jam right after boarding a taxi at West Kowloon Station, you will probably say, "Damn!"

This must be damned. The car journey is shortened by 20 minutes on the one hand, but on the other, the traffic congestion in Hong Kong causes a delay of 30 minutes. This should be damned. Instead of trying to solve the problem that causes infuriated tunnel users to swear every day, the Government has sought to solve the problem of others. What kind of a government is this one? Even an imbecile knows that the toll policy of the EHC and the WHC, which are controlled by a consortium, is the main reason for the traffic congestion in Hong Kong every day. Whose problem is the Government supposed to tackle? Donald TSANG should really retire early, so that he can become a Vice-Chairman of the Chinese People's Political Consultative Conference and tackle others' problems. This is really a very candid piece of advice.

I have done some calculations and they show that some money will still be left after the buying back. At the very beginning, I thought the Government should buy back the Link. But soon I realized that this would cost some \$70 billion. And, some have told me that the Link is not relevant to the issue. So, some money will be left and can be used for other reforms. It is the responsibility of policy-makers to reduce Hong Kong people's transport fares and ease their plight. As pointed out by SZE Wing-ching, the only thing a government needs to do is to relieve the people's plight. But the Government

has even failed to deliver this neo-liberalism concept. We are only asking for a solution to traffic congestion.

Speaking of transport fares again, I must say that the Octopus Card is a great invention. Every Octopus Card holder must pay a deposit of \$50, so its capital adequacy ratio is high. Why is it impossible to use the Octopus Card as a basis of introducing the regional transport fare structure effectively implemented in other countries? The remoter a place is, the lower should be fares within the region. And, fares should go up gradually only in the case of cross-region transport routes. In this way, the problem will be solved.

Railways enjoy natural monopoly. President, am I correct? The reason is that no one can construct a new railway next to an existing one. First, the construction of such a new railway will never be approved. Second, even if approval is granted, the new railway will still suffer grave losses. This is a basic concept known to all people since the 18th century. But the Government is still talking about market economics. Are there any successful examples of privately-operated railways, may I ask? There is an article in the *Hong Kong Economic Journal*, in which it is said that the High Velocity Train in Spain has outdone the aviation industry, and this can help global promotion. Is this an advertisement put up by you? "Bro", have you put up this advertisement in the *Hong Kong Economic Journal*? I have never seen any successful example. We may look at the rail link between Britain and France as an example. At its inception, it was described as superb. It was claimed that people in Britain could henceforth go to France at a very high speed, and that it was a wonderful means of transportation to Continental Europe and even to a meeting at the headquarters of the European Union.

I must tell Members that according to an authoritative research report — please correct me if you do not believe me — its operating costs in 2006 were two times higher than expected, while its actual revenue was only half of what had been expected. And, its internal rate of return even dropped by 14.5%. "Bro", you now tell me that the ERL is going to be great. Should I believe you? You must first clean up the mess left behind by the West Rail. What are you talking about? Houses must be demolished and villagers evicted. If the ERL cannot operate satisfactorily in the future, what is to be done? Well, for one thing, they will surely say that it will operate satisfactorily. But even if it really

fails to operate satisfactorily, there will not be any great problems either, President, because Chief Executives are all assessed separately. Besides, they are not under the monitoring of any political parties, and others will not be implicated in what they do. As a result, he can simply wash his hands off the whole thing even if there is a very big crisis in the future. The "benevolent" policies of TUNG Chee-hwa and the British Hong Kong administration are no longer mentioned nowadays. At present, the West Rail I have never seen any other railways with so many vacant seats Because you made me work in Tin Shui Wai as a penalty, I frequently travel on the West Rail.

Tin Shui Wai reminds me of something even worse. I cannot help saying a few words for a person who serves the community service order together with me in Tin Shui Wai. He said, "Is there any other government that is as bad as this one? We request the Government to provide some cultural, recreational and sports facilities in Tin Shui Wai. But nothing has been provided. There is no hospital, nor is there any library. If I bring my son to the City Hall and the West Kowloon Cultural District, I will certainly be broke." He was telling the truth. He only earns some \$100 a day. If his whole family of four really travel to all these places, how can he avoid to be broke? What kind of governance is this? Looking for some fun? Well, if you have no money, there will be no fun. And, how about those who need to work? Under Secretary YAU, you must take a bus in Tin Shui Wai in the morning sometime. As what you did in The Chinese University of Hong Kong, you may also write a few interesting articles after interviewing the poor and the rich. Can you do that? Have you ever been to Tin Shui Wai? Do you need me to go there with you?

PRESIDENT (in Cantonese): Mr LEUNG, please address the President.

MR LEUNG KWOK-HUNG (in Cantonese): President, a government like this The four daily necessities of Hong Kong people — clothing, food, accommodation and transportation The bus companies are also included in the area of transportation. The Government also allows the bus companies to enjoy natural monopoly because Hong Kong's roads are narrow and packed with people. It is very difficult to find any room for road construction. The bus

companies also enjoy natural monopoly. The Government simply allows them to reap profits above the market levels. It does not dare to return them to the public. "Bro", do you know that while Hong Kong people must labour very hard, their families are also "in exile"? Can you see this problem? Are you aware that poor people know only Tin Shui Wai and do not know what the rest of Hong Kong is like? How can they get to know the world and have access to any innovative ideas? They do not even have the means to pay Internet charges. They are forever confined to Tin Shui Wai. What are they going to do?

Under Secretary YAU, do your children go out for fun when they have time? Do you give each of them an Octopus Card and add value for them, so that they can travel here and there? Children in poor families cannot enjoy any such thing. I once asked such children whether they had an Octopus Card. They replied in the negative. And, of course, mobile telephones are even more unthinkable to them. What kind of a government is this one? Regarding transportation, one of the basic necessities of life in clothing, food, accommodation and transportation, they are deprived of their right to work and share the fruit of social prosperity. Regarding accommodation, I do not need to say anything more. The Government has been jacking up the market, and the price is even as high as \$70,000 per sq ft now. This is also the case with food. The price of the same set meal in fast food shops has risen by \$4. "Bro", have our salaries also been raised by \$4? Now, they are talking about cutting the salaries of senior civil servants. They are really inhuman. The prices of clothing, food, accommodation and transportation — I do not know what has happened to the prices of clothing because I do not buy any clothes — have all risen. We are only requesting the Government to do one thing, to let the public sector operate all modes of transport. This is an advocacy of social democracy, a means by which a government can redistribute wealth in a most straightforward manner. But the Government has refused to do so. So, what is the point of any further discussions? Please try to work out some solutions, rather than concentrating solely on compact fluorescent lamps. Thank you, President.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I can understand very well Members' views on relieving people's burden of travelling expenses because such expenses are truly a major expenditure item in the daily life of the common masses. However, Mr LEUNG Kwok-hung's amendment proposes to halt the construction of the

Guangzhou-Shenzhen-Hong Kong Express Rail Link (ERL) and use the funds for repurchasing the Eastern Harbour Crossing (EHC), the Western Harbour Crossing (WHC) and the Mass Transit Railway Corporation Limited (MTRCL). We absolutely cannot agree to this proposal.

The ERL is of far-reaching strategic significance to Hong Kong. This is a point beyond any doubt. The ERL will not only converge with the regional mass rapid transit systems in Guangdong but will also connect with the express rail network in the country. The Legislative Council and the public have both clearly expressed their support for the expeditious construction of the ERL. We have briefed the Legislative Council on the latest progress of the ERL project. We will continue to explain to Members the various aspects of the project, including planning details, construction costs and efficacy, in the hope that Members can support our appropriation request and the project can be launched before the end of this year.

As for travelling expenses, the Government's long-standing transport policy is to strive to ensure that transport operators can provide the public with efficient and suitable public transport services. At the same time, we also seek to monitor the fares charged by major public transport operators under a time-tested mechanism, with a view to ensuring that fares are set at reasonable levels. Apart from imposing regulation on basic fare levels, we also encourage the various public transport operators to offer fare concessions as far as possible to reduce passengers' travelling expenses.

I shall give a consolidated reply after listening to Members' views on the motion topic. Thank you.

MS LI FUNG-YING (in Cantonese): President, every day, millions of Hong Kong people travel on the public transport system. And, the Mass Transit Railway (MTR) and buses are the two major modes of public transport in Hong Kong. When they go to work and school, when they go out for fun, and even when they visit friends in hospital or elsewhere, people must invariably travel by the MTR or buses. Therefore, it goes without saying that the fares of the MTR and buses will have a great impact on members of the public (especially grass-root people).

For many months following the outbreak of the financial tsunami last year, the unemployment rate kept rising. It was not until very recently that it finally stabilized. However, the Mass Transit Railway Corporation Limited (MTRCL) still made a profit as great as \$4.5 billion in the first half of 2009 alone. And, the profit earned by the Kowloon Motor Bus (1933) Limited (KMB) in the first half of this year likewise multiplied and soared to some \$200 million. But these two transport operators have both failed to discharge their corporate social responsibility and show concern for the hardship of people's livelihood. Instead, they have both reduced or changed their fare concessions. In the case of the MTRCL, the day of fare concession for the elderly has been switched from Sundays to Wednesdays. As for the bus companies, they have put an end to their same-day return fare discounts. And, at one time, they even announced the abolition of fare concessions for the elderly on Sundays and holidays.

President, all these fare concessions under discussion now only involve very small sums of money. However, since the bus companies' abolition of the same-day return fare discounts, many workers who need to work outside their home districts have told me that these very small sums of money have seriously added to their livelihood burdens. Many employees working in the airport have approached the Airport Authority and the Transport Department to air their views on the abolition of the same-day return fare discounts by the bus companies. But they have not yet received any reply. One should not refrain from doing something good even if it is very trivial. Given the dissatisfaction with exorbitant travelling expenses expressed by this Council and the public, the Government is duty-bound to hold negotiations with the relevant transport operators on offering various fare concessions beneficial to the public, with a view to relieving people's livelihood burdens and pressure.

Employment is a significant factor contributing to economic development. The Transport Support Scheme launched in 2007 has been well-received by the public. This Scheme has been playing a positive role in promoting the employment of low-income people and job-seekers. But this Scheme should not be meant only as a policy for any specific districts. Rather, it should be extended to the whole of Hong Kong. The working poor, low-income earners and grass-root workers earning less than \$6,500 a month can be found all over Hong Kong. The districts in which they live will not, in any way lessen the difficulties they face. Therefore, in formulating the policy, the Government should not focus only on certain districts and disregard the needs of people living in other districts. Such a policy is unfair.

President, I was a member of the Commission on Poverty, and when the Government first put forward the Transport Support Scheme for residents in the four remote districts of Yuen Long, Tuen Mun, the North District and the Outlying Islands, I already advocated that the Scheme should be extended to all districts in Hong Kong. I even held dozen of discussions on this with government officials. Admittedly, some fine-tunings to the Scheme were made in the middle of last year, but I dare say that if there is no change to the non-territory wide nature of the Scheme, its effectiveness will be severely limited, and it will also remain discriminatory in nature. The wealth gap in Hong Kong is already the widest among developed regions. Under these circumstances, I think that the Transport Support Scheme can provide low-income grass-root people with concrete assistance. The Government once undertook to conduct a comprehensive review of the Scheme at the end of this year. There are less than two months to go. I do not think that the Government should have any more excuses for deferring the review. I maintain that the Government is duty-bound to implement a territory-wide Transport Support Scheme to ease the disparity in wealth in Hong Kong.

Thank you, President.

MR LEE CHEUK-YAN (in Cantonese): President, we have discussed such motion topics many times before. With such a government, what we have been doing is, to a certain degree, like "hitting the bull from the other side of the mountain". The mountain is the Government. I hope that the bus companies can do better and offer people some benefits to reduce their travelling expenses. But it is a pity that after "hitting the bull from the other side of the mountain" for so many years, we are still unable to change the situation. Honestly, I am sometimes rather sad. It seems that the Government simply cannot do anything. Maybe, later on at this meeting, the Secretary may indeed admit that she can do nothing. She may explain that transport operators are private organizations, so she can at most exhort and persuade them. Sometimes, I honestly think that she may be right. Therefore, the only real solution to the problem of exorbitant travelling expenses, the only means through which Members can achieve their desired results, may well be the operation of transport services by the public sector as proposed by Mr LEUNG Kwok-hung today. Only the operation by the public sector can give us any hope. Otherwise, we must all the time "hit the bull

from the other side of the mountain". No matter how hard we try, we will never succeed.

Even same-day return fare discounts were made the targets of abolition by the bus companies. Actually, this measure only offers a very minor concession. I heard many residents say at the time that they were not quite so happy with this fare discount measure because if one wanted to enjoy a fare discount, one must go to work and return home by taking the same bus route. If one went to another place after going to work and returned home by taking a different bus route, one would no longer be entitled to any fare discount. Basically, same-day return fare discounts were not comprehensive and user-friendly enough. But even so, they were still abolished. Later on, the Secretary will probably reply that the bus companies can make their decisions of abolishing any fare concessions, and that the greatest duty of the Government is to balance the interests of the bus companies and those of the public. This is no reply at all. But I am sure that we will only hear such a reply later. We hope that same-day return fare discounts can be restored. But so far, the Secretary has failed to bring them back.

Therefore, President, we hope that the Government can really make determined efforts to solve the overall structural problems of our society, especially the problems of low wages and exorbitant travelling expenses. In regard to low wages, we are right now fighting for the setting up of a minimum wage. But the Government has said that it cannot guarantee that a minimum wage can necessarily enable people to support their families. As for exorbitant travelling expenses, there are actually only two possible solutions. One possibility is to urge the bus companies and the Mass Transit Railway Corporation Limited (MTRCL) to reduce their fares. The other is the provision of transport support.

However, as also mentioned by Ms LI Fung-ying just now, the provision of transport subsidy to low-income persons is still under review. The fact is that several thousand people are already "running out of food supply". They were given transport subsidy for a year, but they are no longer given any now. Their "food supply" has been cut. And, they must continue to work, to be battered by low wages and exorbitant transport fares. This is very unfair to them. But Hong Kong people are very good people. They all want to work. Sometimes, the amount of Comprehensive Social Security Assistance (CSSA) received by a person who stays home may even be higher than the wages he can otherwise earn from employment. However, the Government has even refused to continue with

the distribution of merely \$600 a month as a modest means of encouraging them to work. And, the provision of transport support was confined to four districts only. Since the pilot scheme in the four districts has been completed and proven effective in helping the residents, we have been questioning the Government why it still refuses to extend the scheme to the 18 districts in Hong Kong. If the Government is willing to provide low-income persons with transport subsidy, it can at least ensure that effective assistance can be given to those low-income people with the greatest need, because it is impossible to lower transport fares. It will of course be wonderful if the Government can assist in reducing transport fares. In that case, all will benefit. But since it is unable to do so, it should at least continue to provide transport subsidy.

President, I also wish to mention a very good measure in the past again — half-fare concessions for students. We have been negotiating with the Government, and it always says that the Student Travel Subsidy Scheme has been put in place for students to go to school. However, President, we are of the view that while teenage students need to go to school, they also need to integrate more into society. However, because of exorbitant transport fares, for example, many youngsters in Tin Shui Wai seldom go to Tsim Sha Tsui and Mong Kok. They can only stay in the community of Tin Shui Wai. We do not want to see such a situation. If half-fare concessions are restored, not only students going to school will benefit, all youngsters will also be able to get about and extend their horizons and social circles. This will be conducive to the healthy development of Hong Kong as a whole.

However, the Government has replaced half-fare concessions by student travel subsidy. By mentioning this measure again, I hope that the Secretary can consider the restoration of half-fare concessions for students. The Government is certainly capable of doing so. If the Government is willing to go ahead, it can hold negotiations with the bus companies. At present, the MTRCL already provides half-fare concessions to students, so the Government only needs to persuade the bus companies to follow suit. The Government may share the costs with them or offer them subsidies. If half-fare concessions are provided, the expenditure of student travel subsidy can be reduced. The Government will not need to spend so much money on providing student travel subsidy. And, the money can be used directly for the subsidy of half-fare concessions. This means the provision of student travel subsidy to cover half of their travelling expenses. On the other hand, subsidies can be provided to the bus companies, so that

youngsters can also enjoy fare concessions on Saturdays and Sundays. I maintain that only such a scheme can truly enable Hong Kong youngsters, especially those of poor families, to integrate into society.

Therefore, President, I must once again urge the Government not to make us "hit the bull from the other side of the mountain" all the time. No matter how hard we try, we will never succeed. We should all aim to seek an ultimate solution and explore some long-term measures, such as the operation of all the bus companies by the public sector.

Thank you, President.

MR TOMMY CHEUNG (in Cantonese): President, clothing, food, housing and transport are basic necessities of life. However, many members of the public told me that they could eat less and buy cheaper clothing, but there was no way for them to cut the expenses for travelling to work or to school. The Liberal Party absolutely agrees with the original motion which proposes to alleviate the burden of travelling expenses on the public, especially when the shadow of the financial tsunami is still lingering around and inflation is about to return.

The Liberal Party thinks the MTR Corporation Limited (MTRCL), which has a daily passenger boarding of over 3.4 million, has the great potential to do better. I am not suffering from jealousy over the MTRCL, but even though its fares have been reduced after the rail merger, with the increase in ridership, its total fare box revenue in 2008 still amounted to HK\$11.467 billion, representing only a slight drop of 0.3%, which was about \$34 million, compared with the level before the merger. It was indeed negligible compared with the original revenue reduction estimate of \$600 million.

Besides, rail-related non-fare box revenue was satisfactory. Such revenue includes rental revenue from shops in its stations and revenue from advertisements, which have recorded an increase of 42% (\$459 million) and 11% (\$7.5 million) respectively. Such revenue was not only able to offset the reduction in fare box revenue but has also brought a net profit.

Therefore, the MTRCL actually has the capacity to provide additional fare concessions, such as re-launching the "Ride 10 Get One Free" Promotion, which

was very popular among passengers, and extending the daily and monthly ticket schemes.

Take the monthly ticket scheme as an example, the experiences of the East Rail and the West Rail in the past have shown that a win-win situation can be achieved with a monthly ticket scheme because on the one hand, passengers can enjoy lower fares, and on the other, the railway corporation can secure a stable ridership and also attract more passengers, thereby increasing its fare box revenue. Therefore, the Liberal Party has been calling on the MTRCL to extend the monthly ticket scheme. For example, it should introduce an additional monthly pass for Tung Chung residents. This will not only be able to alleviate the burden of travelling expenses on Tung Chung residents, but can also encourage them to seek employment across districts, which should be helpful in easing the unemployment problem in the district.

Besides, quite a lot of passengers have complained that after the commissioning of the Kowloon Southern Link, there is a strange situation of "fares for short-haul trips being more expensive than those of long-haul trips", and the Transport Advisory Committee has explicitly pointed out that there should still be room for a downward fare adjustment for the new Tuen Mun — Hung Hom monthly pass. Therefore, the MTRCL should make appropriate adjustments as soon as possible.

President, relatively speaking, the business environment for bus companies is a lot harsher. However, if bus companies are willing to rack their brains for ideas, there are actually ways to prevent a drop in ridership. For example, the same-day return fare discounts, which were just cancelled this year, were quite popular among medium- to long-haul passengers. However, by cancelling this concession, coupled with the train fare reduction after the rail merger, the bus companies are practically running a handicap race. So, it should resume this concession as soon as possible. As for the daily and monthly ticket schemes and the provision of more comprehensive sectional fares and interchange concessions for buses, we believe they should also be able to retain passengers or even facilitate the broadening of the passenger base.

As for outlying island residents who have to count on ferry services to travel to and from urban areas, the Government also has a duty to alleviate the

pressure of fare increase and provide these residents with affordable and sustainable ferry services.

President, the Liberal Party understands that high travelling expenses may very often stifle the motivation of grassroots living in remote areas to seek employment. Therefore, the Liberal Party thinks the Government should extend the cross-district transport allowance and further extend its coverage to all districts in the territory, in order to render equal treatment to residents of all districts.

Regarding the elderly, the Liberal Party would also like to request the three bus companies and the MTRCL to make the elderly fare concessions a permanent arrangement and offer such concessions on a long-term basis in order to show respect for the elderly. The Liberal Party also agrees that the Government should explore with the bus companies the feasibility of resuming the half-fare concessions for students.

However, regarding the proposal in the original motion for the Government to provide subsidies to the MTRCL, bus companies, green minibus and ferry operators in return for their offering of half-fare concessions to passengers on Saturdays and Sundays, the Liberal Party considers this open to question because this would practically set a bad precedent for using public funding to subsidize travelling expenses, leaving taxpayers vulnerable to an onerous burden that cannot be eliminated in the long run.

Besides, as the subsidies would only be available to operators of certain modes of public transport, it would inevitably contravene the principle of fairness. For example, since minibus and taxi operators would not receive subsidies and would be unable to provide concessions, their business would definitely be dealt a great blow. May I ask who would look after the livelihood of the grass-root drivers?

As for Mr LEUNG Kwok-hung's proposal of progressively letting the public sector operate the public transport in Hong Kong, it is even "back-peddling". The Liberal Party thinks it should be opposed because by referring to overseas examples, one can easily find that when different modes of public transport are operated by the public sector, the common drawbacks are low efficiency and poor quality. Will the public accept a significant regression in the

MTRCL and bus services overnight and frequent delays and cancellations? Would it mean changing the capitalist lifestyle of Hong Kong people into a socialist lifestyle and abolishing "one country, two systems" in advance?

President, I so submit.

MS STARRY LEE (in Cantonese): President, every time the elderly people met me during my visits to the districts, they would surely ask me why the travelling expenses in Hong Kong were so much more expensive than those in the Mainland. In the Mainland, the elderly and retirees can take a ride to any destination by paying only \$1. Why do they have to pay full fare in Hong Kong? Even the basic transport fare concessions for the elderly are only provided after our repeated requests.

The travelling expenses in Hong Kong have always been exorbitant. Even basic concessions for retirees, the elderly and people with disabilities are not available. President, the root cause certainly lies in the Government's policy objective on mass transit services. The Secretary has just said the Government's objective is to provide efficient and suitable transport services. As for fares, its objective is to have them set at a reasonable level. However, the Government has been adopting the fundamental principle of requesting operators to run in a self-financing mode. On this premise, the Build-Operate-Transfer (BOT) mode has been adopted in many of the Government's transport infrastructure projects, and railway construction has also been subsidized by property developments above its stations. Whenever we point out that the people of Hong Kong have to bear a heavy burden of travelling expenses, the Government would respond that it is difficult for the Government to intervene into the matter because the private sector operators are running on a self-financing mode. The problem caused by this mode of operation with such a principle and objectives is evident to all.

Residents living in remote areas would go out less often because of the high travelling expenses. This does not only happen to members of the public living in remote areas, many needy children from low-income families would stay at home and go out less often because they are unable to afford the travelling expenses.

Many big cities and countries have to formulate transport policies. I absolutely disagree that transport policies should only focus on transport. Actually, mass transit services have to serve other social functions besides meeting the transport needs. A new railway may provide impetus for the development of the district, and a new railway in an old district may also provide impetus for the development of the old district. Therefore, in determining transport fares, the authorities have to consider various factors besides the "user pays principle". Taking reference from other countries, we may find that many of them have provided transport subsidies. Places in which flat fares are charged include Paris, Toronto and New York; and places where subsidies are provided include Tokyo, Osaka, Paris and New York. The relevant authorities in other countries also understand that using the "user pays principle" as the sole principle for fare determination will only aggravate the disparity between the rich and the poor and cause a continual increase of the public's travelling expenses. Even in New York — we always compare Hong Kong with New York — where capitalism is practised, their subways, buses and ferries are all owned and managed by the New York City Transit Authority. Over the past two decades, an annual subsidy of US\$500 million was provided by the city government and federal government. This shows that in determining transport fares, we should not only consider the self-financing mode of operation, but should also achieve other social purposes through government subsidies.

The Democratic Alliance for the Betterment and Progress of Hong Kong mentioned earlier that the Government has to deal with numerous transport issues at present. Regarding one of these issues, we have moved a motion earlier requesting the Government to consider buying back the Eastern Harbour Crossing and the Western Harbour Crossing. I think the simplest task at hand now is to extend the Transport Support Scheme to all low-income families in the territory. The problem of the disparity between the rich and the poor in Hong Kong is already very serious, and our Gini Coefficient already ranks first in the world. I believe the situation will not be greatly improved if all policies, including transport policies, remain unchanged. I have just said that if our transport policy in relation to fare determination only seeks to enable transport operators to run in a self-financing mode while failing to tackle other social problems, the problem of the disparity between the rich and the poor will not be alleviated.

Actually I do not quite understand why the Government was only willing to provide support to residents of four districts in implementing the Transport

Support Scheme. According to the latest statistics on poverty released by the Census and Statistics Department, the median household income of Sham Shui Po is the lowest in the territory. As for the question of which group of people needs assistance most, according to the statistics provided by the Census and Statistics Department, the answer should be people living in the relatively impoverished districts of Sham Shui Po, Kwai Ching and Kwun Tong. They should be benefited as well. But for reasons unknown, only residents of four districts were benefited when the Scheme was implemented by the Government. If one explains that it is because they are remote areas, but then according to the latest Household Expenditure Survey conducted by the Census and Statistics Department, travelling expenses of residents of the New Territories, Hong Kong Island and Kowloon accounted for about 10% of their household expenses, which reflects that the burden of travelling expenses is very heavy for all members of the public in Hong Kong. Certainly, as residents of the New Territories are living in remote areas, coupled with the fact that non-flat fares are charged by different modes of transport at present, their burden is relatively heavier. However, the Government should not neglect the burden of travelling expenses on people living in other districts, especially those living in impoverished districts. Therefore, I hope the government can heed sound advice and expand the coverage of the Transport Support Scheme to benefit more people, so that the Scheme can be expanded to benefit all low-income earners in the territory.

Finally, I hope the Government will listen to Members' views, learn from overseas experiences and refrain from treating the mass transport system as a business operation because it is closely related to other policy objectives. I hope that through determining the fares and the mode of operation of mass transit services, the social objective of poverty alleviation will be achieved.

Thank you, President.

MR WONG YUK-MAN (in Cantonese): President, we are very grateful to Mr CHEUNG Hok-ming for moving this motion today. We are social democrats, and our stance is very clear. Basically, regarding the privatization of the two railway corporations and the listing of The Link, we fought against them to the end. However, it is no use fighting against any cause under this political institution.

People's livelihood issues, as the words suggest, are about the life of the people, and the life of the people involves the livelihood of the nationals and the survival of society. According to Mr LU Xun, human beings tend to pursue survival and then development. Anything in the way of this pursuit will be trampled, be it a piece of invaluable sacred work of art or a rich written collection of historical heritage. This Government of the Hong Kong Special Administrative Region (SAR) of ours has actually inherited the philosophy of governance from the British Hong Kong colonial administration and enabled this philosophy, that is, commercialism, to thrive. A couple of days ago, my assistant showed me a verbatim record of a Legislative Council meeting. My reference to "重商" (*phonetic translation: "zung6 soengl", meaning favouring the commercial sector*) was even recorded as "中傷" (*phonetic translation: "zung3 soengl", meaning vilification*), and I requested that it be corrected. Is my pronunciation not standard? What I said was "重商" and "commercialism".

Government policies are tilted towards major capitalists and the industrial and commercial sector. The problem in question today is a structural problem. Each and every proposal put forward by Mr CHEUNG Hok-ming is feasible. Over the years, various Members have said the Secretary has left the Chamber, I do not know whether it is because she thinks I speak too loudly, and now only YAU Shing-mu is sitting here. He was once a reporter, and he should know what people's livelihood issues are. He cannot possibly be ignorant of the fact that transport problems have been disturbing the grassroots in Hong Kong and have become a burden on them, right? However, this is a structural problem.

What is the structural problem? The problem is that the entire Government has to please the rich. His boss, Donald TSANG, would be in high spirit whenever he meets the businessmen, and he would also speak in English as well, right? He said people in the commercial sector treated him very nicely, and they would not rebuke him when they met him, and at most they would only say "but" and "however"; on the contrary, people in the political sector were different, they would attack him whenever they met him. Buddy, who has the time to attack him, right? We would have been removed from the Chamber by this President before we could even walk up to him. Buddy, six security guards would dash towards us and besiege us, how could we possibly attack him, right? If it is only a verbal act, how can it be regarded as an attack or a physical blow against him? Buddy, he was least affected and indifferent to our remarks,

displaying an attitude of complacency. He would wear a smile on his face when he meets the businessmen but he would wear a long face when he meets us. I have the opportunity to meet with him the day after tomorrow, and I will also wear a long face like he does. I do not want to meet with him, but as I have to accommodate the view of the Civic Party, I have no choice but to meet with him. I will definitely bombard him. It would be all the more better if I fell ill tomorrow, so that I would not be able to show up on Friday. As "Big Guy" would be out of town due to some commitments, there would only be "Long Hair" and me. Actually, "Long Hair" is unwilling to go either, just that I make him go because I have to show respect for the Civic Party. So, I request that he should attend the meeting as well.

Under Secretary, this is a structural problem. Members, this structural problem is unsolvable. The Basic Law of Hong Kong clearly stipulates that the capitalistic system shall remain unchanged for 50 years. I have said hundreds of times that with the exception of the constitution of the People's Republic of China, there is not a single constitution all over the world in which a certain ideology is specified, right? Not a single one in the whole world. A social policy if the people think too many social benefits have been provided and consider it necessary for the conservative party to be in power, then the conservative party would come into power; if electors in society think the conservative party is ineffective because it has offered benefits to businessmen, the labour party would come into power. The labour party's statutes clearly state that public ownership and state ownership should be exercised. However, once the labour party comes into power, it will make adjustments and accept private ownership. Let me tell you this, politics is not determined by ideologies but by public opinions, buddy.

Do you not understand such a simple concept as this? The Basic Law is a golden rule and the fundamental law of Hong Kong, and it stipulates that the capitalistic system shall remain unchanged for 50 years. Therefore, her boss and those officials have enabled capitalism to thrive, right? However, there is no knowing whether it will develop into a situation which calls for a revolution and the dictatorship of the proletariat as postulated by Karl MARX back then. Actually, Karl MARX was very brilliant and basically he correctly anticipated various situations, but the Mainland has now betrayed Karl MARX, which is indeed disastrous. Instead of exercising state capitalism, the Mainland can best be described with the phases "collusion between business and the Government,

corruption and the disparity between the rich and the poor". The situation in Hong Kong is the same, just that there is no corruption. Strictly speaking, there may be cases of corruption, but after the establishment of the ICAC for three decades, monetary corruption does not exist anymore. However, we can still see that there is disparity between the rich and the poor and collusion between business and the Government. Regarding this motion today, many Members have raised some very specific questions. Originally, I have prepared a very lengthy speech, but I am not going to deliver it because this is a structural problem. It is a deadly disease, an incurable one, right?

Our proposal that being the case, the amendment proposed by LEUNG Kwok-hung is much more radical. He proposed letting the public sector operate all modes of public transport, which is the best approach. We are "leftists". Those "leftists" have already changed. President, we are genuine and authentic "leftists", you know that? You should know it very well. We really are "leftists" and we call for public ownership. Without the need for mincing words, we should buy back the two harbour crossings. Buddy, now a white elephant has been created. The Secretary has left the Chamber. She thought it was remarkable that the notable achievement of the Express Rail Link would be made within her tenure. I would advise her to be very cautious not to cause a scandal similar to that of the Taiwan High Speed Rail, right? The amount involved now is \$60 billion. They are "reluctant to spend money on good causes, yet willing to waste it". In their eyes, have they ever seen the plight of the masses? All of us have made this point, and both LI Fung-ying and CHEUNG Hok-ming have made this point as well. However, Members have overlooked one problem, that is, the structural problem. Her boss behaves like a Pekinese whenever he meets the rich, right? But in front of the poor, he would talk about economic development, growth and the trickle-down effect, saying that only a tiny bit of benefit trickled down would be enough to provide for their livelihood, right? Then you should trickle down the benefit to me right now.

Buddy, there is no place in the world like Hong Kong where the gross national product amounts to US\$30,755 but the elderly still have to pay for travelling on public transport, and people with disabilities have to bow and get down on their knees to beg for half-fare concessions. After eight years of discussion, the MTR Corporation Limited has just given their consent to provide half-fare concessions, and it was compelled to do so because the Government is its major shareholder. As for other modes of transport, nothing can be done.

YAU Shing-mu, tell me whether you can work out a solution. And you are saying that you would encourage the operators to fulfill their social responsibility. Buddy, can you grab them by the throat and stop them from increasing the fares? Therefore, President, this is a structural problem, and the best solution is to practise social democracy, and everything will be okay by then.

PRESIDENT (in Cantonese): Mr WONG Yuk-man, your speaking time is up.

MR WONG SING-CHI (in Cantonese): President, last year, the Kowloon Motor Bus Company (1933) Limited, the Long Win Bus Company Limited, the Citybus Limited and the New World First Bus Services Limited announced that the \$2 flat fare holiday concession for the elderly would be extended until February 2010. There is no knowing whether this concession will still be available after February. In discussing the issue of alleviating the burden of travelling expenses today, I hope the bus companies will further extend this concession. It is because the bus companies have already cancelled the half-fare concessions for people with disabilities, and if they also cancel the holiday concession for the elderly, the situation would be helpless.

As for the MTR Corporation Limited (MTRCL), it has changed the valid days for the elderly fare concession from Sundays and public holidays to Wednesdays, and it will conduct a review every six months to determine whether this concession will be extended. I think the above practices reflect the insensitivity on the part of the Government and public transport operators. They have indeed displayed a "cold manner", which I think should not be allowed to continue.

Free transport rides for the elderly are available in many places around the world. A lot of places, from distant places, such as the United Kingdom and the Netherlands in Europe, to places nearby, such as Beijing and Shanghai in the Mainland and Taiwan, provide free ride passes for the elderly so that they may enjoy transport concessions. Of course, some of these concessions are not valid throughout the day. For example, the concession in Beijing is only valid during non-peak hours. However, this does not matter because the peak hours for the

elderly do not coincide with the peak hours for workers. The elderly may go out as early as at 6 o'clock in the early morning or at 2 or 3 o'clock in the afternoon for community activities. The above concessionary measure reflects respect for the elderly. In Hong Kong, however, the use of different approaches to call for the provision of transport concessions for the elderly, from duping and cheating to the big stick authoritarian approach, has proved to be ineffective. Detailed reviews would still be required. Even when small concessions are offered, they will be reviewed after a period of time. Hong Kong is advocating a positive elderly lifestyle or active ageing, and we certainly hope the elderly will participate more actively in community activities instead of only staying at home.

Recently, I visited a residential care home for the elderly in order to find out what a self-financed home is like and how the Government should buy its places in the future. The residential care home indeed provides excellent services for the elderly. Besides enabling the elderly to live in contentment by providing them with good food and accommodation, it also provides them with "sensory integration" therapies — by using a new approach known as "sensory integration" — so that elderly people suffering from the Alzheimer's disease or chronic degenerative diseases may re-connect with the outside world and be able to see colours, hear sounds, see and touch different objects, thus making their brains more active. These therapies can enable the elderly people suffering from the Alzheimer's disease to redevelop their senses gradually. This is an effort to promote a positive elderly lifestyle and active ageing. Unfortunately, it seems that to date, the Government still does not wish the elderly to go out, and thus the elderly have to live on their own savings, the "fruit grant" or even the Comprehensive Social Security Assistance payments. They can hardly afford to spend an extra amount to pay the exorbitant travelling expenses.

Holiday fare concessions have always been well-received and welcomed by the elderly. We can see that during the holiday fare concession period, the elderly will get together with relatives and friends more often. Why do we not actively promote this? If travelling expenses become a heavy burden to the elderly, their social life will be affected and they may feel that they are social outcasts, I think no Honourable colleagues present would oppose fighting for concession fares for the elderly. Besides, quite a number of elderly people have to move away from the old districts and live in other places because of community development. Therefore, they have to take transport when they want

to meet their old friends. For example, the clearance of Choi Yuen Tsuen will commence soon, and most of the elderly people there will have to live in different places. If they want to recall and share with each other their good old days, they have to take transport to visit their former neighbours. Under these circumstances, we can encourage them to make use of the transport concessions to get together more often with their old friends so that they may enjoy an active social life in their twilight years.

President, we understand that it will be perfect if the commercial operators will provide free rides or concessions for the elderly, but as these commercial operators will definitely aim at making profits, it is hard to expect public transport operators, such as the bus companies, to provide free rides or concessions on their own initiatives. However, the question is the Government does not aim at making profits, and it has the duty to act in the interest of the people of Hong Kong. Will the Government make some efforts to enable the life of the elderly to enable the elderly to enjoy affordable fares? Is it feasible for the Government to provide subsidies in this respect, and if not, why? The Government should not turn a blind eye to this issue just on grounds of "free market" and "commercial principle" because it is its social responsibility. As the major shareholder of the MTRCL, the Government definitely has the duty to request the MTRCL to provide free rides for the elderly.

Regarding the provision of half-fare concession for people with disabilities, the MTRCL has just indicated, after long-running discussions in this Council, that it would use part of its funding to provide this concession. However, we have discussed this issue plenty of times before and the Government only raised the rate of the Disability Allowance by \$200 in the end. This is not enough. As I have said just now, people with disabilities would never go out on their own, and very often they need carers to accompany them. If the carers and the people with disabilities are unable to obtain transport concessions, the burden of the relevant households will be even heavier. Therefore, we hope the Government will make more efforts in this regard so that the elderly, people with disabilities and low-income earners can enjoy transport concessions.

Thank you, President.

MS AUDREY EU (in Cantonese): President, clothing, food, accommodation and transport are the four most important elements. The first of the two motion debates of the Legislative Council today is about transport and another motion to be discussed later on is about accommodation. In fact, this precisely reflects that this Council discusses very often issues concerning people's livelihood.

President, why are these issues frequently discussed in this Council? We have repeatedly discussed the same issues over the past few years. If we simply consider the transport issues in Hong Kong, in all fairness, I believe that all members of the community and those who have travelled abroad will think that transportation in Hong Kong is not too bad after all. Then, where does the problem lie? Owing to the disparity between the rich and the poor in Hong Kong, a large group of people living with us in Hong Kong are having a difficult life. They are facing the problem of expensive travelling expenses. A recent report has revealed that Hong Kong ranks first in the world in terms of the disparity between the rich and the poor. In other words, the richest 10% of Hong Kong people own over 39% and nearly 40% of the wealth in Hong Kong while the poorest 10% of people own or receive less than 2% of the resources in Hong Kong.

President, evidently, we cannot view the transport issue as a whole and remark that transportation in Hong Kong is better than that in other places because the disparity between the rich and the poor in Hong Kong is so serious that a large group of people are facing the problem every day. As Mr Tommy CHEUNG has just said, if food prices are expensive, we may as well eat less or save more. And, if clothing is expensive, we may as well refrain from buying new clothes. Nevertheless, it is unfeasible for us to go everywhere on foot. Thus, the problem of travelling expenses is really serious for people with particularly heavy burdens.

Actually, the Legislative Council has repeatedly discussed the issue of public transport and examined if subsidies can be given to the needy. President, concerning the motion proposed by Mr CHEUNG Hok-ming today, I focus on alleviating the burden of travelling expenses as shown on the screen. For members of the community with particular needs, be they poor people, students, elderly people or people with disabilities, should concessionary transport arrangements be made? This issue cannot simply be explained away by public transport operators that claim to be self-financing and unable to offer too many

concessions. In our society with such a serious disparity between the rich and the poor, the Government can absolutely not shirk its responsibilities.

President, let us return to the issue of the transport needs of people with disabilities. When we discussed the resolution related to the MTR Corporation Limited (MTRCL), many Honourable colleagues actually mentioned that, after eight years' discussions, the MTRCL finally took a small step and provided concessions to people with disabilities, but only restricted to the recipients of Comprehensive Social Security Assistance with 100% disability. As a number of Honourable colleagues have said, the bus companies have deleted or reduced the concessions provided for the elderly and are even trying to reduce concessions to a minimum. As to the travelling allowances for poor workers in remote areas, the Legislative Council has actually reached a consensus and had a lot of discussions. Yet, the Government can just provide allowances for people living in four areas. President, people very often doubt if the Legislative Council can help. Sometimes, I have to explain to them that the Legislative Council has actually reached a consensus about many issues and different political parties and groups have reached a consensus about the issues concerning people's livelihood in particular. Nonetheless, for reasons unknown, there is not any progress despite our persistent efforts for years and repeated discussions. This is the crux of the transport problem.

The public transport operators are sometimes criticized as unfeeling. Of course, they have social responsibilities. They should bear more social responsibilities when they have made profits and attained the permitted rate of return. I definitely agree to this and I believe that this Council has reached a consensus in this connection. However, I think a bigger problem lies in our Government. It often talks about the economic growth of Hong Kong and how the economic pizza can become bigger to create a trickle-down effect which will eventually benefit the public. Nevertheless, the same problem is found in the policy address announced last week and in all issues concerning people's livelihood. There is indeed an economic growth in Hong Kong but the size of the population living in poverty keeps increasing, and the Government has been very indifferent to their basic needs. Hence, the Government is very often criticized as unfeeling. This makes all of us working in this Council feel dejected as we do not know why the Government always turns a deaf ear to these problems.

President, the position of the original motion and the amendments today is that the Government has the responsibility to provide subsidies. For instance, it

is mentioned in part (a) of Mr CHEUNG Hok-ming's original motion that the MTRCL, bus companies, green minibus and ferry operators should offer subsidies to all passengers. But, this is not the Civic Party's position. I must make this point very clear because Mr CHEUNG Hok-ming has also mentioned offering subsidies to all passengers a while ago. We focus on the principal spirit of the original motion, which is to offer subsidies to those who bear a heavy burden. Similarly, we cannot support Mr LEUNG Kwok-hung's amendment because he proposes letting the public sector operate all modes of transport. We also do not agree to item (i) in his amendment about halting the construction of the Guangzhou-Shenzhen-Hong Kong Express Rail Link (ERL). We know that the Government has widely smeared the Civic Party, telling people that we oppose the construction of the ERL. I should state clearly that we do not oppose the construction of ERL; we only oppose the Government's spending some \$60 billion on its construction. Apart from the transport issue, I hope that the Government will consider, from the angle of long-term planning, whether job opportunities can be provided in the remote areas such that fewer people will have to be troubled by transport problems.

I so submit, President.

MR WONG KWOK-HING (in Cantonese): President, in the past year, Hong Kong was under the impact of the financial tsunami and the prices of clothing, food, accommodation and transport in people's daily life were dropped in varying degrees. But, price adjustment was not made in only one aspect, that is, transport. The burden of travelling expenses on the public becomes heavier with each passing day, seriously affecting various aspects of their life including job search, working, continuing education and social contacts. President, next, I would like to focus my discussion on the MTR Corporation Limited (MTRCL), ferry services and the Transport Support Scheme.

Let me talk about the MTRCL first. After the rail merger, the MTRCL has become the largest public transport operator in the territory. Information from the MTRCL shows that, the average passenger volume on weekdays in September this year exceeded 3.64 million, which has evidently revealed that the MTRCL plays an important role in public transport in Hong Kong. Thus, the MTRCL should devote greater commitment to alleviate the burden of high

travelling expenses on the public. After the rail merger, even though the MTRCL has maintained the monthly ticket scheme implemented by the former Kowloon-Canton Railway Corporation (KCRC) for the residents in the New Territories East and the New Territories West, the monthly ticket scheme currently implemented by the MTRCL is not on a permanent but only a short-term basis. Residents in the remote parts of the New Territories have to worry at certain intervals about whether the concession would be abolished. I am going to say something that the MTRCL may not like to hear. I think it has introduced such a temporary concession just to contend with the bus companies for passengers. After it has succeeded, the MTRCL may not provide any more concessions. This is exactly what residents are worried about.

Moreover, quite a lot of residents living along the railway lines want to enjoy the concession of monthly tickets. Nevertheless, the MTRCL has always been unwilling to introduce concessionary monthly ticket scheme to the original MTR lines. I have suggested before that the MTRCL should set up a monthly ticket scheme for the entire MTR network. Since there is only one railway company now, why can it not introduce a monthly ticket scheme for the entire network? This will offer convenience to passengers as well as alleviate the burden on the public. The MTRCL has not addressed this proposal squarely, basically because the Government has not done so and relevant policies have not been formulated. I really hope that the Government will consider this proposal we have repeatedly made. Introducing a monthly ticket scheme can help reduce the travelling expenses of the residents living in the remote new towns and alleviate the heavy burden of travelling expenses on them. I hope the Government will give this proposal serious consideration.

Besides, as many stations along the MTR West Rail Line are not located in the town centre, the former KCRC provided feeder bus services to rail passengers. Yet, since the commissioning of the Kowloon Southern Link linking the Nam Cheong Station and the Tsim Sha Tsui Station, the service of bus route K16 has been cancelled. The cancellation of the service is inconvenient to passengers and troublesome to those making a long and arduous journey. As to other concessions such as the fare concessions for the elderly, the "Ride 10 Get One Free" Promotion and MTR Fare Savers, the provision of all these concessions by the MTRCL has generally been requested by the public but the MTRCL has not yet responded to their requests. As a matter of fact, the

provision of the above concessions will give people a stronger incentive to take MTR. Yet, the MTRCL has all along been unwilling to implement these measures. Hence, I urge the Government to compel the MTRCL to expeditiously increase and extend concessionary measures including the Free-ride Day for the elderly, daily and monthly travel passes, as well as MTR Fare Savers for the convenience of the public.

Regarding ferry services, I would like to point out that quite a number of people living in the New Territories West have always made very strong appeals for ferry services. Nonetheless, the problem of the difficult operation of ferry services has not been solved, forcing passengers to put up with expensive fares. Besides, whenever negotiations are made about new contracts, the ferry companies increase fares and reduce ferry trips on the grounds that they are in the red. People are also worried that they may not be provided with ferry services if there is no ferry service operator. Yet, as regards the support for the ferry companies, despite our criticisms at the meetings of the Panel on Transport throughout the years, the Government is now only willing to render a little support in terms of the revenues from pier superstructure properties and pier maintenance. However, the fundamental problem cannot be solved.

We want to state strongly that, with the limited grant of a three-year operation period has restricted by the authorities, how can the ferry companies make any long-term investments within the three-year period? Also, with the limit of three years, the contract will expire even before they can get any revenues from the superstructure properties. Thus, I suggest once again that, if the Government cannot solve this problem, it might as well take up the ferry services itself and then lease the operation to other operators. The Government should take up the ferry services itself so that the outlying island residents will no longer suffer.

President, lastly, I would like to discuss the Transport Support Scheme. The original intention of establishing the Scheme is to help alleviate the burden of travelling expenses on the residents living in remote new towns in the New Territories. But, it is a great pity that the Scheme came to an end at the end of June this year. Upon our repeated questioning, the Government responded that a review would be conducted. But, the review has been postponed month after month. Wage earners living in the remote areas with a monthly income of a few thousand dollars have to spend long time travelling each day, and pay high

travelling expenses amounting to over \$1,000 a month. How can they support their families with their remaining real income? As such, I earnestly hope that the Government would extend the Transport Support Scheme until the legislation to implement a minimum wage is in force. During the transitional period, it is an important measure to help alleviate the burden of travelling expenses on the residents living in the remote new towns in the New Territories West and the New Territories East.

MR ALBERT CHAN (in Cantonese): President, quite a number of wage earners in Tin Shui Wai are working in the urban areas, and the travelling expenses of a wage earner each day amount to \$40 to \$50 or even more. However, a wage earner in a household of four needs to give his wife money to buy food, and he pays less for buying food than for travelling each day. This is a weird phenomenon in Hong Kong. While this wage earner has to pay expensive travelling expenses, the senior management of the MTR Corporation Limited (MTRCL) can be described as "stealing food from a beggar's bowl". The Chief Executive Officer of the MTRCL has a sizable annual salary of \$15 million. Over the past few years, the MTRCL has recorded an annual profit of over \$7 billion to \$8 billion. Its net profit alones in a certain year has even reached \$15.1 billion. However, its profit has been dropped to some \$8 billion after adjustments through financial tricks.

We can then see that the profits of the MTRCL and the remunerations of its senior management are all squeezed from the hard-earned money of the general public in Hong Kong. Are these cases and phenomena very sad, cruel and weird?

Nevertheless, Hong Kong people, a number of Honourable Members in this Council and the officials in Hong Kong in particular turn a blind eye to these phenomena or regard them as normal. The one holding a senior position in the MTRCL and earning an annual salary of \$15 million is really smart and capable. But, he fails to realize that his annual salary of \$15 million is squeezed from the hard-earned money of the wage earners. The general public in Hong Kong are living frugally, cutting expenses and suffering from hunger in order to pay for the high remunerations, and the profits of the MTRCL amounting to more than \$6 billion to \$7 billion a year. It is even more ridiculous that the Government shares more than half of these profits. That is a disaster brought by the so-called privatization, which fully demonstrates the unscrupulousness and inhumanity of

an organization operating under the capitalist system. Profits are made at the expense of the well-being of the people.

President, the senior officials in Hong Kong often pride themselves on the fact that Hong Kong is comparable to the advanced cities in the United Kingdom and the United States. Years ago, Antony LEUNG even said that Hong Kong was expected to be on a par with Manhattan and London. Nevertheless, why are we not on a par with these cities in respect of public transport? Why do the Secretaries of Departments and Directors of Bureaux in charge of transport matters not ensure that Hong Kong is on a par with the advanced cities in the United Kingdom and the United States in relation to the modes of transport, transport development and the relevant policies?

As early as in 1948, Paris established the RATP, a state-owned enterprise, a public-owned enterprise taking charge of all railways and buses in Paris, trams running on the streets of Paris as well as the two express train lines in the region. As early as in 1953, New York established the New York City Transit which has taken over the operation of the two subway operators acquired by the Government in 1940.

President, even our neighbour Seoul thoroughly reformed its bus services in 2004. It mainly adopts the tendering process and carries out unified management of fares. Besides, taking the vehicle kilometrage of the service operators as the basis for calculation, it gives bus companies subsidies in light of specific circumstances. The whole system is more or less run in a semi-public approach with the Government controlling the routes, the modes of operation and the fares, as well as paying a relevant amount to the operators to ensure that low-cost reliable services are available to the public.

Macao, our very close neighbour, has recently announced the setting up of a new company which will tender for the relevant services. However, this new mode of service, President, is different from that of all private enterprises because the service is provided by the public sector. The Government will set the standards for fares and provide services to the public.

Our neighbour Seoul in Southeast Asia, our sister city Macao, and other big cities in Europe and the United States including Paris, London and New York provide transport services in a public or semi-public mode. On the contrary, the Hong Kong Government upholds the principle of "big market, small

government". Public enterprises and public services are always used as a tool for tycoons and consortia to reap exorbitant profits. As a result, the Government has turned into one of the tycoons, which is even more ridiculous.

Let us return to railway services. President, I strongly opposed the rail merger back then and I repeatedly described the MTRCL as an alien or super alien in this Council because the MTRCL could only grow and develop with the support of Hong Kong people and local capital. However, after the privatization, the MTRCL has ignored the well-being of the masses and the hardships of the ordinary people. For the purpose of reaping huge profits, it has kept making adjustments to its services and victimized many ordinary people. The most obvious change is the cancellation of many of the feeder services after the rail merger.

In the past, services were provided in the New Territories by the East Rail, the KCRC and the West Rail. Apart from railway services, free feeder services were also provided, which benefited people in a large number of areas including Yuen Long, Tai Po and the North District. Yet, after the rail merger, the MTRCL has been indifferent to people's hardships, cancelling all feeder services all at once. As a result, people have to meet the additional expenses on feeder services.

The cancellation of feeder services is a substantial fare increase in disguise. People living in the remote areas in the New Territories and people who need feeder services are generally on meagre incomes. Nonetheless, the Government and the MTRCL pay no attention to the objective circumstances and the hardships faced by the ordinary people. To our surprise, these services were cancelled all of a sudden for its own interests.

Hence, President, even if we continue to ask the MTRCL and the KMB to do this and that, we are just wasting our breath. Transport services must be operated by the public sector as quickly as possible (*The buzzer sounded*)

MR WONG YUNG-KAN (in Cantonese): President, I am going to speak on the Transport Support Scheme, the provision of fare concessions to the elderly and people with disabilities, and the situation where the fares of the MTR Corporation Limited (MTRCL) for short-haul trips are more expensive than those for long-haul trips.

The Transport Support Scheme is intended to assist the residents of remote districts in seeking employment. It only benefits the residents of four districts, that is, Yuen Long, Tuen Mun, the North District and the Outlying Islands at present. However, after the public have learnt that there is such a scheme for people working across districts, quite a number of them have hopefully approached my Member's office in Tai Po and the District Council Member's office of the Tai Po Branch of the Democratic Alliance for the Betterment and Progress of Hong Kong, and enquired about the application methods. However, when they learn that the residents of Tai Po are outside the scope of this Scheme, they leave with disappointment. They are low-income earners who cannot find jobs in the local district and have to travel a long way to other districts for work, or who are transferred to other districts to work under the company policy.

Assuming that there are two security guards working at a property development project in Tsim Sha Tsui, one lives in Sheung Shui and another one in Tai Po. The one living in Sheung Shui is entitled to travel subsidies but the one living in Tai Po is not. After making a comparison between them, does it not virtually represent the unfair situation where the fares of the MTRCL for short-haul trips are more expensive than those for long-haul trips? Conversely, a person living in Tsim Sha Tsui working as a security guard at a property development project in Sheung Shui is not entitled to any travel subsidies either, as if similar people have dissimilar fates.

In my view, to a wage earner, the word "remote" means the distance between his home and the district in which he works, which is a relative concept. The application of the Scheme should not be restricted to individual districts specified by the Government but should be based upon the distance between a wage earner's home and where he works. So, when a review of the Scheme is conducted by the Government, I hope that apart from retaining the existing concessions, the scope of the Scheme should be extended to cover the entire territory. And the Scheme should be implemented on a long-term basis. Then, each and every low-income earner, no matter where he lives, will be eligible to participate in the Transport Support Scheme so long as he is working across districts.

President, it is a consensus of the community that providing fare concessions to the elderly and people with disabilities is meant to encourage them to go out to participate in community activities and integrate into society, as well as encourage children to bring the elderly along for family gatherings. After checking the relevant information, I have found that many countries in the world, including both developed and developing countries, offer some sorts of fare concessions to the elderly and people with disabilities. Among all these countries, I think that the best-performing country is not the United States or the European Union countries far away from us, but our Motherland that is very close to us because the Mainland offers blanket concessions to the elderly and people with disabilities. Some cities are so generous that the Hong Kong Special Administrative Region claiming to have higher-than-average incomes in the world should feel deeply ashamed. Take Shenzhen as an example. The Shenzhen Metro offers concessions to elderly people regardless of whether they are registered permanent residents, and even Hong Kong people can enjoy the benefits. So long as an elderly person aged 65 or above can present his identity card or home visit permit as a proof, the staff at the turnstile gate will let him take the metro without any documentation processed in advance. In the case of Hong Kong, even though there are concessions for the elderly and people with disabilities, the concessions are not available to non-Hong Kong residents and there are numerous conditions, for example, advance application for a certain card is required, the concessions are only offered at limited time, and some concessions are offered to passengers making interchanges only. All this shows how petty Hong Kong is. We should not have called ourselves a cosmopolitan city and kept making high-sounding remarks about respect for the elderly and caring for socially-disadvantaged groups.

President, since the commissioning of the Kowloon Southern Link of the MTRCL, we have observed the phenomenon of "fares for short-haul trips being more expensive than those for long-haul trips" as far as certain routes are concerned. For example, it only costs \$4.9 for a trip from the Hung Hom Station to the Sha Tin Station but \$5 for a trip from the Hung Hom Station to the Austin Station nearby, and the fare to the Nam Cheong Station is as low as \$4.3 though it is just one more station away. This shows that the current fare structure of the MTRCL is very confusing and unreasonable. We should be aware that the objective of the merger of the MTRC and the KCRC back then is to reduce costs by pooling the resources of the two railways, so as to provide the public with more convenient and inexpensive public transport services. I

remember that in the early days of the rail merger, the MTRCL put up at each turnstile gate a very touching slogan which read "The Merger Advantage: Get on board with MTR for great value for money". Less than a year since the merger, the MTRCL has not only taken away these slogans but also its pledge to passengers. It has failed to live up to people's expectations and it has made a laughingstock of itself in the international arena. We hope the MTRCL would speedily straighten out the confusing fare structure, and reduce the fares for various railway lines on the basis of people's affordability with reference to the practice of some railway lines of charging according to fare zones.

I so submit, President.

DR SAMSON TAM (in Cantonese): President, the social phenomenon of people bearing a heavy burden of travelling expenses definitely deserves our concern. Today, several Honourable Members have made a number of requests in the original motion and the amendments, including offering concessions for the elderly and the disadvantaged, providing half-fare concessions, extending the Transport Support Scheme as well as extending the MTR Corporation Limited's fare-freeze period. In the past few days, I collected a lot of views online, and found that people generally supported these requests. However, a rather controversial point is whether we should let the public sector operate the public transport services as proposed by Mr LEUNG Kwok-hung.

Would it be better for the public sector or the private sector to provide public transport services? That is not the concern of the general public for they are most concerned about which proposal can ultimately enable them to pay the lowest travelling expenses, have flexibility and allow our society to take care of the socially-disadvantaged groups and uphold social justice. Based on the experience of foreign countries, the operation by the public sector has its merits as the Government has full control over fares. It can keep fares steady on the basis of people's needs and affordability. But, it also has a demerit. When fares cannot be relatively adjusted upwards, the Government must keep increasing its commitment or provide subsidies.

Take San Francisco and London as examples. The operation of the entire transportation system is subsidized by the Government. When fares cannot be

increased, subsidies will become the Government's burden. Also, owing to the absence of competition, these transportation systems frequently lack updating, thus, the subway services have been criticized as outdated, defective or inefficient. For example, in San Francisco, a railway directly connected with the airport has taken 14 years' for discussions because it is publicly funded. Hence, I do not necessarily agree that we should blindly pursue the operation by the public sector.

Despite the merits of privatization, for example, the Government does not need to commit and it is more flexible, the Government must understand that privatization involves certain risks. If public transport services are monopolized by consortia, they will increase the profits and even reap exorbitant profits. In Hong Kong, public transport services are mainly operated by private sector participation. Although the Government says that fares are controlled under the existing mechanism, given the profits currently made by the contractors or railway operators, can control be exercised or guarantee made under the existing mechanism to avoid monopolization by consortia and their reaping of huge profits?

I think the Government should reconsider how it can participate effectively. For example, when there is genuine competition in the market, prices will drop naturally. However, we may not be able to introduce equal and fair competitions for many transport services such as the MTR services. So, insofar as this kind of service is concerned, I think the Government must be meticulous in the course of participation. For instance, it must ask the public service operators to make public their financial and operational position in a fairer way and let the public supervise them and put pressure on them such that they will make appropriate profits in a fair and reasonable manner. If monopolization really exists, the Government must think about the mechanisms to be adopted to create an environment that is more conducive to competition for other operators such as buses and minibuses.

About sectional bus fares as mentioned by some Honourable Members just now, I think the Government should proactively consider the matter. Given the present information technology, especially with the very efficient tool of the Octopus Card, the utilization rate of some public services can certainly be enhanced further, leading to a general fare reduction.

Concerning the issue of monthly passes brought up by a number of Honourable Members, they are already available in many countries. For sure, introducing monthly passes can provide people with a better safeguard for their calculation of travelling expenses, and make those living in faraway places more relieved and allow them to make better use of public facilities.

President, summing up, the experience of the whole world tells me that the total reliance on the public sector may not necessarily bring desirable results. Yet, I believe that simply depending on the market economy also involves high risks. Hence, I implore the Administration to address the issue of travelling expenses squarely and give concrete response to the expectations of Honourable Members and the public. On this issue, the Government should really listen to the views of the public and proactively intervene in the determination of fares and formulation of measures, with a view to resolving the social phenomenon that all of us are concerned about.

I so submit, President.

MR CHAN HAK-KAN (in Cantonese): President, many people think that Hong Kong has already seen the worst of the financial tsunami. We have also seen that some economic data have gone up such as a rise in inflation, an economic growth and signs of recovery. However, the wages of workers still remain low and there is no tendency of any improvement or upward adjustment.

Facing the recurrence of inflation, people may have to think of ways to economize on food and clothing and reduce expenses. But, they cannot reduce travelling expenses which is the subject of the motion today. Indeed, they are unable to reduce travelling expenses. Over the recent past, we have noticed that many transport operators have refused to reduce fares on grounds of rising fuel prices and operating costs. Some public transport operators have even abolished their concessions. For instance, the abolition of the same-day return fare concessions for long-haul bus routes and the abolition of the "Ride 10 Get One Free" Promotion by the MTR Corporation Limited (MTRCL). People living in the New Territories, President, are really withstanding extra pressures. They have to travel to Kowloon or Hong Kong Island to work every day, and their travelling expenses often amount to \$30 to \$40. The abolition of these discounts

and concessions virtually means fare increases. They may have to pay an additional dozens of dollars or even \$100 to \$200 for their travelling expenses each month.

To the middle class, the additional expenses may not become a very heavy burden. But, to the grassroots, the additional \$100 to \$200 expenses may become a serious headache. Let me give an example. Some security guards, cleaners or fast food shop workers only earn \$6,000 to \$7,000 a month. The additional \$100 to \$200 travelling expenses each month actually account for almost 10% of their incomes. If these workers are youngsters, they will have not much left each month after deducting the travelling expenses and the money for their parents.

When the Labour Department introduced the Transport Support Scheme for cross-district workers two years ago, people expressed their views and this Council also requested for the expansion of the Scheme to cover the entire territory, that is, it should not be restricted to the four districts namely the North District, Tuen Mun, Yuen Long and the Outlying Islands. Nevertheless, we have so far not heard from the Government about the expansion of the Transport Support Scheme for cross-district workers. The Government has just kept saying that it will review and consider the matter, and make a decision later.

Actually, I have noticed some figures. In July last year, the Government relaxed the eligibility criteria for the Transport Support Scheme and the number of applicants surged all of a sudden at that time. The figures provided by the Labour Department have revealed that in the first half of this year, the Department have received some 6500 applications for cross-district transport allowance, representing an increase of 78% in the same period last year. This precisely shows the great demand and the significance of the cross-district transport allowance.

President, as a matter of fact, travelling expenses do not only affect working peoples, they also have significant impacts on young people finding jobs. During their job search, they need to travel to different places to try their luck. Since they have no job and income, high travelling expenses are a very heavy burden on them, and they very often need financial assistance from their

parents. As they may not be successful in finding jobs, they are under psychological pressures. They are not sure how they will face their parents. This is exactly the case of "the poorer one is, the more unlucky one is". The most worrying point is that they may be discouraged since they cannot find a job after such a long time. They may eventually hide up in their homes, just surfing the Internet and playing computer games, and become socially withdrawn. Is this something good for the overall development of our society? How much help can our society give this group of young people who fail to find jobs? Thus, I suggest giving these young people job search allowance and even providing this group of low-income youngsters with cross-district travelling allowances no matter where they live. I think this is the only way to alleviate their burden in life and encourage them to proactively face up to the difficulties of finding jobs and being unemployed.

President, regarding the issue of high travelling expenses, the Government must act as a good goalkeeper and monitor closely the costs and expenditures of transport operators, and approve applications for fare increases in a prudent manner. No matter whether our economy is up or down, it seems that our travelling expenses have always been on the increase rather than on the decrease. It is unacceptable to Hong Kong people. Among the various transport operators, the MTRCL's fares have aroused the greatest concern. The Government has all along stressed that our transport policy is railway-driven. Apart from its fare revenue, the MTRCL has been subsidized by its additional incomes from the station superstructure properties and the rentals of the shops inside the stations. As the major shareholder of the MTRCL, the Government must effectively control the costs of the MTRCL to avoid fare increases lest people's livelihood will be affected.

I so submit, President.

MR TAM YIU-CHUNG (in Cantonese): President, it is a strong demand of the people for the reduction of travelling expenses. I raised in the policy address debate last week that when the Government was to formulate public policies or grant approval to public services, it should introduce a wealth gap assessment indicator so as to prevent the public policy or measure in question from widening the wealth gap. If the effect of a disparity between the rich and poor is to be produced, then corresponding measures to alleviate the problem should be

adopted at the same time. This mechanism should first be applied to deal with the problem of travelling expenses, because such expenses affect the actual income of the people in a most direct way.

In the New Territories West, according to information from the Census and Statistics Department, of the some 840 000 people who go out to work, some 580 000, representing 69% of them, have to go to another district to work. In other words, as many as 70% of the working population in the New Territories West have to pay high travelling expenses because they have to work outside their home district. Therefore, if the fares of public transport services are to be lowered, the actual income of that 70% of the working population will increase. If we look at it from another perspective, the higher the travelling expenses, the greater the opportunity cost of cross-district employment and so the lower the proportion. This is fully reflected in the situation in the New Territories West. The outbound travelling expenses of Yuen Long are the second highest in the region while those of the outlying islands are the highest. Information also shows that the cross-district employment rate of Yuen Long is only 66% and that of the outlying islands is only 59%. Therefore, the Government can no longer see fares charged by public transport operators as mere commercial activities. Instead, it should be integrated with other policy considerations such as employment, poverty alleviation and social stability, with a view to reducing the burden of travelling expenses on the people from the root cause.

I would also like to speak on the specific transport fares. This is because as the saying goes, every single cent counts. I would like to talk about the Kowloon Southern Link first. After this section of the West Rail is commissioned, the fare paid by a holder of an Octopus card who travels from Tuen Mun Station or Yuen Long Station to Austin Station is \$15.8, whereas the fare on the Octopus card to Tsim Sha Tsui East Station or Hung Hom Station is \$16.8. Besides, the MTR Corporation Limited (MTRCL) has also introduced a monthly pass for trips from Tuen Mun Station to Hung Hom Station with a price of \$470. Such pricing is a deviation of the pricing practice of the West Rail in the past, resulting in excessively high fares. This is very unfair to residents of the New Territories West.

A new station has been added to the Kowloon Southern Link in Jordan and it is called the Austin Station. It links up with the existing Tsim Sha Tsui Station and Hung Hom Station of the East Rail. With respect to the length of

the rail, the distance from the original terminus — that is, Nam Cheong Station to Austin Station or Tsim Sha Tsui Station is roughly the same as that from Tin Shui Wai Station to Long Ping Station or Yuen Long Station. As a trip from Tin Shui Wai Station to Long Ping Station or Yuen Long Station would mean a trip within the same district, the fares for long-haul trips are the same. But the pricing for the Kowloon Southern Link has deviated from this practice. If passengers take a long-haul trip to Austin Station or Tsim Sha Tsui Station, the fares paid by these passengers of the New Territories West are \$2.9 to \$3.9 more than the fares they have to pay when they used to travel to Nam Cheong Station before. On the other hand, if passengers from Tuen Mun or Yuen Long ride on the West Rail to Mong Kok or Tsim Sha Tsui, these passengers used to be able to take the K16 feeder bus for free at Nam Cheong Station and the whole trip cost only \$12.9. However, the MTRCL has cancelled this feeder bus service. In other words, passengers are now forced to pay more.

On further comparing the fares charged by different means of transport, we can see that when people from Tuen Mun take a bus to Tsim Sha Tsui, the fares now are only \$13.3 and the bus fares from Yuen Long to Jordan are only \$12.5. But the fares charged by the Kowloon Southern Link are 19% to 26% more than the bus fares. Such a great disparity is stunning. It is ironic to see that the huge sum of money the Government has put in infrastructure projects has led to a drastic increase in the travelling expenses of the people. We hope that the Government can urge the MTRCL to effect a fare reduction for the Kowloon Southern Link as soon as possible and enable passengers to travel to Hung Hom Station using Tuen Mun-Nam Cheong monthly pass at the original price, so as to provide the public with reasonable-priced public transport, thereby making a huge railway investment project really benefit the people.

From last year until now, many public transport operators have, one after another, raised their fares or slashed their fare concessions, for example, four outlying island ferry lines plying Central and Mui Wo, Ping Chau, Yung Shu Wan and Sok Ku Wan have raised their fares by 5.5% to 23% on average. Bus companies have cancelled the same-day return fare concessions and people who take long-haul trips have their travelling expenses instantly increased by 5% to 10%. The ferry service for Discovery Bay has also increased by 10% to 15%. The Government has always taken an uncaring attitude, putting up an excuse that this is a commercial decision of the companies concerned. As a result, it has

failed to protect public interests effectively as it has allowed many opportunities to quickly address the situation in the private sector to slip away. Over the past few years, Hong Kong has seen deflation in a row. However, no matter how strong the opposition from the public, public transport operators has kept on charging high fares. The Government can do nothing about it and find no way out. Now that the economic situation has worsened, the public transport operators are all raising their fares substantially or imposing fare hikes in disguise. But the Government just sits back and does nothing. Hence, public reaction may become stronger and stronger.

In the face of excessively high travelling expenses, there are actually many things the Government can do. Apart from maintaining the Transport Support Scheme and expanding the Scheme as a relief measure, it can repurchase the tunnels, reduce the tunnel tolls, allow ferry operators to engage in non-fare box revenue activities, directly purchase facilities such as vessels, as well as liberalize the market by allowing more non-franchised buses to operate in peak hours.

DR PRISCILLA LEUNG (in Cantonese): President, clothing, food, accommodation and transport are the basic needs of a person's life. The original motion proposed by Mr CHEUNG Hok-ming today is on the question of transport. Transport is a very important part of the daily life of the Hong Kong people. As public expectations for transport are in fact becoming higher and higher, it is our hope that public transport services in Hong Kong would be affordable and sound.

First of all, to be fair, as compared to other countries, the quality of public transport services and transport facilities in Hong Kong are very high. Although many Honourable colleagues have mentioned the situation of New York and other places in Europe, I think the quality of transport services in Hong Kong is not bad at all. I know that the management practices of some public transport operators in Hong Kong are modelled and adopted by some developing countries. Therefore, I think I should speak positively about them.

However, the expensive transport fares do exert a great burden on the general public. Mr CHAN Hak-kan has said a while ago that an expenditure of \$100 to \$200 is very important to the grassroots. Now even the so-called

blue-collar workers would know that a large part of their salary would be used up considering the money they spend each day on transport and meal. The largest item of expenditure is transport. Actually, these people just take the bus or the subway. Therefore, with respect to the many suggestions made by Mr CHEUNG Hok-ming today, I would support their direction. But with respect to some specific details, I think further discussion is necessary.

With respect to travelling allowances and concessions, we should put the students and the elderly as the top priority. I went to Fu Cheong Estate before and I also visited residents living in cubicles in Sham Shui Po. As Members may know, there are many cubicle dwellers in Sham Shui Po. The children of these poor people have not even had a chance to go to places like the Kowloon Park. These people cannot bring their kids out on holidays and this is chiefly because the transport fares are too high. So I think the parties concerned can consider seriously giving fare concessions to students and the elderly in particular on holidays.

Mr CHEUNG Hok-ming mentions in part (a) of his motion that half-fare concessions should be offered to all passengers. If I remember correctly, in Macao, the elderly just have to pay 30 cents per trip when they ride on a bus. Such a fare concession can enable the elderly people to go out more, which is actually very important to the community health. For those home-stayers, that is, those people who always indulge in electronic games even when they are almost 30 years old, if they are given more transport subsidy, it may also be of help to them. This is very important to the community health too. So I support the direction of a transport subsidy applicable to the 18 districts. We may not need to provide transport subsidy to all people in certain age groups in need. The Government may consider setting up different eligibility criteria for those in need of such a subsidy. However, priority should be given to students and the elderly. Even if it is not possible to offer fare concessions to all types of passengers, I would think that serious consideration should be given to students and the elderly. I would also hope that work in this area can see a breakthrough this year.

As for part (e) of the motion, Mr TAM Yiu-chung has put forward some very detailed views earlier. I would like to add one point. The original motion mentions specifically that after the commissioning of the Kowloon Southern

Link, the free K16 feeder bus service was cancelled. The Kowloon Southern Link should have made transport services better, but after its commissioning, the authorities replaced the K16 route with No. 12 route. The No. 12 buses are infrequent and charge a fare. This makes people living in Tai Kok Tsui, Hoi Wang Road and other places use less of the Kowloon Southern Link and these public transport services. This is not cost-effective at all. So apart from giving my support to part (e) of the original motion, that is, resuming the service of the free K16 route, I hope the Government can discuss with the public transport operators to see how the situation can be improved. In fact, when a new bus route is set up, it is hoped that everyone will be happy and service quality will be enhanced. But the arrangement made by the authorities has led to grievances, which is not satisfactory at all.

Part (g) of the original motion brings up the problem of high fares of outlying island ferry services and suggests that studies should be actively conducted to substantially increase the non-fare box revenue of ferry operators. I agree with the direction of conducting studies, but as for the question of letting the Government directly operate the services, I personally have strong reservations about the idea. I think that before anything is done to let the Government operate ferry services, efforts must be made to work out accurately the relevant figures and have a full grasp of the operation situation. If the operation run into losses, would the taxpayers have to make up for the losses? Therefore, I think the proposal must be studied in detail and with caution.

As for Mr Andrew CHENG's amendment to part (c), that is, on extending the existing fare concessions for the elderly, I agree with that. But as for Mr LEUNG Kwok-hung's proposal to let the public sector operate the major transport facilities and services, I have reservation for that. This is because if all transport facilities and services are operated by the public sector, it is likely that the quality of transport services will be affected. And so the computations on cost effectiveness should be listed in detail before any further consideration can be made to this proposal. I personally think that letting the public sector operate everything does not necessarily mean that we can get services of the best quality.

Therefore, with respect to the motion today, I support the original motion proposed by Mr CHEUNG Hok-ming and the amendment proposed by Mr Andrew CHENG. Thank you, President.

MR LEUNG YIU-CHUNG (in Cantonese): President, travelling expenses are closely related to the life of the people, particularly when most people in Hong Kong commute in public transport to and from offices and schools every day. Therefore, for members of the public, there is a need to use public transport whenever they leave home and get around.

For a government which truly cares about people's livelihood, the core of its transport policy should be the right given to the government to adjust the fare levels of public transport, so as to ensure the people's well-being. It is unfortunate that public transport operators in Hong Kong mostly — and it can be said that so far all of them — are privately-run. The two railway corporations were once owned by the Government, but now it is a listed company. When all public transport operators are privately-run, we can well imagine what the situation is like. Acting upon the principle of "business comes first", these operators certainly accord commercial interests top priority and disregard the impact on people's life.

Moreover, the biggest problem is that the regulatory regime of the Government is like "A toothless tiger" and it often cannot render help to the people. What has impressed us most is that when the economy of Hong Kong experienced a downturn and there was deflation instead of inflation a few years ago, the people of Hong Kong all asked the public transport operators to reduce fares and tide over the hard times with the people. But, apart from the franchised buses, no public transport operator, including the two railway corporations, agreed to reduce fares. The Government shed crocodile tears and admitted that fares were high. However, it could do nothing to compel public transport operators to reduce fares. The Government could not offer any help to the public in reducing public transport fares.

President, I support that a mechanism for fare remission and concession should be put in place in all public transport operators to reduce the pressure of livelihood on the general public. But unfortunately, up to now, such a mechanism is still absent. Therefore, I call on the Government to do something in the following three areas to help members of the public and show concern for them.

First, on the Transport Support Scheme for low-income workers. As we all know, the disparity between the rich and the poor in Hong Kong is very

serious. The Hong Kong Council of Social Welfare released some figures earlier, saying that 1.23 million people in Hong Kong can be classified as poor people. So we should pay more attention to the needs of the grassroots. Although the Transport Support Scheme is in place, it is unfortunate that it is targeted only at working people living in remote areas. As for people living in other districts, including those impoverished districts often mentioned by us, they are not covered by this Scheme. Many Honourable colleagues have talked about this issue earlier on and asked the Government to improve the situation. But no specific plans have been brought up by the Government to date. This is much to be regretted. I hope that all the grass-roots people, especially the wage earners, will benefit from the Scheme, instead of only those who live in remote areas. I believe other Honourable colleagues will share this view of mine. I hope that the Government can face up to this problem and I trust Honourable colleagues in this Council will likewise agree to that.

Second, on fare concessions for the elderly. I cannot help but point out that not only do public transport operators in Hong Kong fail to show any respect for the elderly by offering them fare concessions, such operators give me an impression that the elderly are not welcome as reflected in their fare concessions for the elderly. Why do I have such an opinion? The most obvious example is that at the end of last year, the MTR Corporation Limited (MTRCL) — said, in fact, it did not say anything but acted stealthily — cancelled the fare concession for the elderly that allowed them to ride on a train on Sundays and public holidays going everywhere on a \$2 fare. It was only after the franchised bus companies extended the concessions for the elderly under the pressure of public opinion that the MTRCL relaunched this \$2 fare concession for the elderly. However, the MTRCL played a dirty trick by switching the valid day of the concession from Sundays to Wednesdays and such a concession would only last for a few months. Whether this is an act to muddle through or to show genuine respect for the elderly, anyone with a discerning eye can tell.

President, on respect for the elderly, we can see that on the Mainland, actually, it is not just the Mainland but also in many places and countries, free rides are offered to the elderly. I fail to see why a company like the MTRCL that makes billions of dollars of profits each year would do something like this. I think the MTRCL treats the elderly in a discriminatory manner. Just what do they think? Will they be upset or embarrassed? I hope once again that the

MTRCL and the other public transport operators will really show respect for the elderly and offer them full-scale concessions, instead of adopting the attitude of handing out alms.

We have actually passed a resolution not long ago on offering half-fare concessions to people with disabilities. But I still regret that so far only the MTRCL will offer this concession by the end of this year, and the other public transport operators have not yet announced to follow suit. In this regard, I hope that the Secretary can make more efforts. I hope that other public transport operators can also offer such a concession so that people with disabilities can have more opportunities to integrate into society. Actually, buses are an important means of public transport for they provide point-to-point services and allow people with disabilities to go to their destinations more easily without having to rely solely on the MTR.

Third, I would like to talk about ferry services. People who live on the outlying islands often tell us that the ferry fares are too high and they cannot afford them. This is because they are unlike people living in the urban areas who have other options if they do not want to take a certain means of transport. But no other options are open to residents of the outlying islands. They have to take the ferries. But the fares are so high that they are afraid these outlying islands will be left deserted one day. If the Government can face up to this problem, I hope that a policy on ferry services can be drawn up, so that fares will not be inflated by the tenderer arbitrarily and go beyond the affordability of the residents of the outlying islands. This is a long-standing problem and one we have to face in future. I hope the Government can conduct a review of the policy on ferry services as soon as possible.

President, I so submit.

MR ALBERT HO (in Cantonese): President, today, I would like to first speak particularly for residents of the two remote towns in the New Territories West — Tuen Mun and Yuen Long. The problem of high travelling expenses faced by the residents of these two districts is far more serious than that faced by residents of the other districts. It is pointed out in the District and Sub-district Reports on Low Income Population Report Cards released by the Hong Kong Council of

Social Service that the average monthly travelling expenses of low-income households in Hong Kong accounted for 7.2% of their household expenses, whereas travelling expenses of low-income households in Yuen Long and Tuen Mun accounted for as much as 8.2% of their average household expenses. For residents with a monthly income of only \$6,000 to \$7,000, the travelling expenses for working across districts may even amount to over 10% of their monthly income. We have made some simple estimates and found that the monthly travelling expenses of Tuen Mun and Yuen Long residents working in Kowloon are about \$650; while those for residents working on Hong Kong Island are \$1,000. For low-income earners, travelling expenses account for over 10 percentage points of their monthly income.

The reason for travelling expenses accounting for such a high proportion is that there are fewer job opportunities in Tuen Mun, Yuen Long and Tin Shui Wai. Besides, compared with other districts in the territory, travelling expenses of these districts are the highest. Quite a lot of residents have to work across districts because of the scarce job opportunities in their home districts. The high travelling expenses add to the already heavy burden of the low-income grassroots living in these remote areas, and very often, they may also deprive them of the opportunities to seek employment in urban areas. Moreover, the heavy burden of travelling expenses may reduce the opportunities for the disadvantaged group, especially the unemployed, students and the elderly, and low-income families in these districts to get around, thus affecting their social life.

Under these circumstances, the Government has not strived to improve the situation and render help to the residents. We even think the Government has given public transport operators a free hand to increase the burden of travelling expenses on these residents. First of all, the bus companies cancelled the same-day return fare discounts for long-haul trips last year, resulting in a fare increase of \$2 to \$3 per trip for routes that charge \$15 or above, which is tantamount to making these residents pay an additional \$100 each month for their travelling expenses.

Besides, after the commissioning of the Kowloon Southern Link a few months ago, the MTR Corporation Limited (MTRCL) cancelled the K16 free feeder bus service, which plied to and from Tsim Sha Tsui Station, for West Rail passengers. It has resulted in an over 20% fare increase for passengers travelling from Tuen Mun, Yuen Long and Tin Shui Wai to East Tsim Sha Tsui

Station, which has further deprived the residents in the New Territories of their basic transport right. Further back in time, when the rail merger was implemented, the Government and the MTRCL even "stood firm" and refused to lower the fares of the Light Rail under any circumstances. As we all know, the fares of the Light Rail have constituted a heavy burden of intra-district travelling expenses on local residents.

President, every time when these issues are discussed, I am strongly dissatisfied or even infuriated because I think the above incidents reflect that the Government has been discriminating against the basic right of livelihood of the residents, especially the disadvantaged, in remote areas such as Tuen Mun and Yuen Long. On the one hand, the Government has been subsidizing the MTRCL by allowing it to develop a large number of property development projects and become a dominant market player, and on the other, it has been turning a blind eye to issues such as the residents' need for monthly tickets, train services and even platform safety. For example, the MTRCL still insists that the monthly ticket scheme should be reviewed annually to determine whether it will be extended, regarding the scheme as a small favour and almsgiving for the residents. All these have caused great dissatisfaction among us.

Examples of discrimination also include the Government's Transport Support Scheme for low-income earners living in remote areas. It seems that the Government has also regarded this transport allowance as almsgiving. There are numerous restrictions under the Scheme. For example, the allowance is only payable up to 12 months and people who have previously exhausted the maximum amount of allowance are not eligible for re-application. I have to stress that in planning new towns, the Government has failed to provide or create adequate job opportunities for grass-root residents, which has made it necessary for them to work across districts and making long and costly trips to go to work. Therefore, the Government should provide residents with transport allowance as compensation. This is not almsgiving at all. Besides, the limited transport allowance is unable to improve the employment prospect of residents in these remote areas. One of the reasons for the Government to oppose providing this allowance on a long-term basis is that it would be tantamount to a wage subsidy. However, the problems faced by residents in these remote areas are caused by the Government's poor planning back then, and thus the Government is duty-bound to resolve them.

Similarly, offering transport concessions to the elderly is not a favour for them but a way to show them the respect and recognition they deserve. Free transport rides for the elderly are offered in many places in the world. Therefore, holiday fare concessions for the elderly should be provided on a long-term basis. I think the Secretary, as a director of the MTRCL, has the duty to make the MTRCL provide holiday fare concessions for the elderly on a long-term basis so that the elderly, who are the most disadvantaged group facing the greatest financial difficulty in Hong Kong, may go out more often to get together with their families and friends, thereby integrating into society and leading a normal life.

I would now talk about outlying island ferry services. First of all, we all know that outlying island residents have no alternative but to take the ferry. However, we also know that the ferry business is facing great difficulties, resulting in frequent fare increases. The existing fare levels of some ferry services are beyond the affordability of the residents. We think the Government should find a way to properly intervene into this situation or even set up a fare stabilization fund in order to provide these essential transport services. *(The buzzer sounded)*

DR RAYMOND HO (in Cantonese): President, I remember a related subject was discussed by this Council on 17 December last year, and coincidentally, the four bus companies announced at the time that they would not extend the "Same Day Return Fare Discounts" and the "Holiday Concession Scheme for Senior Citizens". The bus companies' decision gave rise to much repercussion in society. After much criticism by the media and civic organizations, the four bus companies finally made a concession and announced, before the motion debate was held in this Council on that day, the extension of the "Holiday Concession Scheme for Senior Citizens" until the end of January 2010. However, they refused to extend the same-day return fare discounts. Of course, regarding transport fare concessions for people with disabilities, it goes without saying that we should indeed be ashamed of ourselves, even when compared with those offered in the Mainland.

Now that 10 months have passed, this bus fare concession is about to expire — it will expire in three months' time. Now, we are conducting a debate again requesting the Government and the major public transport operators to face

up to the problem of travelling expenses. Whenever the major public transport operators increase their fares, they would repeatedly mention that it is a "commercial decision", without mentioning "public interest" at all. May I ask whether they have ever given regard to their corporate social responsibilities? Promoting social harmony is more meaningful than making huge profits. I hope they will not only consider shareholders' profits but will also consider providing relevant concessions on a long-term basis to repay society and bring benefits to the people.

Due to the high property prices and the limited supply of residential flats in urban areas, last month, the Chief Executive openly encouraged the younger generation who plan to make their own nests to buy properties in remote areas. Unfortunately, however, the Chief Executive might have neglected the travelling expenses for people living in remote areas. For people with low or unstable income, travelling expenses will actually create an immense pressure on their lives. Therefore, to these grass-roots people, even the introduction of the same-day return fare discounts and some minor concessions by the bus companies is a means to alleviate their heavy burden.

Members may have recently noticed that there are more rickshaws running on the busy streets in urban areas. By rickshaws, I do not mean those drawn by the rickshaw men with strenuous labour in the past but those sightseeing buses with drawings of rickshaws operated by bus companies. This is an innovative idea. By buying a \$50 daily pass, a passenger may take an unlimited number of rides within the same day to travel between various popular sightseeing spots on Hong Kong Island. With the special design, the buses can easily attract the attention of passers-by and are generally welcomed by the public and tourists. I hope bus companies may make reference to this experience of operating sightseeing buses and extend the concept of daily or monthly passes to other routes. This will not only attract more passengers but will also facilitate the promotion of tourism in places not along the existing sightseeing bus route. This ticket arrangement is commonly adopted by overseas countries.

President, in the past, this Council has repeatedly requested the Government to face up to the problem of travelling expenses. The Government should strive to convince and encourage public transport operators, through reason and argument, to undertake their expected corporate social responsibilities to provide the public with more comprehensive fare concessionary measures, so

as to enable members of the public to make ends meet under the current difficult economic environment, thereby alleviating social grievances and maintaining social harmony.

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

MS MIRIAM LAU (in Cantonese): President, in just more than a week from now will be the Elderly's Day. As the Chinese saying goes, filial piety comes before all virtues. I believe all children with filial devotion would bring their elderly folks to have a "yum-cha" meal on that day. As in the past, the main public transport operators will offer free rides to the almost 900 000 elderly people in Hong Kong as a token of their respect for them.

However, concessions offered to the elderly by transport operators in Hong Kong are neither permanent nor long-standing measures and they are subject to review half a year or yearly. The elderly usually have to bustle about and shout themselves hoarse to fight for the extension of such concessions. For instance, the concessions offered by the MTR Corporation Limited (MTRCL) and the bus companies will expire in January and at the end of February next year respectively. It is uncertain whether or not the elderly will continue to enjoy these concessions.

Therefore, the Liberal Party suggests that all transport operators should give a small gift to the some 800 000 elderly persons on the upcoming Elderly's Day in that the concessions should not only be extended as Mr Andrew CHENG has proposed but be offered on a permanent basis. This is a small token of goodwill. For the public transport operators, it is not something difficult, but for the elderly, this is a show of respect for the contributions they have made half a lifetime to society.

With respect to travelling expenses of people with disabilities, I am very glad to find that the resolution proposed by the Labour and Welfare Bureau amending the Disability Discrimination Ordinance has been passed earlier on. In other words, the MTRCL can act as scheduled and offer half-fare concessions to people with disabilities by the end of the year. The Liberal Party thinks that while this is a good beginning, the Government should seize the opportunity and step up talks with the other transport operators, especially the bus companies, on the possibility of launching similar concessions with the support of government subsidy.

Admittedly, we need to care for the disadvantaged groups in society, but there is also a disadvantaged group in the transport industry and that is ferry services. I am not saying that ferry services are disadvantaged in the absolute sense but they are disadvantaged as compared to the other means of transport. This disadvantaged group equally merits our attention. This is especially the case of the New Ferries which operates three outlying island ferry routes. Its parent company the NWS Holdings Limited said recently that it wanted to stage an exit. If this is true, then residents on outlying islands who rely on ferry services will be affected.

Ever since 2007, the Government has launched a range of measures including allowing ferry operators to sublet pier premises for commercial and retail purposes in order to increase their non-fare box revenue. But owing to the cumbersome procedures involved in subletting, the long time needed and also the numerous restrictions imposed, in the end the measure is of no use at all. Let me give an example. If pier premises is to be leased to outsiders, even if the lease period is as short as one or two days, application formalities have to take a month or two, yet approval may not be granted. I have actually received numerous complaints on this matter. Ferry companies are unable to engage in any talks with potential clients even if there are business opportunities coming up. This is because no clients would wait for one or two months for the approval of a lease of one or two days only. The client will look for other venues. So this will not help raise the non-fare box revenue of the ferry company.

Another example is that the Government has once proposed in the study on the design of the new harbour front in Central that an additional floor will be built in piers number four to six in Central for commercial and retail purposes. It is hoped that the increase in commercial activities can serve to subsidize the operating costs of the ferry services. This should shed a ray of hope for the ferry operators. But unfortunately, the proposal has yet been put into practice and many ferry operators have lost their enthusiasm. The Liberal Party therefore urges the Government to assist the ferry companies in a more active way to increase their non-fare box revenue and so reduce the pressure on fare increase of outlying island ferry services.

Besides, the Government should exert more efforts to develop tourism on the outlying islands in order to broaden the base of passengers. The Bun Festival and the floats parade on Cheung Chau Island are good examples. Every year tens of thousands of people and tourists flock to the island, bringing a huge source of clientele for the ferry company. We can actually draw on these experiences. But we are not just aiming at an annual event. The development

of tourism on the outlying islands should be pursued on a full-scale basis, with the objective of attracting visitors all the year round. So we think that tourism on the outlying islands should be a long-standing or regular issue and the aim is to attract visitors all the year round instead of only once a year.

To tackle the problem at its root, the Government must undertake a full review of the existing ferry policy, especially in the light of the fact that ferry services are the only means of transport between various outlying islands and the city. It is crucial to maintain the operation of ferry services and keep the fares at a reasonable level.

As for buses, their operation environment is not so good either. This is particularly so because buses have to face fierce competition from the other means of transport like the railway. Take cross-harbour vehicles as an example. The market share of buses has dropped from 38.9% in 2004 to 36.6% last year. After the slight fall in oil prices earlier, oil prices have risen to a high level recently. This poses uncertainties for the business environment of the bus companies.

However, it is precisely because of this that the bus companies have to work hard and maintain fares at a reasonable level. At present, there are many bus routes overlapping each other or with a very small patronage. If buses running such routes are allowed to continue to operate in this manner, this would not only add to the pressure on the roads but would also directly cause waste in resources, wages and fuel expenses of the bus companies. Therefore, the Liberal Party agrees with the proposal made in the consultation document on reviewing the air quality indicators that bus routes should be realigned. This will not only help improve air quality and ease traffic congestion but also enable better deployment of resources in the bus companies, lower costs and ease the pressure to impose a fare hike.

Also, the synergy effect produced by the rail merger is also a good case for the reference of the bus companies. If the bus companies can offer more cross-operator concessions like transfer concessions, this would not only alleviate the burden of fares on the public but also enhance the competitiveness of the companies, broaden the passenger base and raise fare box revenue, thus creating a win-win situation.

President, I so submit.

MR FREDERICK FUNG (in Cantonese): President, it is widely known in the world that the people of Hong Kong pay shockingly high travelling expenses. First, the MTR Corporation Limited (MTRCL) has taken the lead to make profit maximization its pricing principle by means of land subsidy and a commercial mode of operation, resulting in the MTRCL fares always staying at a high level. What comes next is that other means of public transport all take the pricing principle of the MTRCL as their reference and therefore the overall public transport fares are pushed up.

Besides, the so-called bus franchise is actually a guarantee of interest and profit in disguise. The bus companies fear nothing with the backing of the franchise and apply frequently for substantial fare increases on the pretext of inadequate profits. This has aroused severe criticism from society.

Moreover, the sale of automotive fuels has become an oligopoly in the long absence of regulation by a fair competition law. In the name of a free market, major oil suppliers act together to fix prices. In this way, they legitimize their profiteering activities. As a result, automotive fuel prices in Hong Kong have always been the highest in the world, indirectly pushing up the overall transport costs.

Factors mentioned above form an intricate relationship chain in the public transportation system of Hong Kong. But the Government chooses to stand aloof. In the name of a "big market", and on the pretext of the independent commercial operation of the MTRCL, it has deliberately neglected its role of monitoring and filling the inadequacies of the free market. At the top of this relationship chain are the big enterprises and the major public transport operators. They act recklessly and maximize their profits by inflating the fares. As a result, the public which is at the bottom of this chain always has to bear expensive fares.

We still recall when the fare adjustment mechanism was first applied to the Kowloon Motor Bus and the MTRCL, the public thought that there would at last be some principles to adhere to with respect to the raising or lowering of fares in future. The mechanism has appeared to be able to rectify the previous state of affairs where fares would only go up but never go down. It was wishful thinking among the public that fares be adjusted according to the economic situation.

However, an unexpected objective effect is resulted. Although we have been suffering from the financial tsunami for more than a year, our economy has been heading toward recession and the public have been facing a more difficult life, bus and MTR fares have stood firmly unchanged. They are as unmovable as a rock. The fare adjustment mechanism seems to have vanished into the thin air. It has never played its part. The various public transport operators are still acting as before, making huge profits under adverse economic conditions.

The public cannot help but question whether or not loopholes exist in the fare adjustment mechanism introduced by the authorities. Are the parameters included in the formula inadequate such that public transport operators may exploit the loopholes and continue to flay and fleece the people at a time of economic adversity? I hope the Secretary will give us a clear account on this matter when she speaks later.

President, it is no easy task to shatter this monopolization of fares and break this chain of relationship of interests in the existing public transportation system. It is close to impossibility considering especially the case when the Government has a mentality of attaching importance to the business sector and lacks both determination and boldness. President, in the case of the MTRCL of which the Government is the major shareholder, the public has always been expecting that it should bear the corporate social responsibility and take the lead to offer fare concessions to the old, the weak and the disabled. After rejecting this proposal for an unknown number of years; after this Council has debated on it for countless number of years, and after Mr LEUNG Yiu-chung has proposed a motion on it for, if I remember correctly, eight straight years and people have spoken on it until their teeth bleed, so to speak, it is only recently that the MTRCL has agreed to offer some of the people with disabilities half-fare concessions. President, regarding the demands made in the motion today on the MTRCL, such as the monthly passes, the Free-ride Day for the elderly and the Ride 10 Get One Free Promotion and so on, to the MTRCL, they are actually like asking a cat not to eat fish; asking it not to make money. It will simply ignore you.

Therefore, we Members are racking our brains to find ways to alleviate the burden of travelling expenses on the public. Since there is nothing we can do to

change these callous public transport operators, we might as well urge the Government to do something. We recall back in October 2005, Members of the Subcommittee to Study the Subject of Combating Poverty were examining the problem of working poverty. We found that families of the working poor had little income, and the high travelling expenses took up a part of their household expenses, making them lead a hard life and tend to save on non-essential items of expenditure. So we thought that we ought to ask the Government to subsidize them. The subsidy offered should enable them to pass the hurdle of high travelling expenses to seek cross-district employment. Despite fewer job opportunities in their home districts, poor families may still choose to work in another district. Their income may be meagre and the high travelling expenses may force them to reduce their social activities and they cannot take part in some training or skills upgrading schemes, but we thought that government subsidies in this aspect would be helpful to them.

In view of this, the Subcommittee proposed at the time that transport subsidy should be offered by the Government to remove the obstacles hindering the integration of poor people into the mainstream society. Negotiations with the Government were dragged on for two long years. In the end, we succeeded in fighting for a transport subsidy for people living in certain districts in the New Territories. But only cross-district workers were eligible to apply. Last year, the scheme was revised to include those who work in their home districts. However, it must be a district in the New Territories. We think that if this scheme is to be made better, it should be extended to cover all the 18 districts in Hong Kong so that all low-income workers can get this transport subsidy.

President, perhaps this is the key to success of this scheme. There is no longer any need to beg public transport operators for benevolence, requesting them to fulfil their corporate social responsibility. It is tantamount to nicking the boat to seek the sword. We therefore change our approach and urge the Government to provide a subsidy for the grassroots directly. This is a simpler and easier way. Seen from another perspective, we have no alternative but to benefit the public transport operators. However, at least the grassroots who are willing to work and those who work but have to pay high travelling expenses will have their hardship relieved.

President, no matter what ways it takes, the Government must stop adopting this ostrich approach and dodge its responsibility. The authorities must accord public interest the top priority. They must adopt a new mindset and new strategies in governance and regard transport policy as one of the key social policies. The free market must not go unchecked and the unreasonable vested interests of the consortia must be rocked. The factors leading to the problem of high travelling expenses must be addressed at its source.

I so submit.

MR LEE WING-TAT (in Cantonese): President, many Honourable colleagues have spoken on the question of high travelling expenses. With respect to this issue, the Democratic Party understands that transport services are operating under the free market principle, but the free market fails to do all the things that it should do. This is due to the unique situation of Hong Kong. Travelling expenses take up a large part of the income of people living in remote areas. And, although the Government holds 75% of the shares of the MTR Corporation Limited (MTRCL), the progress in striving for fare concessions has been very slow.

It is hard not to criticize such a situation. This is because in foreign countries, many of their organizations have brought issues of senior citizens to almost the national level. In the Mainland, its GDP is lower than that of Hong Kong, and its pace of urban development is also slower than that of Hong Kong. Why is Hong Kong making such a slow progress in this regard despite the fact that it is not particularly poor?

Of course, the Secretary would respond by saying that the MTRCL adopts the principle of prudent commercial operation. But I think this does not necessarily come into conflict with corporate social responsibility. And this does not cause any substantial damage to its operation. This is our overall view on this issue. At present, not every means of public transport in Hong Kong is operating under the free market principle. We cannot convert a private car into a taxi or a 16-seat vehicle into a minibus at will. There are some conditions for regulation. But there are big problems in the regulatory regime, involving not only the MTRCL but also the outlying island ferry services. Actually, ferry services are currently receiving subsidies. That is to say, ferry companies are in

the red, and the Government has to provide them with subsidies through certain means such as repair and maintenance, licensing and so on. To a certain extent, these are financial subsidies. But the Government always says that it will not think too much about the issue, nor will it operate such services itself. I think that the Government is only taking one step at a time and every time it fails to come up with a good conclusion. So the Democratic Party hopes that the Government will devise a policy, and find a way out between the so-called free market and public ownership, which fits the conditions of Hong Kong.

On behalf of the Democratic Party, I will talk about the amendment moved by Mr LEUNG Kwok-hung. Part (h) of Mr LEUNG Kwok-hung's amendment suggests "to progressively let the public sector operate the major transport facilities and services, so as to provide inexpensive, suitable and convenient public transport services to people and prevent large consortia from profiteering". We support the provision of "inexpensive, suitable and convenient" services. But can this be achieved by public ownership? We have just said that we have reservations for both a completely liberalized market and total public ownership. This is because in many places and countries, public ownership is not a solution to the problems.

I remember I was once in Taiwan to observe its elections. It was as far back as 10 years ago. The presidential candidates spoke on their election platform. One candidate promised to provide good housing services. Another candidate promised to provide free public transport services for all citizens and nationals. We from the Democratic Party smiled when we heard this. How much will it cost the government to deliver such services? With respect to publicly-run services, a government has to consider many aspects, such as whether or not the operation is cost-effective, and in the absence of market competition, whether the services will be satisfactory. This is open to doubt. From the past experiences of the former Soviet Union and countries of the Eastern Europe where nationalization was practised, can we say that satisfactory services were provided? Experiences tell us that this was not the case.

So the Democratic Party does not support the amendment proposed by Mr LEUNG Kwok-hung because this amendment involves major policy changes. But this does not mean that the Democratic Party supports the government policy,

that is, to rely entirely on the market to provide suitable, convenient and affordable — not to say inexpensive but just affordable — transport services.

I think that the Government or the Secretary should come up with some ideas so that the people will not accumulate so many grievances against high travelling expenses when they are so hard pressed by life. For Honourable colleagues living in the New Territories West and the New Territories East, especially those living in remote areas, this is one of the hot topics of complaint of the residents. Of course, they have told us that transport services should be publicly-run. But I think they are just grumbling. This is not seriously what they want.

I hope the Secretary can bear in mind that there are many loopholes in the existing policy and the regulation is extremely unsatisfactory, resulting in ineffective competition. I have pointed out just now that being a company with 75% of its shares owned by the Government, the MTRCL has even failed to bear corporate social responsibility. This is very disappointing indeed.

In any case, President, despite our great disappointment, we do not think that there is any need to push policies to another extreme to let the public sector operate all transport services. In this regard, on behalf of the Democratic Party, I disagree with the amendment proposed by Mr LEUNG Kwok-hung. Thank you.

MR IP WAI-MING (in Cantonese): President, as many Honourable colleagues have pointed out, it is beyond any doubt that travelling expenses are high in Hong Kong and this bears a direct impact on the quality of people's life and their access to society. This is particularly the case because under the pounding impact of the financial tsunami, the labour market has been greatly threatened, and the problems caused by travelling expenses have surfaced. For some jobs, the salaries see a decrease instead of an increase. People get laid off because of the economic downturn. But there is no corresponding reduction in transport fares. Under such gloomy economic conditions, people even find it hard to pay for transport fares to work, not to mention spending on other aspects to stimulate economic growth.

A survey shows that most of the residents of the North District earn an income of less than \$5,000 per month. As high as 37.5% of them spend more than 30% of their income on travelling. For those having a monthly salary of \$5,000 to \$10,000, quite a number of them spend 10% to 20% of their income on travelling. When travelling expenses take up such a high proportion of people's monthly income, how much is left for them to buy other basic necessities of life after the essential amount of travelling expenses is deducted? I therefore demand the Government to extend the Transport Support Scheme, and expand the scope of the Scheme to cover all the districts in Hong Kong to help more people with a low income so that they can go to another district to work. I also demand the Government to urge the operators concerned, such as the bus companies, the railway company and so on to speed up the studies of expanding the existing day pass and monthly pass schemes and offer fare concessions to passengers on a permanent basis. As the bus-bus interchange concessions and the Ride 10 Get One Free Promotion of the MTR Corporation Limited can help reduce the travelling expenses of those who take public transport many days a week to work, such concessions should be relaunched and made permanent.

As a matter of fact, the amount of travelling expenses will not only affect the working population but also those out of employment or the job-seekers. Recently, I talked with a graduate who was looking for a job. Over the past four months, he sent more than 200 application letters. After waiting for a very long time, a number of companies finally called him and asked him to go for an interview. It should be something he was happy about when he could secure interviews after such an exasperated wait. But he began to worry about the travelling expenses at once because he had to go to the other side of the harbour to work and the travelling expenses were high. As he was past 25 and not a student, he was no longer entitled to MTR half-fare concessions. This made him hesitate whether he should take up the job. Actually, travelling expenses took up a big part of the salary. He thought that even if he got a job, the income he got may not cover the travelling expenses and helped pay his daily expenses. So we think that high travelling expenses will not only affect ordinary people but also the chances of young people looking for jobs.

Over the past few years, the Government has been promoting the message of family harmony through publicity in the media and various activities. I recognize the hard work done by the Government in this regard. But at the same

time, I think the Government may do more by making supporting efforts in other areas so that the target can be achieved more easily, such as by doing something about travelling expenses. The Government can talk with public transport operators on this issue and provide subsidies so that people can be offered half-fare concessions during holidays. This will facilitate people to go out or have a walk in the countryside with their family members during holidays. Family members can then have more chances to communicate and strength their bonds. This may seem trivial, but the effect can be substantial. At present, some poor families can only stay at home during holidays because they cannot afford the fares.

Besides, the elderly are important members of the community as well as many families. They have worked for and contributed to society for many years and it is only right that society should repay them. So I think there is a need to designate some specific days permanently as free-ride days for the elderly, such as all public holidays, to foster an atmosphere of respecting the elderly in society. In fact, many places and cities nearby offer similar transport concessions to the old people. In mainland China, the elderly enjoy free rides on public transport. In Shanghai, special buses for the elderly are introduced to enhance the safety and comfort of the elderly on buses.

Why can Hong Kong not show more commitment to the old people? Travelling expenses here are high and the fare concessions for the elderly are not permanent in nature. It is like giving someone a candy from time to time and when the candy is eaten, he will have nothing. And he has to wait for another time when he will be given a candy again. But no one knows when this will happen. Offering fare concessions to the elderly is a show of respect to them. It is not charity. The designation of a few days in a week to be free-ride days for the elderly is not an excessive demand. So we hope that the Government can take follow-up action.

A government which is committed to serving the people must take care of the needs of the people in all respects. Apart from providing satisfactory transport facilities, a government should ease the burden of travelling expenses on the people so that they may lead a better life.

I so submit. Thank you, President.

MR CHEUNG KWOK-CHE (in Cantonese): President, it has been more than a year since the financial tsunami has hit Hong Kong. The share index has climbed back to some 20 000 points and return to the level before the financial tsunami. But how about the life of the people? The jobless rate has still stood at 5.3%, and there are still 650 000 households with an income of not more than \$10,000. It therefore shows that the devastating impact of the financial tsunami can still be felt by the wage earners. For these wage earners, travelling expenses are something they can never avoid.

Now the MTR Corporation Limited (MTRCL) and the three bus companies all make huge profits each year. In the case of the Kowloon Motor Bus, as oil prices have fallen sharply, its profits for the first half of this year have soared by 10 times to as much as \$310 million. As for the MTRCL, it is announced in its mid-year results that its half-year profits have amounted to \$4.5 billion.

It is believed that the offering of half-fare concessions on every Saturday, Sunday and public holiday will induce more people to go out. As the reduced income may be offset by the passenger increase, the public transport providers will not necessarily suffer great losses.

I would like to talk more about the Transport Support Scheme. Now the Scheme only covers four districts including Yuen Long, Tuen Mun, the North District and the Outlying Islands. It is geared for people with a monthly income of less than \$6,500. A on-the-job transport subsidy of \$600 each month is given for a period of 12 months at most. The period is actually too short and must be extended.

We should know that to people who live in the remote areas, especially wage earners at the grass-roots level, it is indeed very expensive for them to go to the urban areas to work. Take those living in Tin Shui Wai, Tuen Mun and Tai Po as an example. It costs them about \$40 for a return bus trip to Central to work. Assuming they work 25 days a month, the expenses are as high as \$1,000.

The sum of \$1,000 may mean almost nothing to the top officials. But for the low-income people, this small sum is already one-fifth of their income. May I ask the Directors of Bureaux here, are you willing to spend 20% of your monthly income on travelling expenses? Sorry, most of your travelling

expenses are paid by the taxpayers and there is no need for you to pay out of your pocket.

I wish to stress that very often low-income people have no choice but to be allocated public housing flats in remote areas. However, when planning these new towns, the Government has not considered the fact that residents will have to go to the urban areas to work.

We must remember that public transport services in Hong Kong do not charge a flat fare like the trams do. The trams charge a flat fare of \$2 for every trip, irrespective of the distance. But the fares charged by the bus companies and the MTRCL depend on the distance of the trip. The longer the distance, the higher the fare. This is something normal. But when this is applied to low-income people living in remote areas, it is not normal. This is because the policy of the Government at present is to house the poorest people at the bottom strata of society to the remotest places in Hong Kong. They then have to pay high travelling expenses to work. Is that fair?

I think it is only right for the Government to offer transport subsidy to low-income people living in remote areas, for this is compensation for its previous planning blunders. Such a subsidy is never a kind of "handing out candy" measure as the Government would like to think. I think at this stage, the Scheme must be extended and even made permanent. As for expanding the scope covered by the Scheme to all the districts in Hong Kong, there is also such a need because most of the grassroots are still living in great hardship. As for details like the amount of subsidy and the eligibility criteria, I believe a public consensus will be reached.

Public transport operators make use of the public resources and public space owned by the general public to make profits. They cannot provide services simply by the mentality of private companies or listed companies. The Government should also have the responsibility to monitor these operators and compel them to fulfil their corporate social responsibility, so as to fight for the greatest rights and benefits for the people, instead of giving these operators a free rein to fleece the people.

President, I so submit.

MR PAUL CHAN (in Cantonese): President, originally I did not intend to speak, but after listening to Members in the debate, I feel that I have got something to add.

President, I am very concerned about the problem of the heavy burden of travelling expenses on people living in remote areas and the disadvantaged groups. And I also sympathize with them. When Mr LEUNG Yiu-chung moved a motion on cross-district subsidy last month, I expressed my views on the issue. So I will not repeat them here. I wish to say that I support the motion proposed by Mr CHEUNG Hok-ming today. The Government should talk with the public transport operators concerned and even provide them with subsidy so that they can set up transport support schemes for the people, especially those in need. Besides, the Government should examine the fare structure of these public transport operators and take the initiative to intervene in and sort out some irregular cases. I also support the Transport Support Scheme mentioned in the motion.

As for the proposal made in Mr LEUNG Kwok-hung's amendment to let the public sector operate the public transport services and ask the Government to run these services, I do not agree to it. Actually, Mr LEE Wing-tat has spoken well on the topic earlier and I agree very much with the points he made. But I wish to add a point. In the case of the MTR Corporation Limited (MTRCL), it is a listed company with a market value of some \$150 billion. The Government owns 77% of the MTRCL's shares and the value translates into about \$118 billion. As the financial position of the Government is sound at present, no one is thinking about the selling of its assets. There was a time when we were financially stringent and short of funds, we sold our assets and even securitized the "five tunnels and one bridge". If we look at it this way, the MTRCL is actually a huge asset of the Hong Kong people and it is a very valuable asset too. Should there be a need, it can be converted into cash for our use. It can be turned into liquidity. If we let the public sector operate the MTRCL, we can see from overseas experience that no nationalized public transport operator is not in the red. In other words, we are turning an asset worth \$100 billion into liability. It will become worthless and funds have to be injected into it. Therefore, we should look at this issue from a different angle, taking into account the special conditions of Hong Kong. What is the problem we are facing now? In the operation of these public transport operators, a sound profit control system should be put in place to prevent them from exploiting the public by holding public

resources and making exorbitant profits. On the other hand, the relevant government departments must exercise strong and effective monitoring.

I think Members are right when they say that the Government should exercise its influence and urge these public transport operators to fulfil their corporate social responsibility. They should do more and better. In my opinion, when necessary, the Government may offer some financial support to achieve its policy objective. This is because these operators do have their own commercial principles to go by. They should bear their corporate social responsibility, but in the process, if commitment is warranted as a whole, I think the Government should pay the money.

President, I have said that the MTRCL pays dividends to the Government every year and the sum is at least \$2 billion. If we are willing to allocate this \$2 billion for addressing the transport needs of the people in need and providing them with subsidy, this is a source of fund we may use.

President, I hope very much that when the Government is considering this issue, it can be more broad-minded and work out a solution for the people.

President, I so submit.

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

MR JAMES TO (in Cantonese): President, originally I did not intend to speak but after listening to speeches made by many Honourable colleagues just now, I would like to give a brief response. I think the suggestion made by Mr Paul CHAN at the end of his speech is a very good one. Not many people talked about this topic before. It may be due to the fact that he is an accountant and so he is clear-minded and he racks his brains on what can be used. I think that this is really a good suggestion. This is because the dividends or some of the money the MTR Corporation Limited (MTRCL) pays the Government should be used on the people. As to how it should be used or in which scheme, many Honourable colleagues have put forward different ideas today. Our suggestion is that the Government should pay due attention to the transport subsidy for cross-district

workers. Of course, if the dividends paid out by the MTRCL can be used specifically for the purpose of offering fare concessions to MTRCL passengers in a fair manner, I think that it would be the best. I think, or perhaps I should say, in the case where the Government is a shareholder of the MTRCL, and the citizen-cum-MTR passenger who enable its earnings are in need and difficulty, the Government should use some of the profit to subsidize or help them. I think this act of the Government is absolutely a logical conclusion. I hope the Government can take this piece of advice into serious consideration.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr CHEUNG Hok-ming, you may now speak on the two amendments. You have five minutes.

MR CHEUNG HOK-MING (in Cantonese): President, two Honourable colleagues have proposed amendments to my motion today. The first one is Mr Andrew CHENG. We think that the amendment proposed by Mr Andrew CHENG does not differ too much from the original motion. He just expounds certain points, and even affirms certain wordings. After examination, we from the DAB think that we can support the amendment proposed by Mr Andrew CHENG.

Another amendment is proposed by Mr LEUNG Kwok-hung. Some Honourable colleagues shared the same feeling when they spoke earlier on. The amendment proposed by Mr LEUNG Kwok-hung adds parts (h) and (i) after part (g) of the original motion. In part (h), Mr LEUNG urges to progressively let the public sector operate the major transport facilities and services. As mentioned by many Honourable colleagues earlier, this is an extremely controversial approach. The DAB thinks that this across-the-board approach is not suitable and not in tune with reality.

However, the DAB has got something to say on certain measures proposed. For instance, in order to solve the problem of traffic congestion in the tunnels, we suggest that the Government should repurchase the Eastern Harbour Crossing and the Western Harbour Crossing at the right time. As for ferry routes for the outlying islands, the DAB has all along thought that the operation of these ferry routes is facing difficulties and it would be more appropriate for the Government to directly operate such services. The DAB supports these proposals.

In addition, Mr LEUNG Kwok-hung urges that the construction of the Guangzhou-Shenzhen-Hong Kong Express Rail Link should come to a halt. I think many Members sitting here would have a big query about this proposal. This is because the Rail Link has been a subject of controversy for as long as 10 years and the project is about to commence. The project should create some instant effect on the employment situation of local workers. In the long run, this is a strategic rail link between Hong Kong and the Mainland and it will produce certain positive effects on economic and other fronts. So with respect to the amendment proposed by Mr LEUNG Kwok-hung, the DAB thinks that no matter whether it is from the angle of long-term interest or the recent employment situation of workers, it is not acceptable. After discussions, the DAB decides that it will vote against the amendment proposed by Mr LEUNG Kwok-hung. Thank you, President.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I wish to thank the many Members who put forward their views in the debate. I shall now give a consolidated reply.

Since transportation is a daily necessity along with clothing, food and accommodation, it is only natural that travelling expenses account for quite a large proportion in people's daily expenditure. Like Members, we are also very concerned about the burden of travelling expenses on the public. At the same time, we must also consider whether public transport operators are able to provide efficient and satisfactory services.

The Administration's public transport policy is to ensure that public transport operators maintain efficient and proper public transport services for the community and at the same time regulate fares of major public transport services under well-established mechanisms to ensure that the fare levels are reasonable.

In the case of franchised bus services, for example, we have put in place an integrated mechanism, whereby the Chief Executive in Council can fully consider and balance a whole basket of relevant factors, including people's acceptability and affordability, in the determination of reasonable fare levels. Fare adjustments for the Mass Transit Railway (MTR) are also determined under a transparent mechanism based on objective statistics.

Some Members have advised the Government to hold negotiations with the various public transport operators on the provision of more fare concessions to the elderly, persons with disabilities and students. Under the existing mechanism, the Government will only regulate service quality and basic fares. Transport operators are not required to provide any specific types of fare concessions. If the Government requires public transport operators to provide any individual categories of passengers with any specific forms of fare concessions, the financial positions of transport operators will be impacted. In the end, the impacts will be reflected in basic fares.

Besides, some Members have advised the Government to provide subsidies to public transport operators, so that they can offer half-fare concessions to passengers on Saturdays, Sundays and public holidays. We maintain that this proposal is not fully in line with the principle of prudent financial management. We must spend our public money properly, targeting on those who need assistance.

Actually, the Government has already put in place a series of measures targeting on those in need to render them assistance. For example, the Government now provides home-school transport subsidies to needy students. Besides, it has also put in place the Elderly Concessionary Fares Scheme, under which rental and licence fees exemption are offered to the transport operators concerned.

In addition, the Government also implemented the Pilot Transport Support Scheme (the Pilot Scheme), whereby needy job-seekers and low-income people living in the four districts of Yuen Long, Tuen Mun, the North District and the Outlying Islands were provided with transport allowances within specified periods, so as to encourage them to seek employment and cross-district jobs. The Labour Department is currently conducting a comprehensive review of the Pilot Scheme, and it will make recommendations on the future development of the Pilot Scheme. It is expected that the review can be completed at the end of

2009. On 19 November, the Labour Department will brief the Legislative Council Panel on Manpower on the progress of the review.

The Government has all along been encouraging public transport operators to introduce fare reduction or concession as far as possible to help reduce passengers' travelling expenses, taking into account the operators' respective operating conditions and the overall economic environment. As a matter of fact, major public transport operators are offering various kinds of fare concession to passengers.

In regard to franchised bus services, the bus companies have all along been providing half-fare concessions to the elderly on a permanent basis. The New Lantao Bus Company (1973) Limited even provides elderly passengers with concessions lower than half fares on 10 of its bus routes during normal weekdays. Besides, there is also the \$2 concessionary fare for elderly passengers taking buses on Sundays and public holidays. Currently, over 300 000 passenger trips on average are able to benefit from this measure on every Sunday and public holiday. In the past few years, the major bus companies also provided elderly passengers with fare exemption on the Day for the Elderly in the third week of November. As for children, all franchised bus companies provide half-fare concessions to children under the age of 12.

At present, sectional fares are already introduced on roughly 400 routes of the bus companies. This accounts for 70% of all bus routes, and as many as 680 000 passenger trips can benefit from the provision of sectional fares every day. In regard to interchange fare discounts, the bus companies now offer some 230 fare discount schemes on roughly 70% of their bus routes. More than 120 000 passenger trips can benefit from such interchange fare discounts every day. Fifty-six of these schemes are of a cross-operator nature. The Transport Department and the bus companies will continue to hold negotiations on introducing a greater number of interchange fare discount schemes on suitable bus routes.

As for railways, the Mass Transit Railway Corporation Limited (MTRCL) has always been listening to the views of the public. In the past two years, it introduced various fare concession schemes, including the extension of student fare concessions to all routes of the local railway system. This can offer half-fare concessions to an additional 100 000 students. Also, in May this year, the MTRCL announced the provision of half-fare concessions to persons with disabilities who are either recipients of the Comprehensive Social Security

Assistance Scheme aged between 12 and 64 with 100% disability or recipients of the Disability Allowance in the same age group, with a view to encouraging them to go out more often for activities and facilitating their integration into society.

Members have just passed the resolution under the Disability Discrimination Ordinance. The MTRCL will shortly announce the application details about the relevant fare concession scheme, in the hope that the scheme can be launched at the end of this year. It is expected that some 110 000 persons will benefit from the scheme.

Besides elderly fare concessions, elderly persons can also travel on the MTR at the concessionary fare of \$2 on Wednesdays and non-Sunday public holidays. Some 190 000 elderly persons will benefit. Besides, in the past few years, the MTRCL also provided elderly passengers with fare exemption on the Day for the Elderly on the third Sunday of November.

To tie in with the inauguration of the Kowloon Southern Link, the MTRCL has introduced the Tuen Mun-Hung Hom Monthly Pass. With the Tuen Mun-Hung Hom Monthly Pass, which costs only \$70 more than the old Monthly Pass, passengers can go to places in the heart of Kowloon, such as Tsim Sha Tsui and Hung Hom, by using the more convenient and faster services of the West Rail. And, since the rail merger, the MTRCL has increased the number of Fare Savers from 21 to 26. The MTRCL will continue to review its fare concession schemes in the light of passenger demand and market conditions.

Several Members have expressed the hope that elements of fare stabilization and full consideration of people's affordability can be included in the mechanism. I wish to point out that under the framework of the rail merger, an objective and highly transparent mechanism has been introduced for the adjustments of MTR fares. With effect from 30 June 2009, the MTRCL must make fare adjustments on the basis of the objective data under this mechanism. A formula linked to changes in the Composite Consumer Price Index, the Transport Services Nominal Wage Index and fixed productivity factors is adopted to determine the rates of fare adjustments. This can take account of people's affordability. Besides, the fare adjustment mechanism is based on objective data, so people's interests can be protected and it is also possible to maintain fare stability. Under this mechanism, fare can be adjusted both upwards and downwards.

Regarding the Kowloon Southern Link, the fares for this railway line are set with reference to the MTRCL's existing fare structure. The Austin Station and the Kowloon Station are close to each other, so the fares for journeys to and from the Austin Station and those to and from the Kowloon Station are set at the same levels. But other fares within the network will not change as a result. As for the anomalous fares of this railway line, the MTRCL has announced its intention of phasing in changes during future fare adjustments.

Members have also mentioned the feeder bus service of K16. Following the commencement of the Kowloon Southern Link, the role of this bus route in connecting the West Rail and the East Rail to Sham Shui Po, Jordan and Tsim Sha Tsui will be replaced by the new railway line. The Transport Department estimates that the utilization rate of K16 will decline as some passengers switch to the Kowloon Southern Link. Therefore, it has decided to make a corresponding change, extending the routeing and stepping up the service of KMB Route No. 12, which runs a similar routeing as K16. After the commencement of the Kowloon Southern Link, the daily patronage of K16 dropped from 17 000 passenger trips to 3 000 passenger trips. This bus route was therefore abolished on 19 September.

Regarding outlying island ferry services, most of the ferry routes now provide concessionary fares to children, the elderly and persons with disabilities. The Government also provides financial assistance to needy students by subsidizing their home-school travel expenses including ferry fares under the Student Travel Subsidy Scheme.

We understand that ferry services are very important to outlying island residents, for such services are their main means of outbound transportation. Under the principle of not giving any direct subsidy to ferry operators' daily business operation, we have implemented a series of measures to stabilize ferry fares as much as possible. These include measures to reduce their operating costs, such as taking over pier maintenance responsibility, reimbursing pier rentals and exempting vessel licence fees for ferry services under the various fare concession schemes. There are also measures to increase their non-fare box revenue, such as permission for ferry operators to sublet pier premises for commercial and retail uses and the streamlining of subletting approval procedures. Fire prevention facilities will also be installed, so that ferry operators can sublet pier premises for more diversified commercial and retail activities. The

installation of fire prevention facilities will be completed before the end of this year. The Government is also planning for the construction of an additional floor at Central Piers No. 4 to 6. Ferry operators can generate more non-fare box revenue for cross-subsidizing the ferry operation.

We have undertaken to review the long-term development of outlying island ferry services with a view to enhancing their financial viability and maintaining their fare stability in the long run. During the process of review, we will explore all possible alternatives, and we will strive to complete the review before the commencement of the new ferry operating period in 2011.

President, we can appreciate Members' concern, and we very much understand the public demand for reducing travelling expenses. With regard to fare adjustments, the Government will diligently discharge its gate-keeping responsibility under the existing mechanism, and it will also continue to encourage the various public transport operators to offer fare concessions to passengers to relieve their expenditure on public transport, taking account of their respective operating conditions. We hope that while maintaining reasonable fare levels, the various transport operators can also ensure that operationally and financially, they are able to provide efficient and proper public transport services.

Mr LEUNG Kwok-hung's amendment mentions the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the operation of transport services by the public sector. We are totally against the ideas. And, I already explained our position at the very beginning of the debate.

Thank you, President.

PRESIDENT (in Cantonese): I now call upon Mr Andrew CHENG to move his amendment to the motion.

MR ANDREW CHENG (in Cantonese): President, I move that Mr CHEUNG Hok-ming's motion be amended.

Mr Andrew CHENG moved the following motion: (Translation)

"To add "and the fare concessions offered to the elderly by local franchised bus companies and the MTR Corporation Limited will also expire early next year;" after "heavy burden of travelling expenses,"; to add "extend the existing fare concessions for the elderly and" after "public transport operators to"; to delete "study the feasibility of introducing" after "people with disabilities, and" and substitute with "expeditiously introduce"; to delete "explore further extension of" after "consistent standards, and" and substitute with "further extend"; and to add "as soon as possible" after "monthly and daily ticket schemes"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr Andrew CHENG to Mr CHEUNG Hok-ming's motion be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Mr LEUNG Kwok-hung, since the amendment moved by Mr Andrew CHENG is passed, you may move your further amendment.

MR LEUNG KWOK-HUNG (in Cantonese): President, I move that the motion moved by Mr CHEUNG Hok-ming as amended by Mr Andrew CHENG be further amended.

MR LEUNG Kwok-hung moved the following further amendment to the motion moved by Mr CHEUNG Hok-ming as amended by Mr Andrew CHENG: (Translation)

"To delete "and" after "ticket schemes for buses;"; and to add "; (h) to progressively let the public sector operate the major transport facilities and services, so as to provide inexpensive, suitable and convenient public transport services to people and prevent large consortia from profiteering; and (i) to halt the construction of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, and make use of the funds earmarked for constructing the Rail Link to repurchase the Eastern Harbour Crossing, Western Harbour Crossing and the privately-owned shares of the MTR Corporation Limited, thereby reducing tunnel tolls and the fares of the MTR Corporation Limited" immediately before the full stop."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment moved by Mr LEUNG Kwok-hung to Mr CHEUNG Hok-ming's motion as amended by Mr Andrew CHENG be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Albert CHAN rose to claim a division.

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

PRESIDENT (in Cantonese): Voting shall now proceed.

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

Functional Constituencies:

Dr Raymond HO, Mr CHEUNG Man-kwong, Mrs Sophie LEUNG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Dr Joseph LEE, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Dr Samson TAM voted against the amendment.

Dr Margaret NG, Ms LI Fung-ying, Mr CHEUNG Kwok-che and Mr Paul TSE abstained.

Geographical Constituencies:

Mr LEUNG Yiu-chung, Mr Albert CHAN, Mr LEUNG Kwok-hung and Mr WONG Yuk-man voted in favour of the amendment.

Mr Albert HO, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr LAU Kong-wah, Ms Emily LAU, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Cyd HO, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Sing-chi and Mr WONG Kwok-kin voted against the amendment.

Mr LEE Cheuk-yan, Mr Frederick FUNG, Ms Audrey EU and Miss Tanya CHAN abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 24 were present, 20 were against the amendment and four abstained; while among the Members returned by geographical constituencies through direct elections, 27 were present, four were in favour of the amendment, 18 against it and four abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr CHEUNG Hok-ming, you may now speak in reply. You still have one minute 16 seconds.

MR CHEUNG HOK-MING (in Cantonese): President, as a matter of fact, I raised the motion topic today last year. This year, a total of 27 Members, including me, have spoken. This is a proof that the topic has aroused the concern of Members in this Council. This is also the expectation of the public at large and that is, it is hoped that the Legislative Council can monitor the Government and urge enterprises to be accountable.

What is very disappointing is that the response made by the Secretary earlier on is only an explanation for the public operators. There is absolutely no mention of the Government's responsibility, nor any elaboration of how the enterprises fulfilling their corporate social responsibility. We are disappointed in this. I wish to advise the Government that after this year's debate, it can really be on the side of the public, think more for the people and discuss with the public operators so that transport fares will be properly adjusted to levels acceptable to the public. Thank you, President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr CHEUNG Hok-ming, as amended by Mr Andrew CHENG, be passed.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Second motion: Increasing the supply of medium and small-sized residential flats.

Members who wish to speak on this motion would please press the "Request to speak" button.

I now call upon Mr LEE Wing-tat to speak and move his motion.

INCREASING THE SUPPLY OF MEDIUM AND SMALL-SIZED RESIDENTIAL FLATS

MR LEE WING-TAT (in Cantonese): President, it has been almost three weeks since the delivery of the policy address. Actually, the rising property prices and the problem of home ownership have been the top concern of the people over the past year, or at least the past six months. During the debate last week, I spent 25

minutes stating my position on everything. Therefore, I do not know if there is anything particular I may say today. However, I must reiterate the position of the Democratic Party. First, the property prices have risen very sharply. I would like to point out that the Secretary mentioned affordability in her response last week. I wish to remind the Secretary that she was quoting the figures of the second quarter. I do not know if she will publish the figures of the third quarter today, or she does not want to disclose the figures. Should she choose not to disclose the figures, why not?

Even if we do not rely on the Government's information and merely look at the indices compiled by the two local well-known property agencies on medium and small-sized old buildings, the figures for this year have indisputably risen by 20% to 30%. In the light of the rising prices, the Bureau will definitely explain that, considering the fall in property prices for quite some time during the financial crisis in August and September last year, the prices have merely rebounded slightly. However, we must not forget that should the momentum persist, the rising property prices will go beyond the affordability of the majority of the general public and the middle class.

Actually, we are not talking about luxury properties. I have never been too concerned about these properties. Except the skipping of floors, such as having the fourth floor named as the eighth floor, I do not care much about the prices of new properties, because those sold at \$8,000 or \$10,000 per sq ft are not the target of the middle class in general. Like the Secretary, I am concerned about the prices of those buildings on the fringes of urban areas. Old buildings in Kowloon and the New Territories, particularly East Kowloon as well as Kowloon Bay and its vicinity, are now being sold at \$5,000 per sq ft, whereas those in Sham Shui Po and Tsuen Wan are being sold at \$4,000 per sq ft and between \$3,000 and \$4,000 per sq ft respectively. With the occurrence of situations like this, property prices have continued to rise, too. Households believing the increases in their income will lag far behind the rises in property prices will face enormous pressure, including not knowing if they can afford to buy properties now or in the coming years. With growing pessimism or fear about the future, they will feel discontented. Some people who originally could not afford to buy properties would rather buy their homes now because they believe the surge in property prices will continue next year or the year after the next, and it is better to purchase properties now than the next year.

President, as I pointed out last week, the entire problem is attributed to the change in the overall policy. During the colonial era, land supply was dominated by the Government which would decide when to sell land and the number of sites to be sold. Back then, land sale was subject to a 50-hectare quota. After 1997, the policy was abolished in 2003. Now, the land sale policy is led by property developers. They may trigger lots under the Application List System when they are interested in applying for sites on the Application List. The Government has always said that property developers will definitely trigger sites on the Application List because they have to do business. As pointed out by me last week, not only have major property developers been hoarding 10 million to 40 million sq ft of land in reserve, they have even sought to proactively acquire old flats and land in urban areas and then negotiate regrant premiums with the Lands Department. They can definitely acquire much cheaper land in this fashion than putting up their hands to purchase sites on the market.

President, the Government is now contemplating this of course, I quite understand the Government the Government has become extremely cautious as a result of the impact brought by the policy of "85000 flats" over a period of time. However, I hope the Government will not move from one extreme to the other. Actually, the 2003 policy represented a shift from one extreme to the other with the supply of flats completely halted. Not only was there no more land sale and construction of Home Ownership Scheme (HOS) flats, even the Tenants Purchase Scheme (TPS) was put on hold. I have no idea what the Government had on its mind. Therefore, the overall strategy proposed by the Democratic Party is that the Government should increase supply through land sale, construction of a small number of HOS flats, and relaunching the TPS. While the Democratic Party does not have any strong opinions on the comments made by the Secretary last week about improving the HOS policy or the policy of the Application List, can the improvements bring about the intended effect? We are sceptical about this.

Over the past week or two, I have made a lot of comments on our overall strategy. We do not support a substantial and drastic change in the land and housing policies. To put it simply, we do not support "heavy dosage" because we do not consider this option desirable. However, we do not think the Government should trust to chance and strokes of luck or sit there waiting for things to get worse. I have pointed out time and again that the best timing to

take action is when problems first appear because the bubble has yet to burst. Should the Government refrain from doing anything in the next six months to a year, the bubble will only grow bigger in a year's time. By then, the Government will become even more terrified, not knowing what to do. This shows that a "heavy dosage" or inaction is not an option. Therefore, I hope the Government will consider this. During this period, increasing supply will definitely be far better than making substantial changes to certain policies over a period of time.

Some property developers have praised the existing Application List System. Such being the case, I do not understand why none of them has triggered any sites on the Application List. During a meeting between members of the Real Estate Developers Association and me, they denied that there was a need to lower the upset prices to 60%. However, when I asked those property developers attending the meeting whether they would guarantee to trigger sites, sorry, Secretary, there was no answer. No one was brave enough to give me an answer. Secretary, you are smiling, too. The crux of this issue does not lie in whether it is 60% or 80%. As we all know, the transaction price recorded on each occasion was 50% to 150% higher than the upset price. This once again proves that the upset prices are simply not high. What is the motive of property developers in proposing this? I think this is just a deceptive tactic used by them to show that the Government's system is no good. I do wish to support them in lowering the upset price to 60%, but then they are unwilling to trigger any sites. So, how can I render my support? I can only withdraw my support.

Secondly, we hope that 2 000 to 3 000 HOS flats can be built annually. Many people expressed great concern in their telephone calls to radio programmes. When I tried to analyse the phenomenon to them, I told them that all investors should sometimes keep their cool and that they would not hope to see property prices fluctuating sharply annually after purchasing their properties. From the angle of economics, a sharp rise of 20% in property prices per annum is not sustainable. Nor is it possible for property prices to double in two to three years. This is mere fantasy. Therefore, the Government should stabilize property prices. As the most long-term and stable investment returns, the investment values of properties should be kept at a level of 1% to 2% or 2% to 3% higher than the annual inflation rate, so that investment values can be maintained, or higher than the returns yielded by bank savings.

We hope our proposal of constructing 2 000 to 3 000 flats is a "soft landing" approach to giving people earning a monthly salary of \$15,000 to \$20,000 with an alternative. On this point, I agree with Secretary Eva CHENG's view that there are separate prices for HOS flats and flats sold in the private market. Actually, the present situation is really like this. Even if we compare HOS flats in urban areas and sold at \$2,000 or so per sq ft with old buildings which are also situated in urban areas but sold at \$4,000 to \$5,000 per sq ft, we will see two separate markets already. Actually, HOS flat buyers cannot even afford to purchase flats in old buildings. Therefore, I hope certain political parties can stop scaremongering and describing the construction of 2 000 to 3 000 HOS flats as a revival of the policy of "85 000 flats". Our present target is to build some 10 000 private residential units per annum. Even if these 2 000 to 3 000 HOS flats are taken into account we are merely talking about constructing some 15 000 residential units per annum, which is a far cry from the annual production of 50 000 to 60 000 residential units, excluding rental units, during the period between 1997 and 2000. Therefore, I hope the Government can consider this more thoroughly and refrain from thinking that this is not an option.

President, I hope to listen to the views of other colleagues before giving my response. Thank you.

Mr LEE Wing-tat moved the following motion: (Translation)

"That this Council urges the Government to resume the sale of land by public auction, build Home Ownership Scheme flats and re-launch the 'Tenants Purchase Scheme', so as to increase the supply of medium and small-sized residential flats to stabilize the property market, help the public purchase flats which are affordable to them and address the demand for housing."

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

PRESIDENT (in Cantonese): Mr WONG Kwok-hing, Mr CHAN Kam-lam and Mr Vincent FANG intend to move amendments to this motion. Mr James TO

also intends to move an amendment to Mr WONG Kwok-hing's amendment. This Council will now proceed to a joint debate on the motion and the amendments.

I will call upon the Members who intend to move amendments to speak one by one; but no amendments are to be moved at this stage.

MR WONG KWOK-HING (in Cantonese): President, my amendment aims to supplement the original motion to make its spirit and concept more comprehensive. I have proposed this amendment in the hope of urging the Government to conduct a comprehensive review of its housing policy in the light of social changes, for the purpose of formulating a more comprehensive housing policy rather than making cosmetic changes without long-term planning.

President, the Hong Kong Federation of Trade Unions (FTU) has all along advocated a housing policy which is led by public housing, complemented by HOS flats and supplemented by private buildings. This has all along been the advocacy of the FTU. In our opinion, the Government is duty-bound to "build thousands of spacious mansions in order to provide shelter for the world's poor, who will smile with pleasure"¹. This is because housing is a necessity of living, as well as the basis for a happy life. People must be able to live and work with contentment before social stability and prosperity can be achieved. If labourers, and even their families, expend all their labour and toil throughout their lives, and their remaining value is to be sacrificed completely to property developers or capitalists, there will definitely and ultimately be intensified conflicts, confrontations, turmoil and unrest in such a society.

Hence, we very much hope that the Government can appreciate and accept the basic points advocated by the FTU in respect of the housing policy. Why should the housing policy be led by public housing? Why is there still a need for improvements on the part of the Government under this theme? In our opinion, on this premise, the Government must ensure land supply required for public housing construction. Moreover, the supply of land should not be confined to remote new towns. If only sites in new towns are provided for

¹ These lines are part of a poem written by DU Fu, a famed poet of the Tang Dynasty.

construction of public housing, rural areas situated on the fringes of Hong Kong will become even poorer, while downtown areas will continue to prosper. This will also increase the travelling expenses borne by people living in remote new towns and, as a result, the Government will have to address the problem by giving them subsidy in other forms of social welfare. The previous motion debated in this Council today was precisely about the increasingly heavy burden on the residents as a result of travelling expenses.

Apart from travelling expenses, are government officials aware of the fact that people living in new towns in New Territories East or New Territories West have to spend an extra two hours or more travelling to work and back home every day? This is also a heavy price paid by people living in remote areas. How can they care for their own families and children, not to mention pursuing studies and learning, or even finding time to take a respite or a break? Worse still, there is a serious shortage of public rental housing (PRH) units for singletons, and the applicants have to wait for years. According to the latest statistics published in May this year, the number of singletons aged 18 to 50, not elderly singletons, applying for PRH flats was 44 400. Over the past three years, however, only about 2 636 PRH flats for singletons were provided annually. On the basis of this figure, this would mean that these people have to wait 16 years before they will be allocated PRH units. In view of this, should the supply of PRH units for non-elderly singletons be increased?

Given that the housing policy should be led by public housing, I think the Tenants Purchase Scheme (TPS) should be relaunched, in order to meet the needs of PRH tenants to acquire their own homes. As the children of PRH tenants have already grown up and PRH tenants have accumulated wealth, though the wealth accumulated has yet to enable them to purchase HOS flats or private properties, they will be able to live happily should they be allowed to purchase their own flats. Why was the TPS terminated? The Government gave two reasons for its decision. First, more PRH units could be recovered annually. Second, the Government was only duty-bound to address their housing problem, not their problem of home ownership. I think this reason cited by the Government is absolutely unfair to the rest of PRH tenants with the termination of the TPS after phase 6. As pointed out by these tenants, their fortunes are not the same, even though they are all PRH tenants. Why had there been phase 6, but no phase 7 or 8?

I think it is absolutely unreasonable of the Government to terminate the TPS for the sake of "propping" the market. Furthermore, the Government has, on the other hand, implement the biennial means tests for the so-called well-off tenants and requiring those with an income or assets exceeding the limits to pay double rent or rent at one-and-a-half times higher. According to the statistics of the Housing Department, more than 23 000 households have requested their young children to move out for the sake of avoiding the payment of double rent or one-and-a-half times rent as a penalty. As a result, many elderly people remain in public housing estates. Statistics have shown that 41.1% of the 852 000 elderly people in Hong Kong are PRH tenants.

According to yet another survey, 103 900 out of 652 000 PRH tenants are elderly people. The blunders of the Government's housing policy has led to the problem of ageing population in public housing estates, where the elderly are not properly cared for by young people. Furthermore, although the purchasing power in public housing estates is poor as only elderly people remain there, the Government has chosen to sell all the shops in public housing estates to The Link REIT, which has resorted to increasing rents rampantly, thus resulting in the knock-on effects of a vicious circle. Actually, such patch-up measures as the Harmonious Families Transfer Scheme can absolutely not resolve the existing problems with the housing policy.

Regarding the FTU's advocacy for having HOS flats to complement the housing policy, why should HOS flats be built? We strongly call for resuming the construction of an appropriate number of HOS flats, say, 2 000 or 3 000 per annum, for the sake of assisting people who are ineligible for applying for PRH flats, because of the threshold set, and yet are unable to afford purchasing private residential flats. Under such circumstances, they have become the sandwich class. According to the relevant statistics, in Hong Kong, there are approximately 510 000 four-person households earning a monthly income of \$15,800 and approximately 633 400 four-person households, accounting for 15.6% of the total number of households in the territory, earning a monthly income between \$20,000 and \$40,000. While these people are ineligible for public housing, they cannot afford purchasing private residential flats as well. As a result, they are forced to pay exorbitant rents. Why does the Government not help them address their problem of being "shell-less snails" by purchasing private residential flats worth under \$2 million? The Government is actually responsible for the difficulties faced by the sandwich class. If the Government

can reactivate the revolving door by resuming the construction of HOS flats, not only will the living condition of these people be improved, the mobility of public housing, HOS flats and private buildings can also be enhanced.

Furthermore, we strongly call on the Government to reconsider relaunching the Home Starter Loan Scheme (HSLs). There are other reasons for me not to write these wordings into my amendment. Now, I would like to make a few verbal comments here. We are of the opinion that the Government should consider helping the sandwich class by giving them a helping hand in easing their burden in making down payments, so that they can become first-time home buyers. While the sandwich class may have the means to service mortgages, it is indeed difficult for them to make down payments in one go. Many people were benefited by the HSLs launched by the Government years ago. Of the 80 000 or so applications, 33 433 were approved. However, the Government has complained of payments in arrears and bad debts. Actually, compared with years ago when Hong Kong was adversely affected by the financial tsunami, the bad debt rate, which stood at a mere 3.2%, can absolutely not be cited as a reason for the Government not to relaunch the HSLs.

Lastly, I would like to say a few words about land supply. I have made it clear in my amendment that whichever measures are to be adopted, we hope the Government can provide the grassroots and sandwich class with properties affordable to them. Similar measures are actually taken in Shenzhen. As the saying goes, "It does not matter whether the cat is white or black. It is a good cat as long as it catches mice." I hope the Government can consider this. I see that the Secretary is shaking her head. It does not matter. She can, by all means, refute us when she responds to us later.

Really lastly, President, I would also like to take this opportunity to make a clarification. In an article published in a certain newspaper recently, the name of the writer, also a reader of the newspaper, is found to be exactly the same as mine. I would like to clarify that I have absolutely not contributed any article to the newspaper as I do not agree with certain parts of the article. I would like to take this opportunity today to clarify this. Thank you, President.

MR CHAN KAM-LAM (in Cantonese): President, the issue of the property market has been a hot topic of discussion recently. There is widespread concern

in the community about the rapid rise in property prices, fearing that it will lead to a repeat of the surge in property prices in 1995 and 1996, thereby creating bubbles for the property market.

During the latest phase of the sale of surplus HOS flats, the attendance rate of people visiting the HOS customer service centre and various courts on the first day reached 22 000, the highest rate recorded on the first day since the resumption of the sale of HOS flats. The fact that there were tens of thousands of people hurriedly queuing up for application forms and viewing show flats does reflect the keen demand by low-income people for home ownership.

First of all, we must point out that the property market underpins the people's livelihood, and housing is the people's most fundamental need. Housing differs from other necessities, such as clothing and food, in the sense that we can wear less and eat less, but we cannot live without a roof. The property market is contagious. The sky-high prices of luxury properties have also pushed up the prices of other developments. The recent asking price of a new development situated in the urban area is \$9,000 per sq ft, which is way beyond the affordability of the ordinary people. Even for professionals who could previously afford, given their income, to purchase more preferable new developments in urban areas are now pouring out endless grievances. The prices of properties sold in the secondary market have also followed the prices of those sold in the primary market and risen by 20% to 30%. Following the rise in property prices, rents have also gone up. High property prices have not only affected prospective home buyers, but also forced people who are not yet prepared to buy properties to accept the reality of rising rents. At this time of an economic downturn, mortgage payment or rent has become the largest spending item of every household. The rising property prices and rents will only put additional pressure on the people. The higher property prices get, the lower living standard will be enjoyed by the people. Only by addressing the ills of the property market can the problem of the people's livelihood be resolved at root.

Secondly, real estate is the basis of various trades and industries. Businesses were prosperous in the 1960s and 1970s when there was an ample supply of land. With the introduction of a high land price policy by the Government in the 1980s, industries started to move northward and factory owners demolished their factories and sold the land in droves. This explains why the land policy has a bearing on Hong Kong economy.

An unhealthy property market will drag the legs of other trades and industries. Even the four pillar industries and six industries can hardly be spared. High property prices and exorbitant rents will only push up the operating costs of trades and industries. At the same time, with the property prices remaining at a high level, talents can hardly be attracted to come to Hong Kong for employment and residence. Such being the case, it will not be easy for the Government to achieve its goal of "..... enhancing the flow of people, goods, capital and information that are related to the four pillar industries". Furthermore, this poses obstacles to the development of the six industries.

The land and housing policies will even affect our fiscal structure. Under the high land price policy, a generous sum of proceeds from land sales and stamp duty will be generated annually from land sales. As a result, whether a fiscal surplus or a huge deficit will be recorded in a year will depend on the number of sites to be put on sale. Land proceeds will thus have an impact on the Government's planning of expenditure related to the people's livelihood. Such a financial situation is absolutely unhealthy.

The surge in the property market also implies circumstances that will bring instability to the financial system. Once a bubble appeared in the property market, property owners might face the prospect of having negative equity. The financial system associated with the property market will also be affected. This is not what Hong Kong, whose economy has just started to recover, can bear. Therefore, maintaining a healthy and stable real estate policy is crucial to the economic development of Hong Kong. In our opinion, the property market underpins the Hong Kong economy, and participation of the Government is vital. In order to develop our economy, the Government cannot take the problem facing the property market lightly.

President, the Government has actually noticed the possibility of a bubble emerging in the property market. However, the Government has indicated that it will not interfere and will only closely monitor the situation in the market. When a bubble appears in the market, the Government will activate its improved land policy so as to ease pressure on the market. However, we hold that the land relief policy alone cannot achieve immediate results and resolve the problem promptly. It will obviously be too late if actions will not be taken until the problem occurs.

Whenever we discuss whether the Government should intervene in the property market, some people would invariably raise objection by citing the policy of "85 000 flats" as an example. It seems that we can still not step out of the shadow cast by the policy. However, I think that the policy should be analysed in an objective manner. The fall of the property market in 1997 was not caused by this policy. Actually, a bubble had already formed in the property market in Hong Kong at that time. Coupled with the impact of the Asian financial turmoil, the fall of the property market could be described as inevitable. Although the 85 000 policy was meant to signal abundant supply, it also triggered a psychological response among the people which had eventually dragged the property market down. Nevertheless, economic adjustments were mainly to blame for the situation back then.

Judging from the circumstances prevailing in 2002, the Government's announcement of halting its participation in the real estate market and suspending the construction of HOS flats and the Tenants Purchase Scheme for the sake of rescuing people with negative equity assets, the real estate market and the Hong Kong economy was understandable. However, no policy can remain unchanged forever. As the market is changing every day, it is imperative for the Government's policy to keep abreast of the times and make timely adjustments. The prevailing surge in property prices should be taken as an alarm reminding the Government that it is now timely to review its land and housing policies.

The Government has repeatedly emphasized that the data available at the moment have not reached the alert level of 1997. It is originally not reasonable to use the data collected in 1997 for reference, not to mention that the property market has now shown unhealthy signs that had appeared before 1997. When various data reach the peak level of 1997, I believe the property market will be so seriously ill that it can hardly be cured.

The Government is of the view that the property market can make self-adjustment. However, the market has already shown signs of a bubble with intense speculation and inflow of hot money into the market. As the supply of the Mainland currency remains persistently high, the inflow of hot money has pushed up the prices of assets and accelerated the forming of a bubble in the property market. Although the Hong Kong Monetary Authority has stepped in by tightening the mortgage market to curb property prices, its policy of tightening mortgages is merely targeted at luxury properties and leased properties. It can

do nothing to adjust the real estate market in a comprehensive manner. It has generally been predicted that global interest rates will tend to rise next year, and Hong Kong is no exception. By then, the people's burden of making mortgage payments will become even heavier.

We understand that some people oppose the Government's intervention for fear that its measures will lead to sharp fluctuations in the property market. However, it is precisely for the purpose of averting large fluctuations in the market that we urge the Government to take actions expeditiously. If adjustment measures are taken before the market goes crazy, we can resort mainly to fine-tuning and relatively mild measures. When the market turns crazy, sharp fluctuations in the market will become inevitable, regardless of government intervention. By then, the community at large will have to pay even more dearly. It might also be too late for the Government to address the problem.

With these remarks, President, I call on the Government to expeditiously take measures to maintain the healthy and stable development of the real estate market. Thank you, President.

MR VINCENT FANG (in Cantonese): President, under the prevailing flagging economic environment, the emergence of a surge in prices of certain luxury properties will cause wide concern among the public. In particular, there is concern about whether such a distorted economic phenomenon will affect the prices of medium and small-sized residential flats, which will have a bearing on the general public. The Liberal Party shares this concern, too. Therefore, it is fitting for Mr LEE Wing-tat to have proposed this motion today for discussion. However, of the total population of Hong Kong, 60% are public housing tenants and 30% are property owners. Therefore, we think it is most important for any measures having an impact on the supply of residential flats and property prices to be handled with caution to avoid affecting the overall economy and the people's finance.

Before discussing "Increasing the supply of medium and small-sized residential flats", we should first examine this question: Is the prevailing supply of medium and small-sized residential flats experiencing a serious shortage; and if so, the reasons for that? After identifying the crux of the problem, we should

then take appropriate relief measures according to such major principles as the market needs and a balanced social and economic development, as it is generally felt that the supply of medium and small-sized residential flats is more urgent than that of luxury properties. However, in any metropolises, particularly Hong Kong as an economy relying heavily on foreign capital, the supply of luxury properties is essential. With different targets for the two markets, different pricing standards should also be adopted. However, when the prices of luxury properties rise, will the prices of medium and small-sized residential flats rise as well? The answer is in the affirmative. Is this the reason for the prices of medium and small-sized residential flats to rise steadily? I would say "not entirely".

It is generally felt that there is a need to increase the supply of medium and small-sized residential flats because, according to many recent reports, the supply of medium and small-sized residential flats in Hong Kong has dropped to the lowest level in 30 years. Last year, only 8 700 private residential flats were completed. This year, the Government originally expected to see 12 000 flats completed, and yet only 5 500 flats were completed by September. In September, only 7 000 surplus flats were launched onto the primary market. Given the imbalance in supply and demand, property prices will inevitably be pushed up. This is why Members have put forth many proposals on increasing the supply of medium and small-sized residential flats.

In the final analysis, where does the problem lie? As pointed out in a newspaper report last year, "the Government's strict control of supply and the slowing down of property developers in constructing flats have resulted in a continual reduction in the supply of residential flats."

This is why I propose in my amendment expeditiously improving the Application List System, selling land flexibly, and speeding up the pace of selling surplus HOS flats. In particular, the sale of surplus HOS flats can result in the immediate launch of thousands of medium and small-sized residential flats, to be sold at concessionary prices, onto the market to allay the people's concern. This will also achieve an immediate cushioning effect on property prices.

Let us once again deal with the root of the problem, that is, land supply. Insofar as these several points are concerned, most of the contents of the original motion and the amendments proposed by several colleagues, particularly the proposals raised by Mr WONG Kwok-hing and Mr CHAN Kam-lam in their

amendments on improving the Application List System and lowering the threshold for triggering sites, are completely identical with the point of view of the Democratic Party.

Since 1999, the Application List System has become the major channel of land disposal. The Government had originally intended to prevent land from being sold at dirt-cheap prices. However, the Government has now become excessively aggressive in setting triggering prices under the Application List System. It is simply unrealistic for the price of each of the sites to be determined according to the astronomical prices asked by 39 Conduit Road. Do not say that their bidding prices can hardly trigger sites on the Application List System. Even if property developers succeed in doing so, they can only build luxury properties on the sites before they can make any profit.

So, who would you say to be the culprit responsible for this high land price policy in Hong Kong?

The proposal of selling land flexibly can make up for the inadequacy of the existing system and complement the imbalanced supply resulting from the Application List System which is influenced by the choices of property developers according to their subjective development strategies. Therefore, holding land auctions flexibly can make up for the shortfall of the market in a timely manner.

For the same reason, the Liberal Party has reservations about the proposal of resuming the construction of HOS flats because the entire process, from identification of suitable sites, site formation to planning and construction, will take at least a few years' time. So, can the present urgent needs for medium and small-sized residential flats be met? Secondly, under the macro environment in which the global economy, property markets and interest rates are rapidly changing, is it necessary for the Government to directly intervene in the market? Actually, the repercussions of the "85 000" incident after the reunification have not yet disappeared completely. According to the statistics of the Government, there are still more than 3 700 negative equity cases up to the second quarter of this year.

Some people have suggested that an annual production of only 2 000 to 3 000 HOS flats will not affect the private property market. However,

depending on the proportion, if compared with the completion of 5 500 residential units in the first eight months of this year, then the 2 000 to 3 000 HOS flats are a very substantial figure.

Let me look at the situation of the market which is relatively close to that of HOS flats. In general, the prices of HOS flats range from more than \$2 million or so to hundreds of thousands of dollars. The highest price for Yau Chui Court, Yau Tong, which was launched recently, is \$2.3 million. Actually, private residential flats which are sold at prices below 2.3 million have always been the mainstay of the private market. In September, the number of transactions of flats sold at \$2 million or below was more than 5 400, which represented 44% of the total number of transactions. This proves that there is abundant supply and demand in the market.

There is actually overlapping between the HOS market and the market of private properties within this price range. The construction of HOS flats, once resumed, will affect private property owners within this bracket. They will also lose the opportunities of selling their flat and buying another flat or a bigger one. Furthermore, it is evident that the low-interest-rate cycle is coming to an end, to be followed by a period of rising interest rates. If mortgage rates continue to rise, many property owners will likely see their mortgage payment ratios exceeding more than half of their incomes! Should property prices be affected, people who barely afford buying their first homes, the focus of Members' concern, will become the first to bear the brunt.

While mortgagees are already great concerned about the pressure brought by the imminent interest rate hike, any improper acts of intervention by the Government are likely to turn property owners into victims and their assets into negative equity again. I believe the miserable conditions caused by the policy of "85 000 flats" years ago are still vivid in our minds.

President, although the original motion and amendments largely share the same view with the Liberal Party, I cannot support them because we consider the call for the resumption of constructing HOS flats and the relaunch of the Tenants Purchase Scheme has lost sight of other considerations and failed to address the present problem caused by the imbalance between supply and demand of medium and small-sized residential flats. What is more, the prevailing economy, which

is still in the doldrums and awaiting revival, and people who can afford buying their first homes due to low interest rates will be put under tremendous pressure. Later, Mr Tommy CHEUNG will add a few comments on how the property market can be stabilized.

With these remarks, I hope Members can support my amendment. Thank you, President.

MR JAMES TO (in Cantonese): President, the original motion proposed by Mr LEE Wing-tat of the Democratic Party seeks to propose a series of measures, including increasing the supply of medium and small-sized residential flats. Several Honourable colleagues from other political parties have also proposed amendments. Why have I proposed an amendment to Mr WONG Kwok-hing's amendment? Let me do some explaining. Of all the amendments proposed by colleagues, we can only support the one proposed by Mr WONG Kwok-hing, though unfortunately, something is still missing in his amendment. According to his proposal, the Government should proactively consider resuming the sale of land. However, we find this quite hesitant. Even the Liberal Party has proposed in its amendment that the Government should sell land flexibly. However, Mr WONG Kwok-hing has merely called on the Government to proactively consider resuming the sale of land. I must assert our stance that we demand the Government to resume the sale of land. Therefore, we hope that, through this minor amendment proposed by me if passed, we can then support many other proposals raised in Mr WONG Kwok-hing's amendment.

The Democratic Party will abstain from voting on Mr CHAN Kam-lam's amendment. Why? First, he insisted that the sale of land be resumed at irregular intervals. However, we think that the sale of land should be resumed depending on the circumstances. Under certain circumstances, the sale of land might need to be resumed at regular intervals. This is why we have reservations about Mr CHAN's statement about the resumption of sale of land at irregular intervals. Furthermore, he proposes in item (c) of his amendment that the Land (Compulsory Sale for Redevelopment) Ordinance be relaxed. We have reservations about this for the time being. Therefore, we will abstain from voting on Mr CHAN Kam-lam's amendment.

As for Mr Vincent FANG's amendment, we can definitely not support it because he proposes to delete the part concerning "building HOS flats". We will vote against it.

President, I have explained why I have acted in such an indirect manner by merely amending Mr WONG Kwok-hing's amendment slightly. Actually, we wish to support a great majority of the proposals made in the amendment. This is why I have proposed this amendment.

President, perhaps I should give a brief explanation. First, the Democratic Party is certain that the recent rising trend of the prices of luxury properties has already spread to non-luxury properties. At the same time, we feel that non-luxury properties remain one of the options for providing the general public with shelter for the time being — though this does not necessarily entail purchases of properties. Such an important means of housing has produced an impact on the people's livelihood.

Second, we have seen that the supply of land is indeed inadequate. Let me explain briefly. According to the information provided by the Government, the completion of private flats has started to fall since 2004, with the number of private buildings completed having fallen 66%, from 26 000 in 2004 to only 8 800 in 2008. The construction volume has also fallen year on year by 54% in two years, from 17 000 units in 2006 to only 8 000 last year. Of course, both completion and construction In other words, supply will drop in the future.

Third, the cumulative effect of building less private buildings will affect the supply of properties in the future, unless property developers are prepared to expedite their pace of construction and completion as well as their pace of putting the flats on the market for sale. All these three conditions are indispensable.

As of September this year, there were 47 000 unsold units under construction. It is estimated that only 9 400 pre-sale or completed units on average will be available each year over the next five. This is far below the Government's expectation that the private market can supply 15 000 units for sale each year. Although 47 000 units will be nominally launched over the next five years, the Secretary must not believe that 47 000 units will really be launched in the next several years because even if the Secretary for Development has

once said that a decision can only be made depending on whether property developers are willing to put the flats on the market.

According to the remarks made by the Financial Secretary a couple of days ago, a supply of 150 000 flats is expected for the short, medium and long terms in the future. However, only 10 000 flats, built by the MTR Corporation Limited (MTRCL) and the Urban Renewal Authority (URA), are ready to be launched within the next several years. Incidentally, President, I would like to declare that I am a non-executive director of the URA. This is why I am well-versed in the situation.

In the medium term, subject to the Town Planning Board's vetting and approval and pending an agreement reached between the Lands Department and property developers on regrant premiums and other conditions, some 52 000 flats will be available. The remaining 90 000 flats actually represent a potential supply. The sites referred to are actually "raw land", that is, land without infrastructure, not "ready land". It is believed that it will take 10 to 20 years before these sites can be turned into flats to be put on the market for sale.

As regards the so-called medium-to-long-term properties suggested by the Financial Secretary, practically nothing has been done. Even if property developers have land in their hands, they will still employ various tactics, such as controlling the progress of works, sales, and so on. As commented by the Secretary for Development, the property developers hold the initiative. There is no way for the "verbal coercion" made by the Financial Secretary to fulfil the commitment made on the supply of properties.

Let us now turn to the HOS secondary market. Currently, 60 000 HOS flats have already paid the regrant premiums, whereas another 50 000 have not made the payments. However, there were only 1 645 transactions of HOS flats in 2008, and only 1 497 as of 15 October 2009.

President, the HOS secondary market can actually be revitalized if relaxation can be made so that not only applicants of Green Forms can acquire HOS flats in the secondary market. Furthermore, following the sharp rise in the prices of new flats launched onto the private market, how can a HOS flat owner afford buying a 700-sq-ft private flat if it costs \$5 million to \$6 million, or even

\$7 million? If HOS flat owners cannot purchase private flats, how can they sell the HOS flats currently in their possession so that they can jump to another level?

President, as regards the auction we mentioned, we think that the Government has to respond to new developments whenever necessary by holding auctions at regular or irregular intervals. Despite the Government's statement that land sales can be substituted by change of land use through payment of regrant premiums, adjustments can be made only through land sales. As regards the Government's comments on the affordability of the public, as pointed out by Mr LEE Wing-tat earlier, the figures of the third quarter have not yet been published. By the so-called affordability, the Government was referring merely to the monthly payment made by the people. Actually, they cannot afford the down payment. Even if they can afford the monthly payment, as many economic analysts and even Mr Vincent FANG pointed out, people intending to purchase properties must first consider carefully and not purchase properties just because the Secretary said that they could afford it. Can they afford it in the event that interest rates rise in future?

President, summing up all of these views, we have proposed to amend "to proactively" in Mr WONG Kwok-hing's amendment in the hope of resuming the sale of land. Subject to the passage of our amendment, we will vote for Mr WONG Kwok-hing's amendment.

SECRETARY FOR DEVELOPMENT (in Cantonese): President, the motion proposed by Mr LEE Wing-tat calls on the Government to take some measures, which are separately related to the land policy under the ambit of the Development Bureau and the housing policy managed by the Transport and Housing Bureau, for the purpose of increasing the supply of medium and small-sized residential flats, stabilizing the property market, helping the public purchase flats which are affordable to them and addressing the demand for housing. Actually, the developments in the residential property market over the last few months warrant our concern. In view of this, in the policy address announced last month, the Chief Executive acknowledged the public concern about the supply of flats, difficulty in purchasing a home, and the possibility of a property bubble. He said that the Government would closely monitor market changes in the coming months and, when necessary, the land supply arrangements would be fine-tuned. I am very pleased to join the Secretary for

Transport and Housing in attending this debate today to listen to the views of Members. I trust the views to be expressed by Members later will provide very useful reference for us in following up this sensitive issue, also a matter of concern to Members, in the coming months.

The key task of the Development Bureau in implementing the objective of the Government's housing policy on the private residential market is to supply land. While Mr LEE's original motion calls on the Government to resume the sale of land by public auction, the amendments proposed by Mr WONG Kwok-hing, Mr CHAN Kam-lam and Mr Vincent FANG deal with the supply of land and even broader issues, including increasing the supply of land, speeding up the redevelopment of old districts and improving the policy of sale of sites by application. First of all, I will give a brief account on issues pertaining to the supply of land.

An adequate land supply is vital to maintaining the steady development of the property market. I have noted from the recent public discussions on the property market that there seems to be no major controversy about increasing the supply of sites for housing. In its preliminary conclusion on Hong Kong's economic conditions published yesterday, the International Monetary Fund agreed that increasing the supply of land and arresting the rising trend of property prices are a feasible solution.

Insofar as the present arrangements for land supply are concerned, the List of Sites for Sale by Application, also commonly known as the Application List, though not the only source of land supply, is one of the sources of sites for private residential developments. On the 2009-2010 Application List, 61 sites are provided, of which 40 are residential sites. Depending on the actual design of developments, approximately 10 000 flats can be built on the 40 residential sites. Excluding one residential site sold in May and three residential sites which have yet to be attached with sale conditions, 36 residential sites are on the Application List today for triggering. It is expected that approximately 9 500 residential units can be built.

In response to Mr WONG Kwok-hing's call on the Government to give priority to exploring ways to build more properties that meet the needs of the local sandwich class and grassroots to buy properties for self-occupation, here I would like to point out that the design of the flats under the private developments

and the sale targets of the flats should be decided by the market. Our duty is to ensure the provision of a wide range of sites on the Application List, including land of different categories, locations, sizes, and so on, in order to meet the different demands and expectations of the market. Take the 40 residential sites on this year's Application List as an example. Depending on the planning and design of the developments, there are sites for building luxury properties as well as medium and small-sized residential flats. The sites are also distributed quite evenly, with seven sites located on Hong Kong Island, eight in Kowloon, and 25 in the New Territories and on outlying islands. Insofar as size is concerned, there are 19 small sites of less than 0.5 hectare each, generally considered to be suitable for constructing medium and small-sized buildings; 11 medium sites with an area between 0.5 hectare and 1 hectare; and 10 large sites.

Apart from the Application List System, the property developments carried out by the MTR Corporation Limited (MTRCL) and the Urban Renewal Authority (URA) are also a major source of supply. I agree with Mr James TO's earlier remark that the sites supplied by the URA is relatively limited. However, the Chief Executive indicated in this year's policy address that the Government would discuss with the MTRCL and the URA with a view to quickening the pace of bringing readily available residential sites to the market.

Insofar as the MTRCL is concerned, following its discussion with the Government, its latest plan is to quicken the pace of its residential developments at the Nam Cheong Station, which were previously scheduled for tender in two phases, for tendering during the same period in the first quarter of next year in order to provide a total of 3 300 residential flats. Coupled with the 1 200 or so units on sites C and D of the Austin Station, the MTRCL will be able to put a total of some 4 500 flats on the market this year. We will continue to liaise closely with the MTRCL and, in the light of and according to the conditions of the market, flexibly launch larger MTRCL developments in the coming year or two.

As regards the property development over the Nam Cheong Station which will be put to tender shortly, we are pleased to note that during its meeting last week, the Sham Shui Po District Council (DC) agreed that the Development Bureau and the MTRCL had proactively responded to its concern about the previously approved density of the development by making some fine-tuning and improvement measures on various fronts, thereby avoiding the wall effect of

screen-like buildings. The Sham Shui Po DC also voted by a great majority for its motion on the same day, calling on the Government to promptly respond to the exceeding high property prices and the difficulty facing the public in home purchase by launching the development at the Nam Cheong Station expeditiously, for the purpose of providing an ample supply of flats and, through the development, achieving a win-win situation, thereby stimulating the labour market, creating job opportunities and promoting integration in the community. We welcome the balanced and pragmatic discussion conducted by the Sham Shui Po DC, which has made it possible for the Nam Cheong development, which has been embroiled in controversy for years, to be launched expeditiously to boost the supply of flats.

President, I have spent quite some time talking about our discussion with the Sham Shui Po DC because I firmly believe the development at the Nam Cheong Station can, to a certain extent, enlighten our discussion on the supply of residential flats today. It is generally agreed by people in the community, I think Members will also agree, that we must make effective use of our housing and land resources, especially those easily accessible sites in urban areas, in order to satisfy the housing needs of local residents. But, at the same time, in view of the concern expressed by people in the community about the impact of the development density on the environment, whether in relation to the sites on the Application List or the residential developments carried out by the MTRCL, the URA or property developers, objections from many people in the relevant districts or DCs often arise when the developments are being implemented, thereby affecting the progress of the supply of flats. The aspiration expressed by residents living in the vicinity of the developments for reducing the number, height and volume of newly completed buildings is understandable. In this regard, the Development Bureau has striven to respond proactively over the past years. However, we can only seek to strike a pragmatic balance between responding to the people's aspiration for a better living environment and providing adequate residential flats as well as making effective use of our valuable land resources.

Take the Nam Cheong Station development as an example. We fully understand the extensive concern aroused by its original plan, and so the Chief Executive proposed in the 2007-2008 policy address that its development density be reviewed. Subsequent to almost two years of work and discussions with the DC, the gross floor area of the entire development was reduced by 18% and the

number of residential flats reduced by 926, from the original target of 4 247 to 3 321 now. The buildings, from their configuration to layout, distance between buildings and design of ventilation breezeways, have also been fine-tuned and have thus gained the support of the Sham Shui Po DC, thereby enabling the development to be put on the market shortly to increase the supply of flats. I hope we can work jointly with Members and relevant DCs on other residential developments which are still under negotiation to achieve a pragmatic balance, as mentioned by me earlier, in ensuring an adequate supply of flats and the stable and healthy development of the property market.

Insofar as the URA is concerned, two redevelopment projects, one located in Lee Tung Street, Wan Chai and the other in Yuet Wah Street, Kwun Tong, have been launched one after another this year. These two developments, the tendering of which has been completed, can provide approximately 1 600 flats in total. In the coming 12 to 18 months, the URA will launch two completed redevelopments. There is also an opportunity for the URA to offer four developments under construction for pre-sale to provide an extra 600 units and 1 100 units separately.

The third source of supply comes from private residential sites, that is, sites which are owned by property developers and approved by the Town Planning Board (TPB) for residential development through lease modification. However, I must point out that the progress of these private developments and the timetable are basically decided by the market. The Government is only responsible for rationalizing the flow within the statutory and administrative framework for provision of efficient services. In processing the applications for lease modification and exchange of land, the Lands Department has already issued more than 40 provisional basic terms offers and binding basic terms offers. It is estimated that an extra 22 000 residential units can be provided. Therefore, it is not the case that practically nothing has been done, as the final stage of making arrangements for discussing land leases has already been reached. Of these residential flats, around 3 000 will be built on a number of lots in Wu Kai Sha and Lok Wo Sha. I believe Members have already noted that the relevant property developer has already announced, in a high profile, its acceptance of the Government's binding basic terms offers, including the amount of regrant premium to be paid. Furthermore, some 16 000 additional residential units can be provided by developments which have been approved by the TPB but have not yet made arrangements for any lease modification and exchange of land.

On the potential supply of land, the future supply of private residential land is estimated to be approximately 270 hectares (not taking into account the West Kowloon Cultural District and the number of private development applications already approved by the TPB) and nearly 90 000 residential flats can be put on the market. As I mentioned just now, this is merely a potential supply, and further work is pending. Meanwhile, this figure only represents the maximum supply of private residential sites known at the present stage. The exact supply will depend on the actual demands of the market, the premium agreements, the progress of exchange of land and the site formation work.

In the long run, the two new development areas, namely the North East New Territories New Development Area (comprising Kwu Tung North, Fanling North and Ping Che/Ta Kwu Ling) and the Hung Shui Kiu New Development Area in North West New Territories, and low-density rural areas (such as the released border closed area) will provide land for residential development purposes. The planning of the North East New Territories New Development Area and the border closed area is in good progress. The two land planning study proposals will be submitted to the Panel on Development of the Legislative Council for discussion this month.

President, the expression "revitalization" has seen extensive application recently. Actually, revitalization of old districts will, to a certain degree, help the supply of flats. Therefore, one of the proposals raised in Mr CHAN Kam-lam's amendment for the Government to relax, "in response to the aspiration of local residents, the threshold for auction under the Land (Compulsory Sale for Redevelopment) Ordinance to speed up the redevelopment of old districts" in order to increase the supply of residential flats is understandable.

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

For the purpose of tackling the problem of urban decay and improving the living conditions of the people in old districts, the Land (Compulsory Sale for Redevelopment) Ordinance can facilitate the private sector's participation in expediting the work of urban renewal. Under section 3(1) of the Ordinance, the majority owner, that is, a person or persons who own not less than 90% of the

shares in a lot, may apply to the Lands Tribunal for an order for sale. In June and July this year, I proposed to the Panel on Development of the Legislative Council to lower the threshold to 80% for applying for orders for sale for three categories of lots. I hope my proposal can receive the support of this Council. We plan to table the relevant subsidiary legislation before this Council in the first quarter of next year. The subsidiary legislation, if supported and endorsed by this Council, will help increase the supply of flats, particularly in urban areas.

Lastly, Deputy President, I would like to say a few words about the Application List System. This market-driven System can allow the market to determine the time and quantity of land sales in a flexible manner. Since the resumption of the Application List System for sites to be sold in early 2004, the number of applications received has fallen from 33 and 50 in 2006-2007 and 2007-2008 respectively to five in 2008-2009, and four up to the present moment. The number of sites successfully triggered for auction has also fallen from nine and eight in 2006-2007 and 2007-2008 respectively to one in 2008-2009, and one up till now in this year. During these periods, we have reviewed the relevant details from time to time in the hope of introducing improvement measures, including measures for improving the deposit arrangement for applications made under the Application List System, shortening the period for sites to be triggered for auction and publishing the number of unsuccessful applications on a monthly basis, so as to enhance the transparency of the System.

The threshold for triggering sites on the Application List has been set at not less than 80% of the open market value because there is a need to ensure that the bidding prices of property developers will not deviate far from the full market values. Should there be an enormous gap between bidding prices and full market values, a tedious auctioning process might be required before the reserved prices determined according to the prices of the open market can be reached. This might even raise the possibility of having the sites recovered. The existing practice seeks to achieve a proper balance between the risks borne by property developers and the Government's need to recover the auctioned sites.

In recent discussions and the motion debate today, we have heard different views, such as the suggestion that the Government should consider arrangements other than the Application List System, including the sale of sites through open auction at regular or irregular intervals. Some people have also proposed that the Application List mechanism should be improved by, for instance, lowering

the existing 80% threshold. We will continue to listen carefully, seriously study different views and, in accordance with our monitoring of the market conditions in the next several months, decide what arrangements should be made for improving the supply of land.

With these remarks, Deputy President, I will add a few comments or give my response following the speeches delivered by Members. Thank you, Deputy President.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, the Government's housing policy is aimed at offering assistance to low-income households which cannot afford renting private flats and providing them with public rental housing (PRH) flats in order to address their housing needs. It is not the Government's current policy to encourage the public to acquire their own homes.

The Hong Kong Housing Authority has all along focused its resources on the development of public housing in order to achieve the objective of addressing the basic housing needs of low-income households and shortening the waiting time for PRH from six to seven years a decade ago to an average of three years now. However, it must be borne in mind that the demand for public housing has continued to rise. At present, there are more than 120 000 applications on the Waiting List, and an average of more than 3 500 applications are received on a monthly basis. Due to the availability of limited land for PRH development, it remains a challenge for us to meet the target of maintaining the waiting time for PRH at three years.

Deputy President, housing has all along been a highly sensitive issue, and must be handled carefully. There are many different voices in society advocating that the housing policy, which has proven to be effective since 2002, should not be changed due to the recent fluctuations in the market. We will listen to Members' views carefully and, as always, continue to closely monitor the real estate market to enable it to develop freely and steadily with transparency and continue to develop healthily in this manner.

As for the statistics mentioned by Mr LEE Wing-tat earlier on the public's affordability, the statistics for the second quarter are already the most up to date.

The statistics for the third quarter will not be available until a couple of weeks later.

Deputy President, I so submit.

MR CHAN KIN-POR (in Cantonese): Deputy President, since the reunification in 1997, Hong Kong has been dealt heavy blows by the financial turmoil and the financial tsunami one after another. The Government has no alternative but to modify its economic policy again and again. Its housing policy is a good example, which has been changed from adopting the policy of "85 000 flats" to abolishing the sale of land by auction on a regular basis, and then from introducing the Application List System to suspending the construction of Home Ownership Scheme (HOS) flats. Though the property market has stabilized as a result, the Government's policy has moved from one extreme to the other, that is, from boosting to curbing the supply of flats. However, upon the recovery of the economy in Hong Kong, the Government has yet changed its existing land policy which is based on controlled supply. In view of this, how can the property market have healthy development?

According to the information provided by the Government, during the period from 2000 to 2004, the supply of newly built flats ranged from 26 000-odd to 31 000-odd units each year. However, in 2005, the supply dropped to 17 000 units and even to only 9 000 units in 2008. The substantial drop in supply was attributed to the suspension of the sale of land and the policy of sale of sites by application. With the recovery of the economy, the market has seen a greater demand for land. However, developers have all along been complaining that with various restrictions under the Application List System, it is difficult for them to trigger sites successfully. Over the past seven months, only a small site has been successfully triggered. But the property price in Hong Kong has surged substantially during this period of time. Although I am not going to analyse the shortcomings of the policy of sale of sites by application in detail, I wish to point out that if the Government does not address the inadequate supply of land, the situation will only be deteriorating.

As shown in the statistics, the average property price in Hong Kong at present is already more or less the same as that in November 1966. Let us recall the situation in 1996. At that time, the property price was incessantly hitting

new highs and the public were desperately keen to buy their own homes. However, with such a high property price, the grassroots dared not to make a move. Even young graduates also grumbled, wondering when they could save up enough money for the down payment. Living peacefully and working in contentment is, in fact, a basic aspiration of each member of the public. They all want to have their own flats, especially those young people who are going to get married. But as they gradually find that they cannot afford to do so, serious public grievances will be caused naturally.

In order to rescue the economy, the United States Government has launched large-scale relief measures, and eventually, it has to print a lot of the US dollar notes to "foot the bill". This will give rise to the risk of devaluation of the US dollar in the near future. Some people worry that the Hong Kong dollar, being linked to the US dollar, can hardly escape the fate of devaluation. By that time, the property market may surge again, causing more serious grievances in society.

In view of the present situation on various fronts, it is really necessary for the Government to adjust its housing policy. However, to date, the Government has yet made any big move. It is speculated that the Government may have some worries. If the supply of flats is increased hastily, once the economy is adversely affected again, the property market will be ruined as well. By that time, the Government will be blamed as the chief culprit. Although such worries should in no way be treated lightly, I consider it necessary to suppress the property price of medium and small-sized residential flats expeditiously before it surges to an insane level. This is also important to the healthy development of the property market.

I think the Government should consider resuming the construction of HOS flats. Though it stresses that HOS flats and private flats are two different markets now and so constructing HOS flats will not alleviate the surging price of private flats, I think HOS flats can meet the home purchase demand of the grassroots and some young couples. Moreover, those Green Form applicants, after purchasing HOS flats, have to surrender their public rental housing (PRH) flats. This will help shortening the waiting time of PRH flats. As for those White Form applicants, after purchasing HOS flats, their demand for medium and small-sized residential flats can also be alleviated. Only if the Government can make an appropriate choice in respect of the quantity and location of HOS flats, it is worthwhile for us to resume HOS.

Moreover, the Government stated that it would consider further revitalizing the HOS secondary market. HOS is a huge potential source of supply of middle-priced and low-priced housing. At present, there are over 300 000 HOS flats in Hong Kong, and among them, 220 000 flats, after the payment of regrant premium, are still priced below \$2 million. At the same time, some academics have recently put forth a new proposal of revitalizing HOS flats, so as to enable those eligible HOS applicants to purchase second-hand HOS flats without paying the regrant premium. This can not only enable the grassroots to buy their own flats, but also prevent HOS flats from draining into the private-sector market after the payment of regrant premium and causing direct impact on the property market. I think this proposal merits our thorough consideration.

As for the policy of sale of sites by application, it will affect the property market directly. It is indeed necessary for the Government to review the existing land policy which is based on controlled supply. I think even if the existing system were to be retained, it should improve the mechanism of sale of sites by application, so as to ensure that the land supply can be maintained at an appropriate level and no imbalance of supply and demand will be created. Moreover, the Government should consider resuming the sale of land. But in order to avoid any over-supply, the Government can consider selling land on an irregular basis, so as to facilitate it in determining the supply according to the market demand. Hong Kong, after all, is a place which has always upheld the free market. If the Government puts too many restrictions on supply, the market will only be further distorted.

I so submit.

MR TOMMY CHEUNG (in Cantonese): Deputy President, since the release of the policy address, discussions on the overheated property market in the community have never ceased, showing that this is really a matter of grave concern to the people. But now, the focus of our concern has shifted from whether the Government should "devise some strategies" to how it copes with such a situation. Mr LEE Wing-tat hoped that the property market could have a "soft landing" and did not want the Government to prescribe any heavy dosage of cure. We of course agree to this principle. However, as Mr Vincent FANG mentioned earlier, what we really fear is that if such measures are too aggressive, the outcome will run counter to our desire.

After the announcement by the Hong Kong Monetary Authority that stricter measures would be imposed on the mortgage of luxury flats and the meeting with developers by Financial Secretary John TSANG, the number of transactions in the property market has gone down immediately. Recently, five luxury flats are open for auction but no buyer shows any interest in bidding for them.

As shown in the statistics provided by some real estate agents, among the 30 indicative housing estates in Hong Kong, the transaction price of 18 housing estates has recorded a drop. The transaction price per sq ft of some housing estates has even recorded a drop of over 10%. Some transactions in large housing estates in Sai Kung and Tai Koo have even suffered losses, showing that thanks to the measures implemented by the Government, the property market has been slightly cooled down. At this time, if the Government wants to make a big move by resuming the construction of HOS flats, even if only an appropriate number is built, will someone take this opportunity to suppress the property price substantially, causing a "hard landing" in the property market? We should in no way treat it lightly.

Resuming the construction of HOS flats will, apart from affecting the private property market, also affect the interests of over 120 000 applicants of public rental housing (PRH) at present. On average, there are 3 000-odd new applicants each month. It is already a big headache for the Government to identify sites in the urban areas for construction of PRH flats. If these PRH sites are changed to construct HOS flats, people on the Waiting List will have to wait even longer. Is such practice fair to those 100 000-odd PRH applicants?

Of course, "not prescribing any heavy dosage of cure" does not mean doing nothing. Therefore, the Liberal Party considers it necessary to address this problem at root, rather than simply adopting "verbal coercion" or administrative measures. This year, the upsurge in the property market is attributed to, apart from the influx of overseas capital into Hong Kong, the problems with the Application List System. The Secretary has also mentioned this point just now. Developers' failure in triggering sites has also led to the ever decreasing supply of private flats in recent years, which has indirectly pushed up the property price.

As shown in the statistics provided by the Government, at the end of September, together with those private residential flats under construction, there

are only 47 000 first-hand flats, representing a year on year drop of 11%. The supply of private residential flats has recorded a new low since 2004. Therefore, it is of great urgency for the Government to improve the Application List System and increase land supply, so as to prevent the gap in the supply of flats from pushing up the property prices.

The Government has all along been improving the Application List System. For example, since 2005, it has accepted an upset price at 80% of the open market value. But even so, during the four years from 2005 to the present, only 22 sites have successfully been triggered for auction, with an average of less than five sites each year. In the six months of this financial year, no application for trigger has been recorded in five of these months. Moreover, only a very small commercial site in Sheung Shui has successfully been triggered and sold at a price of \$60-odd million.

The Liberal Party considers that the problem lies in the extreme aggressiveness of the Government in setting the upset price of its sites in the Application List. Even developers wish to trigger sites, they fail to do so as they very often cannot offer the Government's upset price. In particular, the Government has kept on pushing up the property price per sq ft as its reserve price. In such a vicious cycle, it is even more difficult for developers to trigger sites.

Therefore, the Government should enhance the attractiveness of the Application List System by further reducing the existing upset price at 80% to 60% of the open market value, so as to enable developers to trigger sites for auction at a lower threshold. In this way, the supply of land and flats will be increased and the property price can be suppressed.

Another alternative that can increase land supply is to sell land flexibly, that is, the Government can draw up plans according to the supply and property price of each district. If there is a serious shortfall in the supply of new flats or the property price surges too rapidly in a district, the Government can sell land by auction in a focused manner, so as to stabilize the property market. In particular, it should address the problem of the public finding it hard to purchase their first flats. It can provide flats with limited floor area of less than 500 sq ft, so as to prevent these flats from being packaged as luxury ones. In this way, it can assist those people in need or the middle class to purchase their first flats.

Moreover, we should not forget that apart from the surplus HOS flats under Phase 5 currently being sold, the Housing Authority still has 4 000-odd surplus HOS flats in stock. Should we speed up the pace of selling this batch of surplus flats? For example, they can all be put to the market next year to meet the demand, so as to achieve the effect of relieving the property market immediately.

All in all, it is very important to prescribe the right remedies, but it is also very dangerous to overkill. Deputy President, I also want to respond to what the Secretary for Development has just mentioned. She is worried that relaxing the threshold of trigger will lengthen the bidding process or make it necessary for the Government to recover its sites. In fact, we hope that the Government can lower the threshold of trigger. It does not matter even if the bidding process is prolonged. The most important thing is developers' participation in the auction. If the Government considers the premium undesirable and has to recover the site, it can do so at any time. But the question still lies in the fact that it should lower the threshold to facilitate their participation. Only with competition can we achieve unexpected results.

Deputy President, I so submit.

MR CHEUNG KWOK-CHE (in Cantonese): Deputy President, I think the surge in property prices has troubled many people recently. The Government has taken some actions immediately, for example, the Hong Kong Monetary Authority has tightened the mortgage loan ceiling for flats priced above \$20 million, with a view to curbing the speculation in luxury flats, but it is no more than a gesture without any practical use. The housing problem faced by the middle and lower classes still remains unresolved.

Under the influence of sky-high prices of luxury flats, it is inevitable for property prices to be pushed up. Chief Executive Donald TSANG said that it was only a rare situation to see a surge in the prices of luxury flats, which had nothing to do with the general public and would not affect the people's livelihood. However, I want to retort by using the arguments of my friends, who all have medium and small-sized residential flats in hand. They told me that in view of the surge in luxury property prices, as they were afraid of being caught at a

disadvantage, they did not want to sell their flats rashly but preferred waiting for a "better price". Real estate agents are also prepared to mark up the prices for them, as the higher the property price, the more their commission. I think what I have mentioned is the mentality of the general public. Seemingly, our Chief Executive does have very little knowledge of the plight of the masses.

According to the information provided by the Rating and Valuation Department, the supply of newly completed medium and small-sized private residential flats has recorded a drop for five consecutive years from 23 460 units in 2004 to 7 700 units in 2008, with a substantial drop by two thirds, but the number of vacant flats remains high actually. During these past few years, it still stands at about 40 000 units to 50 000 units. Of course, it may not be due to the fact that nobody is interested in them because of their extremely high marked prices. But such a situation does exist, resulting that some flats are left vacant while some people have no flats to live. The "shell-less snails" can thus only heave a deep sigh when looking at these flats.

Moreover, with the push by the high property prices, many owners who have sold their flats at a high price are not prepared to purchase another one at a high price as well. Rather, they prefer renting flats on a short-term basis and purchase flats again when the property price has come down. In such circumstances, the supply of rental flats fails to meet the demand and the rentals are spiralling continuously. Now, for a small-sized flat in an ordinary district, the rental per sq ft has increased from about \$14 at the beginning of this year to \$17 now. Take a flat of 600 sq ft as an example. The monthly rental is as high as \$8,000-odd to \$10,000-odd.

Earlier on, some people took to the streets, demanding the Government to address the problem faced by "shell-less snails". Most of them come from the middle class who are not entitled to any government assistance but have to pay tax. Regrettably, it is very difficult for them to find a desirable "home". What I want to say is that even if they are not the same as those vulnerable groups in Hong Kong who have been suppressed by the Government and are living in dire straits, they also find it very helpless to live in such a community as Hong Kong. I really do not understand why the Government's administration always fails to meet public sentiments.

I think the Government should, before the eruption of public grievances, put forth some medium- and short-term measures expeditiously, so as to curb the persistently high property prices. First of all, it should resume the sale of land on a regular basis expeditiously to increase land supply. Only with an ample supply of land can we have adequate flats to put to the market, so as to curb the surge of property prices effectively.

At the same time, it should resume building HOS and Sandwich Class Housing (SCH) flats, so as to enable those who cannot afford purchasing private flats to have their own homes. As for the method of putting HOS and SCH flats to the market and the number of flats to be provided each year, I think we can have some discussions. For example, proposals such as restricting the resale of such flats in a certain number of years or requiring that such flats can only be sold back to the Government can be considered, so as to avoid dealing blows to the private property market and creating a new batch of negative equity asset owners.

In order to enable the lower stratum to purchase their own flats as well, I also propose to re-launch the Tenants Purchase Scheme at the same time, so as to cater to their housing needs. It is because having a secure home is not only the right of the middle class, but also the right of the grassroots. In reviewing this issue, we should not ignore their needs.

Lastly, I hope the Government can seriously review the existing eligibility for public rental housing (PRH) flats and HOS flats if they are to be constructed again. At present, the eligibility of singleton applicants for PRH flats is capped at a monthly income of \$7,400 and the total amount of assets of \$182,000. As for households comprising two members, the eligibility is capped at a monthly income of \$11,600 and the total amount of assets of \$246,000. As for households comprising four members, the eligibility is capped at a monthly income of \$15,800 and the total amount of assets of \$375,000. Although such eligibility was adjusted in April this year, I think it is still not enough. The Government should relax them and make an upward adjustment in a more comprehensive manner. It is because given the high prices of goods now, salaries are decreasing on the contrary. Particularly, for those households with children, the expenditure on education constitutes a heavier burden on them.

When reviewing this issue, we should also take the waiting time into account, so as to ensure that public resources are utilized properly.

Deputy President, I so submit.

MISS TANYA CHAN (in Cantonese): Deputy President, the recent property market is of course the topical issue. However, as we can see, some situations have emerged in the property market recently. For example, market failure, which is an economic term we must have already learnt in secondary schools. Market failure is attributed to the fact that the supply is unable to meet the demand or the supply is more than the demand. That is to say, there is an imbalance between supply and demand. However, on the other hand, it seems that there is also an imbalance of information flow.

Therefore, the Government's policies should comprise both short-term and long-term measures. Take the Application List as an example. As explained by the Secretary just now, the Application List is seemingly initiated by developers. If they do not offer a price, no land will be triggered at all. Of course, the Government also has some measures in place, such as accepting a trigger offer at 80% of the open market value or announcing the number of triggerings made. However, in the long run, the supply is very important. If the land supply is decreasing, it will ultimately exert pressure on the primary property market. Therefore, we totally agree that the Government should improve its policy of sale of sites by application.

In fact, another alternative of land supply is the payment of regrant premium mentioned by the Secretary just now, that is, changing the land use. The Secretary has called it the potential supply. However, we still have some worries, for this alternative may not be sufficient. As for a site in Wu Kai Sha mentioned by the Secretary just now, the relevant negotiations have in fact taken a lot of time. But we can in no way make it until developers take the initiative and agree to make the payment. If my memory is correct, in some cities in the Mainland, if a developer fails to commence the development after purchasing a land for a long time, he will be penalized. However, it is not the case in Hong Kong. As we all know, even if a developer has acquired a site by auction and designed the plans, he can make some minor amendments every two years — this

is what we call a "stalling tactic" — and the plans are still valid. Therefore, the full picture of supply and demand may not be reflected.

Be it the sale of land by public auction on a regular or irregular basis, we absolutely agree with it. In the past, there was transparency in this regard. Information such as the time of the land sale and the site to be sold was released on the Internet clearly. This could enable developers to bid lands according to their targets, strategies, planning and land reserves. Therefore, transparency is very important.

Today's motions including the original motion and other amendments have made many different suggestions. I also want to talk about the stance of the Civic Party. For example, as for the Home Ownership Scheme (HOS) flats, we consider that building such flats can help alleviate the possible shortage in the supply of medium and small-sized residential flats, particularly first-hand flats. In fact, the sale target of HOS flats is confined to those eligible people only, therefore, the private property market will absolutely not be affected. The Civic Party is also aware of the importance of a stable property market. It is undesirable to see dramatic fluctuations in the market. A soft landing is of the utmost importance, as this will affect not only the people's livelihood, the property market and people's properties, but also the stability of the financial system.

Moreover, regarding the sale of public rental housing (PRH) units, the Civic Party considers that the Government should implement it prudently. It is because the original intent of providing PRH flats is to provide basic housing protection for those in need and enable those PRH tenants with means to consider moving to HOS flats or private housing estates. However, after the sale of these PRH flats, the supply will decrease and those who are waiting may have to wait even longer. Therefore, we will pay more attention to see if the sale of HOS flats can tie in with PRH flats, such as making special arrangements for Green Form applications.

Furthermore, I also wish to take this opportunity to talk about the primary property market. Some people may consider that this has nothing to do with the primary property market. However, we find that if the price of first-hand flats is pushed up substantially, those second-hand flat owners in the vicinity will also suspend the sale of their flats or ask for a higher price. Second-hand flats can of

course be classified as luxury or non-luxury ones. However, the high price of luxury flats will have a trickle down impact. Ultimately, the general public's purchasing desire will be affected. Is it a must for us to purchase our own flats? No, because we can opt for rental flats. However, in the Chinese society, we after all consider that purchasing our own flats is a big deal. Therefore, we also wish to know the strategies to be adopted by the Government regarding the primary property market.

Last week, I also talked about luxury flats or the phenomenon of ordinary flats being packaged as luxury flats. However, as shown in the record, the Government had in fact suggested introducing a bill regarding the sale information of uncompleted residential flats some time ago. It was in 2000. I was still very young at that time. But due to the sudden downward adjustment of the then property market, the Government withdrew the bill. Therefore, I very much hope that the Government can consider afresh this bill, so as to protect some home buyers, especially those buying uncompleted flats. In fact, the Law Reform Commission has also made some recommendations regarding those completed first-hand flats. I hope the Government can consider implementing them. When the sale really runs out of control, second-hand flats will also be affected inevitably in a gradual manner.

Moreover, I am a little bit worried about the re-launch of the Home Starter Loan Scheme. Of course, I hope very much that some young families or young people can be assisted in buying their first homes. However, if it is launched hastily before reviewing the failure or some cases in the past, I have great reservations about it as the bad debt ratio is really very high. These are my general opinions. I also hope that the Government can seriously consider the recommendation made by the International Monetary Fund yesterday. They also welcomed the Government to increase land supply.

I so submit. Thank you, Deputy President.

DR PRISCILLA LEUNG (in Cantonese): Deputy President, I think all of us have been discussing today's topic this month repeatedly. As far as I can remember, about two weeks ago, a newspaper reported in its headline that various political parties had proposed to resume building Home Ownership Scheme (HOS) flats. Therefore, I also sought views from the public in various districts

and my constituency, Kowloon West, on this proposal. If various political parties share the same views, we should address this issue squarely. Apart from building more HOS flats, there is also the argument that the surging price of luxury flats is seemingly attributed to the influx of capital from the Mainland for property speculation in Hong Kong. Some people hold that policies should be adjusted to address the property speculation in Hong Kong by capitals from the Mainland. Today, Members have put forth some other views. I would like to talk about the influx of capital from the Mainland first.

I remember that in our discussion on the policy address, I already pointed out that we should be mindful of this problem. Over the past week, I have consulted different people, including the middle class, the grassroots and people from all walks of life. In fact, we should really be careful. What do we think about the influx of capital from the Mainland? People in Hong Kong think that only those from the Mainland should be blamed for bringing in capitals to fuel speculative activities in the property market. I think the property market is only one of the sectors which have been pushed up by the influx of capital from the Mainland. This may bring about some adverse effects as we will be very anxious about the property market once the price of some flats has rocketed to an extremely high level. However, their capital will, at the same time, boost other sectors. I can also see that, in particular, some shops selling luxurious goods are crowded with customers, so crowded that they cannot buy anything even they have queued up there. The influx of their capital into Hong Kong will boost our catering, retailing and tourist industries as well.

As I mentioned last time, we should continue to follow up this issue. I hope the Government can seriously do some homework to see how the influx of capital from the Mainland has boosted various industries and sectors in Hong Kong. Of course, capital from the Mainland has also stirred up speculative activities in the property market. This is one of the reasons. However, is there any other reason for the rapid surge of the property market? We should do a very clear analysis of the whole picture, so as to tackle the influx of capital from the Mainland into Hong Kong. Their capital has no eyes, and it can leave Hong Kong today and go to Singapore tomorrow. It can stir up speculative activities in the property market there, but at the same time, it can boost other industries as well. What policies will be adopted by Hong Kong in this regard? I consider that the Government should take the lead to provide some figures to enable us to understand the situation, so that we can evaluate it more objectively.

Second, I personally quite agree with a commentary published in the *Oriental Daily* earlier on. Regarding the proposal of building HOS flats, it said that we should be very cautious and should never prescribe remedies indiscriminately. This is the editorial of the *Oriental Daily*. I personally agree with such argument. Different phenomena we have now seen may be fragmented. However, we should analyse the situation first. Why have these phenomena emerged? Is it merely due to speculative activities in the property market by the influx of capital? Is it solely related to the property market? Or is there any other problem? On the issue of population, I think it should be addressed, as it involves both the supply of PRH flats and the over-heated market of luxury flats at present. I earnestly hope that the Government can draw up a timetable and analyse the whole situation. Before such an analysis is conducted, I think any impetuous or short-sighted suggestions will bring about certain risks to the entire market in Hong Kong. And such risks will not just be borne by a single stratum, but will also affect different strata and even employment of the grassroots. Therefore, I hope the Government can show us its homework as soon as possible, including what I have just mentioned. Capitals may come not only from the Mainland, but also from Asia and even the Middle East. What is the impact on the entire market in Hong Kong? Where will they flow? Why has only the property market been affected? Will other industries be affected as well?

The second point is about our demographic structure. On the population policy, if we do not have any overall planning For the time being, the property market in Hong Kong should, after all, cope with the demand of the public. Every day, there are people shouting that they have no flats to live. However, every day, there are a lot of vacant flats for lease. Mr Abraham SHEK, I am very delighted that Mr CHEUNG Kwok-che also adopted the same wordings that "some people have no flats to live while some flats are left vacant". In fact, this is a phenomenon. I am not saying that this is the outcome. However, the phenomenon is really like that. In fact, we should also maintain the liveliness and vitality of the property market. At the same time, under a healthy situation, we should pay attention to the following. First of all, about the home starter loan, I supported it last year, but am very worried this year. Only when our property market is relatively stable can we re-launch this measure. Second, we should adopt different policies to cope with different needs. For instance, we have specific policies in respect of PRH flats. I do not totally disagree with the construction of HOS flats. However, if it is launched in the prevailing circumstances, I think the Government should buy time and strive to

do a good job in overall planning. It should examine the approximate number of HOS flats to be built each year, so as to ensure that the healthy development of the entire market will not be jeopardized. Only under such a situation am I willing to consider the number of HOS flats to be built each year. In this regard, I hope that Members, when looking at this problem, should not view it merely from the housing perspective. Rather, we should look into the links between various industries and sectors as a whole and conduct a structural analysis. I think this can enable us, in a "soft landing", (*The buzzer sounded*)

DEPUTY PRESIDENT (in Cantonese): Time is up.

DR PRISCILLA LEUNG (in Cantonese): not to crash with dirt in our face. Thank you, Deputy President.

MR CHAN HAK-KAN (in Cantonese): Deputy President, I speak in support of today's motion of urging the Government to increase the supply of medium and small-sized residential flats, so as to help the public to address their demand for housing. Deputy President, I personally consider that the housing policy of the Government has particularly overlooked the demand of young people. In the debate on the policy address last time, I cited two examples to illustrate why the income of young people was not enough for them to buy their own homes under the existing housing policy. Today, I would like to talk about why young people have no flats to live from the perspective of housing policy.

First of all, I would like to talk about public housing. Since 2005, the Government has adopted a points system for public housing, under which the younger the applicants, the lower their points, and the smaller the chances for them being allocated public rental housing (PRH) flats.

I certainly understand that this system is meant to give priority to families and the elderly for early allocation of PRH flats. I support this principle. But the question is, after this scheme has been implemented for four-odd years, we find that on average, those applicants aged around 30 have to wait for more than two years before they can be allocated PRH flats. And according to the figures compiled by the Legislative Council, the longest time they have to wait is six

years, which is longer than that of other age groups. As at the end of last year, the number of applications lodged by households comprising one to two person(s) had accumulated to over 70 000, representing 64% of the applications in total. This has reflected that young people have a very keen demand for PRH.

Regarding Home Ownership Scheme (HOS) flats, as we all know, the Government had suspended the construction of HOS flats since 2002 and started selling surplus flats again in 2006, causing a four-year gap in the HOS market. However, even with the supply of HOS flats in the market, it does not imply that you are eligible to purchase them. Take the surplus HOS flats in this phase as an example. Deputy President, the income cap of singleton applicants is \$12,100 and that of two-member households is \$24,200.

Let us think about this case of a youngman who, having finished his matriculation studies and after working for six to seven years, wants to buy his own home. His salary may be around \$12,000. If the total income earned by him and his wife is around \$24,000, once they have an increment in salary of just \$100 to \$200 or they have changed jobs, they will exceed the income cap. As a result, they can neither buy their first home nor be eligible to purchase HOS flats. There is no way for them to become home owners.

As for the private market, how can young people afford to purchase their own flats? Deputy President, as we can see, the supply of private flats in recent years has in fact been on the low side. Take the first three quarters of this year as an example. Only 5 500 residential flats are completed, which is far less than 14 000 flats as originally anticipated.

As we all know, the lower the supply, the higher the price. Coupled with the influx of capital into Hong Kong recently, property prices have not gone down in line with the economic situation. Rather, they are rising against the market trend. No matter luxury flats or medium and small-sized residential flats, the price is ever increasing. It is very rare to find first-hand flats valued below \$2 million. Even for second-hand flats valued below \$2 million, the price is also being pushed up persistently. Take City One Shatin as an example. The average price per sq ft has been increased from \$3,820 last year to \$4,200 this year, with a year on year increase of over 10%.

Due to the high property prices, the down payment required is much higher than that in the past. Even young people who have stable incomes and can afford home mortgages can hardly have enough savings for the down payment. Therefore, I have urged the Government on various occasions to re-launch the Home Starter Loan Scheme (HSLS), so as to help those young people with financial means to address their demand for housing.

In response to the HSLS proposal last week, Secretary Eva CHENG quoted some figures, pointing out that the proposal was rejected because of serious bad debts. Miss Tanya CHAN has also quoted such figures just now. However, I wish to point out that, among applicants of this scheme, 50% have already repaid their loans. For the remaining 50%, they include cases which are default on repayment, under repayment and bankruptcy. However, the total number of cases of default on repayment for over six months and cases of bankruptcy is only 1 833, accounting for 5.5% of the 33 000-odd applications in total. Of course, the Secretary will say that there are bad debts of over \$400 million. Deputy President, I have gathered some figures of other subsidized loan schemes. Let us take a look at their bad debt rates.

Taking the Non-means Tested Loan Scheme for university students as an example, as at the end of last year, the loss is \$144 million, with a bad debt rate of 4.2%. As for the loan scheme launched by the Government to assist industries being affected by SARS, the total amount of loan is \$500 million and the defaulted repayment at present amounts to over \$23 million, with a bad debt rate of 5.1%. As for the HSLS, the total amount of loan is \$14.8 billion and the default repayment amounts to \$480 million, with a bad debt rate of 3.2% only. Looking at these figures alone, the bad debt rate — we of course do not want to have any bad debt — is in fact on the low side. Therefore, in my opinion, the Government should introduce some concrete policies, so as to enable those low-income young people to live in PRH flats, those with medium or low income to purchase HOS flats, and those who can afford private flats to buy their first homes as soon as possible.

Deputy President, I so submit.

MS AUDREY EU (in Cantonese): Deputy President, recently, two pieces of news relating to properties in Hong Kong have drawn worldwide attention. One

of them is of course the sky-high price of \$71,000 per sq ft fetched by a property at the Western mid-levels and the other one, though less talked about, can still be found on the Internet, that is, a reporter from CNN took pictures of a caged home which is 625 sq ft in area and inhabited by 19 people living in a high temperature of 34°C. The reporter asked the Government to give a response and the Government said that some people had "chosen" to live in such caged homes because they were located near the urban area. In view of this, I enquired about the rent of these caged homes and found that the rent for a caged home of 50 sq ft is \$1,200, higher than that for a public housing unit of the same size, which is \$1,040. The Society for Community Organization also conducted a survey and found that despite the impact of the financial tsunami, the rent of these caged homes had bucked the trend and increased, with an average rate of increase of 15%. The increase in some cases was even as high as 40%. It estimated that 100 000 people live in these caged homes.

Deputy President, this is also proof of the wealth disparity mentioned by me in the first motion debate and also reminds me of the famous work "High and Low" produced by the famed Japanese director, Akira KUROSAWA. In the film, a poor young man kidnapped the son of a rich businessman and he was subsequently arrested. When the rich businessman visited him in prison, he asked the young man why he committed this crime. The young man said that every day, he could see the magnificent mansions housing the rich on the top of the hill overlooking the slum where he lived. As a result, he felt very discontented.

Deputy President, the problem of wealth disparity in Hong Kong is really very serious. We can all see that in international news, it is also reported that the price of residential properties in Hong Kong is as high as \$71,000 per sq ft and that the rent of caged homes is even higher than that of public housing. Deputy President, the Civic Party believes that the issue warranting priority is housing rather than home ownership. For this reason, we agree very much with the proposals put forward by Mr WONG Kwok-hing in his amendment concerning the supply of land for public housing and the shortening of the waiting time for public housing. We must address the housing need, which is a fundamental human right, before talking about the issue of home ownership.

Regarding the issue of home ownership, Deputy President, just now, many Honourable colleagues also mentioned such proposals as resuming the construction of HOS flats or the sale of public housing units and Miss Tanya

CHAN has also stated the position of the Civic Party on our behalf, so I do not wish to repeat it. Instead, I wish to talk about matters not covered by the amendments to the motion or the motion, that is, it is necessary for the Government to withdraw measures that fuel the property market.

Just now, when Dr Priscilla LEUNG spoke, she asked the Government to do its homework more diligently. In fact, Dr Priscilla LEUNG herself should also do her homework more diligently. She will then see that the existing capital investment entrant scheme was submitted to the Legislative Council in 2004, that is, after the SARS outbreak. Since the property market was rather gloomy at that time, the Government introduced a scheme under which the right of abode in Hong Kong will be granted to an applicant making an investment of over \$6.5 million in properties in Hong Kong. According to the figures of the Immigration Department (ImmD), in the six months from October 2007 to March 2008, the ImmD approved 537 applications and the amount of money involved was \$3.843 billion. In another six-month period from October 2008 to March 2009, despite the outbreak of the financial tsunami, the ImmD increased its manpower and the applications processed increased to 875 cases and a sum of \$6.12 billion was involved. It can thus be seen that with so much capital flowing into the property market, naturally, much fuel is added to the fire of the property market. I hope Secretary Carrie LAM, who is present, will advise the Chief Secretary for Administration, Mr Henry TANG, to follow the practice of Canada and Australia, whose entrepreneur programmes require not just the commitment of capital, rather, they also ensure that workers have to be hired and jobs created.

In addition, since we have many different kinds of funds, such as the Social Enterprise Fund, the Film Development Fund or the funds for the 18 District Councils to organize football teams, can we inject the capital of these investor immigrants into these funds, so that it can be used on services benefiting the public, instead of restricting its use to the purchase of properties? Otherwise, after a few years, these people will speculate on their properties by selling them for a profit. This may not be beneficial to the overall interest of Hong Kong.

At the same time, since many reports on such sky-high transactions point out that they are all transactions in cash, therefore, even though we can see the HKMA or Financial Secretary resort to verbal coercion by demanding that mortgages of properties worth over \$20 million be tightened, this move is useless

because all these transactions are made in cash. Can Secretary Ambrose LEE be asked to study what administrative measures can be taken against money laundering? If properties are bought with cash, at least, a declaration should be made, so that the authorities can look into them. Will this help?

Deputy President, the Civic Party opposes the amendment proposed by Mr Vincent FANG because he deletes the part about the sale of public housing units. Just like many Honourable colleagues who have spoken, I believe an appropriate quantity of HOS flats can help young people and first-time home buyers. As regards the amendment proposed by Mr CHAN Kam-lam, we will abstain from voting on it because it is said therein that the threshold for auctions should be lowered but this is highly controversial, so we think this warrants further discussions carefully.

Deputy President, I so submit.

DR JOSEPH LEE (in Cantonese): Deputy President, concerning the issue of property prices and HOS flats, we have said a lot in these two weeks. My personal view is that the Government has to clarify a very important question here: What actually is the present government policy on land and housing and has there been any change? We can see that in the original motion and the amendments, various propositions are made. The original motion and some amendments mention such courses of action as resuming the construction of HOS flats and the sale of public housing units. May I ask the Government whether its present housing policy has changed? Instead of being duty-bound to provide housing to Hong Kong people, does the Government now have the responsibility to help Hong Kong people buy their own properties?

I heard an example about Singapore, where 80% of the population own properties. Does the Government want to switch to this policy? If the Government is not going to do so, then why is it necessary for the Government to adjust its policy and use public funds to subsidize Hong Kong people in buying properties? I think we have to think long and hard about this. Of course, at present, there may be a bubble in terms of property prices. Last night, I had the opportunity to dine with a group of estate agents and we talked about the insanity of the prices of properties now. It is really impossible to predict property prices

now. They are now so high. As Ms Audrey EU said, there were people who had spent tens of millions of dollars to buy a flat. Moreover, it was paid for in cash. However, they said that the prices of flats in the secondary market and some in the primary market were still quite reasonable. After the financial tsunami, the prices have risen by 5% to 10%. However, it is also possible that due to those "insane prices", property owners have been prompted to raise the asking prices. The asking prices may be raised by 30% but when no one wants to buy, the prices will be reduced by 20%, so the prices will still end up increasing by 10%.

Certainly, we have to be cautious about any bubble in the property market but I think it is incumbent upon the Government to deal with any property bubble and stabilize property prices. However, apart from the aforesaid courses of action, it can also use the methods suggested by other Honourable colleagues, such as triggering sites on the Application List, land sales or regulating land supply. One can even prevent property developers in Hong Kong from hoarding land. These are the measures that the Government must take. However, it is one matter to stabilize property prices and the property market but it is a different matter altogether as to whether or not the Government has to change its housing policy and use public funds to help Hong Kong people buy properties. So long as the Government has not looked into the situation clearly, personally, I think I would still have reservations about this regulatory measure of reintroducing the sale of HOS flats and public housing units.

My personal view is that the purpose of providing public housing is to enable people without the means to find a place to live not to buy properties but to help people who have nowhere to live to find housing at reasonable prices. If, after living in their homes for some time, these people think that they should improve their living conditions, what can they do? This is why HOS flats came into being. This is the rationale of a revolving door. However, if we offer HOS flats for sale again now, saying that this can help people in the sandwich class buy properties, and if the Government does so, apart from adjusting its housing policy, it is also changing the proportion of White Form applicants to Green Form applicants at the same time, so in fact, a major policy change would be involved. If no policy change is made and only some measures will be adopted, how can we go about it? It seems this would run counter to the original policy intent. I think this is debatable and I have reservations about this.

Second, it is said that the sale of public housing units should resume to enable the public to live in peace and work in contentment. Of course, this is desirable but we must not forget that after the Government has sold the public housing units to the public, if they do not move, how possibly can that revolving door revolve? Of course, the Government would say that there should be no worries because it would provide a lot of land to build even more public housing, so that people with the need can move into public housing as soon as possible and within three years. We know that the Government's measures have improved and members of the public can now move into public housing in less than two years. If we sell public housing units to people who need them, if they do not move from them and if the construction of HOS flats resumes, there is no knowing when the revolving door will revolve again and whether people with the need can really be helped in owning their homes in Hong Kong. I think we have to think long and hard about this and sort this out clearly.

For this reason, my basic personal view is that before the Government has sorted out clearly whether or not its position is to adjust the entire housing policy, so that all Hong Kong people can have their own properties, I have reservations about all the policies relating to HOS flats, public housing and even the Home Starter Loan Scheme. Due to all of these reasons, I have reservations about the original motion and all the amendments today.

Thank you, Deputy President.

PROF PATRICK LAU (in Cantonese): Deputy President, first, I thank Mr LEE Wing-tat for proposing this subject which has aroused great concern in society of late because recently, property prices have surged so much that many people intent on buying properties for self-occupation have been deterred from doing so. In fact, Hong Kong's development has only used about 20% of its land, so we still have a large amount of undeveloped land. If we want to increase the supply of small and medium-sized properties, I think the Government should carry out overall planning as soon as possible by developing new sites and complementing them with well-conceived transport networks, then develop properties that society truly needs according to studies on population growth and housing demand, so as to meet the existing and future housing needs.

I am very pleased to find that the Secretary has responded to some of the issues. I agree with her comment that the Government would use sites near the border, such as those in Fanling and Sheung Shui, for residential development. There is a lot of undeveloped land in these areas. I believe that coupled with the geographical advantage of being close to the Mainland, these areas will be highly attractive if planning for convenient transport is carried out and if the design elements of an environmentally-friendly city are included. I hope that detailed planning for these areas will be made as soon as possible, so as to release the potential of these sites. A few years down the line, public housing or private residential flats can be provided, so that Hong Kong's development can be sustained and our medium-term and long-term housing needs met.

Except the Victoria Harbour and some places where conservation is required, I think the authorities should actually study ways to increase land supply by reclamation. We have made visits to Amsterdam and, unlike Hong Kong where land is reclaimed along the shore, the approach to reclamation there is to create artificial islands to increase land supply, so that no one would find land reclamation to be a problem.

Deputy President, the 10 infrastructure projects will be completed in succession in the next three to five years. By then, the appearance of Hong Kong will witness great changes. For this reason, the Government must carry out forward-looking planning as soon as possible by complementing them with various complementary community facilities such as new transport networks, the greening of the environment and improved pedestrian facilities, so as to derive the greatest benefit from these 10 major infrastructure projects.

In addition, on the issue of land sales, even if a property developer can successfully trigger the auction of a site on the Application List, the site may be won by other property developers in the auction, so in doing so, one will only benefit other people. It can thus be seen that this system tends to discourage property developers from triggering the auction of sites. In view of this, I think the Government should improve the Application List System, for example, by lowering the threshold for triggering a site. At the same time, I believe the Government should actively consider resuming public land auctions, so that it can operate side by side with the policy of site triggering. On the premise that the Government will develop more sites, enough sites will be offered for sale in the

market to meet the need for housing and for the sustained development of the city.

Apart from land auctions and the Application List System, urban renewal — of course, the Secretary has also mentioned this aspect — is also an important subject. However, there is a lack of transparency in urban renewal and a lot of information cannot be disclosed. In view of this, the Urban Renewal Authority should enhance its transparency by releasing and sharing more information to facilitate public participation, so that property owners and the market can have a clear understanding of the direction of development and the supply of small and medium-sized flats can be increased. I agree with the proposal put forward in Mr CHAN's amendment to speed up the redevelopment of old districts.

(THE PRESIDENT resumed the Chair)

President, we must conduct a forward-looking study on overall population growth in order to put in place appropriate planning and complementary facilities. As a number of Members pointed out earlier, it seems the Government has not conducted any study on overall housing demand in Hong Kong. If the authorities do not understand the demand of Hong Kong people for public housing and HOS flats, how can it make appropriate policy decisions? I hope the Government will conduct studies and assessments on the long-term housing needs of Hong Kong people as soon as possible. At present, there are 120 000 applicants on the Waiting List for public housing. No matter what, the waiting time for these people to move into public housing should not be affected, so I do not think that land for public housing should be converted into land for HOS flats. The construction of public housing is very important, so I hope the Government can continue to review its housing supply policy and keep its pledge of being allocating public housing to applicants in three years.

The housing problem is attributable to the imbalance in the overall planning on land in Hong Kong. In fact, I wish to point out that at present, not only is the supply of abodes for the living inadequate, the supply of abodes for the dead is also inadequate. As a result, the phenomenon of abodes for the dead moving into abodes for the living has formed. For this reason, I hope the Government can actively carry out short-term, medium-term and long-term

overall planning for Hong Kong and formulate effective policies on our overall housing needs as soon as possible, so as to systematically realize the goal of enabling the public to buy their cosy homes.

I so submit. Thank you, President.

DR RAYMOND HO (in Cantonese): President, the prices of luxury properties have repeatedly hit new highs over the past year. Earlier, Chief Executive Donald TSANG commented that the luxury property market and the market for medium and small-sized residential flats are separate, and they have no impact on each other. He also added that many housing estates with flats asking \$4,000 per sq ft were still available in Hong Kong, and the current prices of housing estates for the middle class on Hong Kong Island, such as Heng Fa Chuen, South Horizons, Taikoo Shing and Chi Fu Fa Yuen, were still lower than the prices recorded when the property market was at its peak in 1997.

Even if the Chief Executive's comments about property prices and his analysis of the current property prices compared with the property prices at their peak in 1997 are true, his remarks reflect that he did not entirely appreciate the plight of the middle class in the face of high property prices. First of all, it is absolutely unreasonable of him to compare the current property prices with those recorded at their peak in 1997, for the property prices in 1997 were far beyond the reasonable affordability of some families. At that time, some families were reportedly required to spend 70% or an even higher percentage of their total family incomes on home mortgage repayments. As an economic downturn had yet to appear at that time, people in general had much greater confidence in employment than what they have now. Therefore, more families were prepared to take greater risks in incurring such a heavy burden. Today, however, our economic conditions are less satisfactory, and our economy has not yet truly recovered. At the same time, the unemployment rate remains persistently high with wages going down rather than up. People's sense of job security is also lower than before and, as a result, ordinary families can only afford lower property prices.

Even some middle-class people, especially young professionals, similarly face difficulty in purchasing properties. It will be even harder for them to purchase flats in conveniently located housing estates which are popular among

the middle class if they want to do so. Given such an enormous constraint faced by the middle class in home ownership, it is easy to imagine the difficulty faced by people with a lower income.

To address their plight, the Government should administer the right cure and, through an effective policy, increase the supply of residential flats, especially medium and small-sized residential flats. To start with, the Government may consider increasing strategic land sales to increase the supply of sites for the construction of medium and small-sized residential flats with a view to easing the tight supply of these types of flats. Furthermore, the Government should seek to improve the existing Application List mechanism and examine the feasibility of lowering the threshold of the Application List System, so that more sites can be successfully triggered for auction.

Many people have recently called on the Government to resume constructing public rental housing (PRH) and relaunch the Tenants Purchase Scheme. In my opinion, this proposal involves many levels and it is therefore imperative for the Government to handle it carefully to avoid producing a profound impact on the property market. However, I agree that the Government should build more PRH flats to meet the housing needs of low-income people.

President, addressing housing needs has all along been a major livelihood issue in Hong Kong. The development of the property market has also had a profound impact on the local economy. Therefore, the Government is absolutely obliged to deal with this issue properly.

President, I so submit.

MR FRED LI (in Cantonese): President, I am already very bored with this subject but since the Secretary did not attend the brainstorming meeting held by the Housing Authority (HA), here, I wish to give the Secretary a concise report. I wonder if it was because the Secretary was feeling lazy that she did not attend the meeting, however, throughout this meeting lasting two hours and 45 minutes, the discussion was all about whether the Housing Authority should resume the construction of HOS flats. I noticed that of the 26 members, 11 members supported this proposal, nine were against it and the other members were undecided and did not state their stances. However, if we look at the figures for

the past nine months and if my memory is correct, the sale of first-hand residential properties priced below \$2 million accounted only for 7%. Moreover, they can all be found in the constituencies of Mr Albert HO and Mr LEE Wing-tat, that is, Tin Shui Wai and Yuen Long. This situation is indeed a great departure from the past. Even in Mei Foo Sun Chuen, which is over 40 years old, the price per sq ft has risen to over \$4,200. I found these figures in the webpages of estate agencies like Centaline Property Agency Limited and Midland Realty and they are all set out very clearly.

Between January and September this year alone, property prices have increased by 20% to 25% on average, so it is true that property prices are rising. The biggest mistake made by the Chief Executive was to say that it did not matter if the prices of luxury properties were surging because the effect would not filter downwards, but it definitely will. I think no one would agree with the claim that the effect would not filter down. It is only a matter of degree and which area and which types of residential properties would be affected. There is no complete segregation or insulation. Why are public angers and grievances so great? After this subject had been raised, I kept receiving e-mails from a lot of members of the public and there were one or two that criticized me, saying that HOS flats should not be put on sale to make property prices topple. I have received e-mails of this kind. However, most of them expressed support and the hope that the Government could reintroduce the scheme and 2 000 or 3 000 units a year would be acceptable. Most of the people using e-mails are from the middle-class, not the elderly people whom I often get in touch with.

Recently, some households living in HOS units were also pleased with the revitalization of the secondary market for HOS units by the Government. However, they subsequently told me that they had planned to buy a 15-year-old HOS unit and then return their public housing units to the Government. I support this. However, they told me that banks could only offer a 10-year mortgage because banks had set the age limit of buildings at 25 years. For this reason, if the age of an HOS unit is 15 years, only a 10-year mortgage can be taken out and if the age of a flat is 20 years, only a five-year mortgage can be taken out, so their burden has effectively increased. In fact, the income of these public housing tenants is not too high and originally, they wanted to make monthly mortgage repayments after moving out of their units, but the major problem now is that they are constrained by the existing policies. May I ask how the secondary market of HOS units can be revitalized? So long as this

issue is not resolved, I think the same difficulty would be encountered when HOS units over 10 years old are involved because banks will only offer a five-year mortgage at the longest. Moreover, the mortgage tenure will decrease as the age increases, so this is a very real problem. What role should the Government play?

At present, there are 250 000 secondary HOS units the premium of which is not paid. What we have to discuss now is how to improve the circulation of these HOS units numbering over 200 000. On the one hand, no solution can be found and there is only the talk of enhancing circulation and the appeal to express opinions, yet the actual problem cannot be solved; and on the other, it is said that no HOS units would be constructed and land auctions would not be held. So at the end of the day, we are only talking about the more than 100 000 units that have been given a lot of fanfare. All this is a lot of hot air blown to intimidate us. The Democratic Party finds this totally unacceptable. We have to look only at the facts and present reasoned arguments. It is also necessary to reflect the plight facing members of the public currently.

According to the figures of the HA, some 82 000 households are not eligible to apply for public housing but are eligible to apply for HOS flats. Most of them are three-member families earning a monthly income of less than \$23,000, eligible to apply for HOS flats with White Forms. There are at least 82 000 such families. This time, 1 329 units are on offer — if I remember it correctly, over 1 300 units are on offer this time and I also went to the scene to have a look and the sight was amazing. If I were the seller, I would make a windfall because the queue waiting to inspect the show flats was very long. Here, I also have to praise the efforts of the HA because the people inspecting the show flats were really numerous. I talked with some of the people in the queue and quite a number of them were public housing tenants living nearby. Since their children are growing up, they want to buy HOS flats and give up the public housing units that they are living in. For this reason, in fact, public housing tenants care a lot about these some 1 300 flats. According to the present allocation ratio of 8:2, it is practically impossible for White Form applicants to buy units of a larger size located in the urban area or at better locations, such as those in Yau Chui Court because there are not enough units to go around even for Green Form applicants. I hope that the remaining 4 000 units can be put on sale as soon as possible because this is also what the public wants. Perhaps this can boost the popularity of Mr TSANG slightly. If these 4 000 units can be put on

sale as soon as possible and the construction of HOS flats and regular public land auctions can resume, I believe public grievances will abate considerably and members of the middle and lower classes will also see that the Government understands the crux of the problem and cares about the needs of the public.

With these remarks, President, I support Mr LEE Wing-tat's motion.

MS STARRY LEE (in Cantonese): President, since the policy address was delivered, property prices have become the talk of the town. I believe one of the criticisms levelled is that the Chief Executive has not squarely addressed the problem of soaring property prices in his policy address. Another criticism is surely the fact that in the past year — if Members have paid any attention — be it in the sale prices of small and medium-sized flats or those of luxury units, rather amazing increases were recorded. As a result, the middle class or ordinary members of the public are left trailing far behind and cannot catch up. In addition, the ploys employed by property developers never cease to amaze. The instance of "building jumping" — rather, "floor jumping" — also aroused great resentment among the general public.

In fact, property prices in Hong Kong are not a fresh topic. It is really worthwhile for the SAR Government to reflect deep on the reasons why a major debate has been aroused on this occasion. I believe all of us understand them. The implementation of a high-property-price policy by the Government has created a group of local tycoons. Most of the tycoons in Hong Kong are property developers. If we look at the Forbes' Hong Kong Rich List, the major property developers hold the first three places and among the 10 richest billionaires, at least six of them are property developers. Members of the public, irrespective of whether they own any property or not, all feel very indignant about the huge profits made by property developers. In the past, Hong Kong boasted itself as a place with a low-tax regime. Although this is still the fact, if the money spent by the public on paying off property mortgages is taken into account, I believe the actual amount of money contributed by the Hong Kong public to the coffers is by no means small. For this reason, the mention of property developers and the high-property-price policy would arouse great grievance among members of the public, no matter if they own properties or not. This is not to mention the "shell-less snails" who can only see property prices rise without being able to acquire their first homes. They can only pin their hope on

the pay increases they would get after the economy has turned for the better. Otherwise, it will still be impossible for them to buy their own homes. I believe the SAR Government must handle the antagonism between the public and property developers particularly cautiously because it is very dangerous. Over the past month, the situation has become explosive.

I also notice that before the policy address was delivered, the Government had once intimated through the mass media that the Government would not adjust the land supply policy because no consensus had been reached with the Real Estate Developers Association (REDA). As an ordinary member of the public, I felt great disgust on hearing this because we expect the Government to perform the role of a gate-keeper properly instead of seeking the consent of the REDA before changing or fine-tuning the policy on property supply. Frankly speaking, Hong Kong is a pluralistic society and it is difficult to reach unanimity on many policies. I believe it is impossible to secure the full agreement of the REDA with government measures. For this reason, I hope the SAR Government can be amenable to sound advice and consider the consequence of its handling of this matter — after the release of this piece of information, I could hear the heart-felt voices of many members of the public in my district and their reactions were identical, that is, they queried why the Government had to comply fully with the views of the REDA and seek its agreement before implementing a policy. This will impact heavily on the authority of the Government.

Apart from the discontent with the land policy and their inability to buy their own homes, the greatest discontent of the public is with the sales tactics. In the debate on the Motion of Thanks, I also mentioned the "bloated flats" of late and the various misrepresentations in advertisements placed by property developers that caused consumers to make wrong decisions. There are many ways for property developers to create "sky-high" prices and we have already cited some examples earlier on. They include "sell and buy back", that is, to arrange for related persons to buy first and sell later, or make use of bundle pricing, that is, to set the prices of upper-floor units or some units particularly high but if they are purchased together with other units, the average price amounts only to the market price. However, the mass media would invariably report only on the sky-high price of a certain unit. In addition, each time a new property development is put on sale, property developers would leak news through the mass media, hinting that many of the units in the development had been sold within a short time, thus creating the impression of active transactions

in the market, so as to draw more members of the public to buy flats. This is also the case in the secondary market. A lot of people with conflicts of interest often tell the mass media that transactions are very active, thus giving the public the impression that the market is booming. Although the public know that such tactics are actually problematic, I do not know which regulatory body is responsible for monitoring whether such reports are true on behalf of the public.

Finance and property are the two major industries supporting the Hong Kong economy. If any false claim is made in respect of financial products, we have the Securities and Futures Commission (SFC) to keep the gate. Although the SFC was also criticized in the Lehman Brothers minibonds incident, in the incidents relating to the privatization of the PCCW and insider dealing within the senior management of Morgan Stanley, the people involved in insider dealings were all put on trial. However, concerning complaints lodged by the public against property developers or people suspected to have conflicts of interest or about instances of suspected disclosure of information to the market by dishonest means through the mass media, I cannot see any regulatory body investigate whether the transactions reported by the press were true and whether transactions were really conducted on those properties sold at "sky-high" prices.

If we rely only on the Consumer Council, I believe the public will definitely be sorely disappointed because the Consumer Council is only a toothless tiger. However, I cannot think of any organization to deal with these issues other than the Consumer Council. Some would say that it is the Estate Agents Authority but it definitely is not responsible for this kind of work. I hope that the SAR Government, apart from dealing with land supply, will also pay particular attention to the sales tactics mentioned by me just now because they have made the public feel extremely discontented with property developers and even the administration by the SAR Government as a whole.

President, I so submit.

MR LEUNG YIU-CHUNG (in Cantonese): President, among our needs for clothing, food, housing and transport, everyone cares a lot about housing and we are all very concerned about how this issue can be resolved. In fact, nowadays, in this prosperous and civilized society, no one should be homeless.

Unfortunately, President, it turns out there are still hundreds of people sleeping rough in Hong Kong society nowadays. Not only is this a sorrowful sight, it is also heart-rending and hard to accept. Not only do some people sleep rough, the problem of caged homes mentioned by Ms Audrey EU just now is also a great disgrace. The rent per sq ft of these caged homes is almost on a par with luxury properties but, as we all know, the living conditions in these caged homes are very poor, so their existence should not be further tolerated. Unfortunately, there are still a considerable number of people living in these caged homes nowadays. I think it is incumbent upon the Government to solve this problem as soon as possible and it cannot be tolerated any further. Unfortunately, although this problem has been discussed for many years, it still continues to exist. I wonder how the two Secretaries look at this problem. Will they strive to solve this problem after the discussion today?

In fact, President, in order to solve the problem of housing, I personally think that we must build more public housing because the grassroots account for the majority of the population in Hong Kong. Unfortunately, even though the Hong Kong Housing Authority has imposed stringent requirements, there are still over 100 000 people waiting for public housing and in fact, the number could have been even larger. It is only due to the overly stringent requirements for application that the number of applicants is so low. If the requirements for application can be slightly relaxed, the situation will be even more astonishing because in that event, the number of people waiting for public housing will surely be even larger. For this reason, I think the Government should step up its efforts in building public housing to enable more people to move into public housing units. In fact, the economic development in Hong Kong is dependent on public housing. As we all know, had it not been for public housing, the economic development in the 1950s and 1960s in Hong Kong would not have taken us to where we are today, so public housing is very important.

Now, the Government keeps telling us that problems relating to land for public housing often arise. However, President, as I said in the debate on the policy address on the last occasion, the Government must not sow discord in the community because of this issue. Land originally slated for community facilities should not be changed to that for public housing without due consideration, thus leading to disharmony and disputes in the community. I hope the Government will formulate long-term plans as far as possible by gradually committing more land to the construction of public housing.

President, of course, I understand that some members of the public think that the conditions imposed by the Housing Authority on the application of public housing at present are excessively restrictive and they also want to stay away and buy their own properties instead. For example, some families want to add additional members to their household but due to the restrictions imposed on public housing, doing so is not easy and splitting household is also difficult. It is even more difficult to pass the unit to the next generation. For this reason, they also want to have their own properties, so that they can have greater scope to add members to their households, split their households and even pass the property to the next generation. Unfortunately, the Government no longer builds any HOS flats, so it is impossible for these marginal families to take the course of acquiring a secure home. For this reason, I support reviving the HOS Scheme.

Recently, I joined the "shell-less snails" campaign organized by Dr KWOK Ka-ki. Subsequently, like Mr Fred LI, instead of e-mails, I received some phone calls from members of the public asking what would happen to the existing units if the construction of HOS flats resumed. They have just left the ranks of negative equity property owners, so would their flats revert to negative equity properties? This is their main concern. Of course, I fully understand these problems. If the HOS Scheme is revived, property prices would more or less be affected. However, President, we should not put the blame of this contradiction on the construction of HOS flats because such a contradiction is attributable to an abnormal and unhealthy economic system. I think that when economic development is founded on land and property speculation or adopts such speculation as its major direction, this phenomenon will naturally emerge.

In fact, if we look back at the 1950s, 1960s, 1970s or even the 1980s, we will find that our economic development did not experience any property bubble and everyone committed their resources to the development of industries. The housing problem then was not such a big headache as it is now and property development did not experience the present problems. The situation now is really very unhealthy. In order to pre-empt disharmony in the community as a result of property prices, I believe we should tackle the problem at root. Apart from the long-term housing policy and land planning, it is even more important to improve the entire economic system. If our economic system still relies on the development of an economic bubble, this problem will be with us forever and a

lot of improper practices would occur in the whole community. At present, in developing the property industry, the Government mainly relies on a high-land price policy and it is exactly the triggering of sites for sale and land auctions every year that cause the present squelae. I think this is unhealthy, nor should this be the direction of long-term development for Hong Kong.

In fact, land supply is limited rather than unlimited. What should be done in the future? We cannot be too short-sighted and must plan for the long-term development of Hong Kong. We must develop other economic activities in order to reap the benefits. In discussing this subject today, many Honourable colleagues or the Government are preoccupied with dealing with the issues relating to land or property prices, but I think that apart from these problems, the long-term economic development must also be considered.

President, I so submit.

MR PAUL CHAN (in Cantonese): President, owning one's home is the dream of many members of the public and also a major investment in life. Recently, there is a shortage in the supply of residential properties in Hong Kong and property prices are surging, so the general public are very concerned about such problems as the difficulty in home ownership and the possibility of a bubble in the property market.

Some members of the public who do not own any property, in particular, young people, feel very anxious about the present trend of increase in property prices, thinking that buying a property is only a dream beyond their reach. In fact, just like many young people nowadays, I came from humble origins and I fully appreciate the disappointment and frustration they feel in the face of the high property prices. However, President, on the other side of the coin, there are currently about 1.23 million families living in private residential buildings in Hong Kong and among them, 860 000 or 70% of them are living in self-owned properties. Most of these flats are small or medium-sized flats and should property prices fall, their assets will depreciate and the impact would be extensive.

For this reason, great fluctuations in the property market do not just affect the purchase of properties, rather, they also have a direct bearing on the living of the public and would impinge on the economy and social stability in Hong Kong. In the first six years after the reunification, the "85 000" housing policy, together with other factors, toppled the property market and property prices in Hong Kong fell by almost 70%. I think this painful experience has demonstrated to us clearly that when handling the housing issue, we must exercise caution and enable property prices to remain as stable as possible.

Many people hold that the Government should revive the HOS, believing that through it, overheated property prices can be suppressed and first-time home buyers can be assisted in acquiring home ownership but I think we must exercise caution. I have already stated the reasons before and I am not going to repeat them because other Honourable colleagues in this legislature have also talked about them. However, I wish to show Members another set of figures.

According to the information of the Rating and Valuation Department, in the past few years, the number of residential units completed declined continuously from 26 000 in 2004 to less than 8 800 last year. It is estimated that this year, there are at the most 11 000 to 12 000 units on offer and the drop is alarming. For this reason, I think that the core of the present problem of soaring property prices lies in the imbalance in supply and we should approach the problem from this angle, so I will put forward some proposals from this angle.

The first is to enhance the Application List System and the land auction system. There have been extensive reports concerning the enhancement of the Application List System in society, so I will not dwell on this. President, I only wish to add one point, that is, the Government can put to auction some sites for the construction of residential units of a certain size and require that they be completed and supplied to the market before a certain deadline, so as to increase the supply of small and medium-sized flats.

To boost the supply of these properties, the Government can also put these sites up for auction irregularly, so as to regain the initiative in the supply of small and medium-sized flats. Besides, I think it can also put sites of a smaller size up for auction to let small-scale and medium-scale property developers play a part in the market, so as to enhance the flexibility of supply in the market.

President, the second point that I wish to make is related to the Home Starter Loan Scheme (HSLs). Earlier on, I advocated the relaunch of the HSLs because I believe that this is feasible.

Last week, the Administration ruled out the relaunch of the HSLs in the debate on the policy address for two reasons.

The first is that the Government should not assume the role of a lending agency, thereby influencing the public when making decisions on owning properties according to their means. President, I think this claim does not hold water because according to this rationale, we should cancel the extension of all the loans to tertiary students for them to pursue their studies. Is this not a very absurd rationale?

President, the second point is that the Government said on the last occasion the HSLs had caused it to write off \$490 million and it did not want to bear more bad debts. However, let us examine the deeper implications of this figure. President, according to government information, in the period from April 1998 to March 2002, a total of 33 000 applications were approved under the HSLs and the total amount of loan extended was \$14.85 billion. As of last month, the number of cases in which full repayment was made stood at over 18 000 cases. In fact, the amount of write-off was \$490 million. However, from another perspective, it means that if this amount of write-off is spread among these 33 000 cases in which loans were approved, on average, a subsidy of about \$14,000 was given to each successful application. I believe this level is acceptable. Moreover, back then, soon after the HSLs had been launched, it so happened that the property market slumped and that was why the write-off cases were that many. At that time, the Hong Kong economy was in deep water. Apart from the decline in the property market, many people were facing problems in employment. In fact, a fairly large number of these write-off cases involved people who had gone bankrupt. President, looking ahead, I believe society and the Government have both learnt a lesson from the slump in the property market, so the policy on the property market would be much more prudent and there will be little likelihood of a drastic downward adjustment. If the HSLs is relaunched, I do not think the rate of write-off would return to the level of about 3% in those years.

President, I also wish to say that in assisting the public in owning properties, consideration should also be given to enhancing the Fixed Adjustment Rate Mortgage Programme because it can help the public offset the effect of any future interest rate rise on their mortgage repayments. If used appropriately, they will not have difficulties in making their ends meet on account of the repayment for their mortgages due to interest rate rises and run into difficulties.

Earlier on, the Hong Kong Mortgage Corporation Limited announced that it would launch some schemes lasting one to 10 years but the closing date is 31 December. I think the Government can consider extending the period of these schemes to introduce positive factors into the development of the property market.

One last point that I wish to raise is that when calculating the salaries tax, buyers of properties for self-occupation should not be entitled to just 10 years of tax deduction for home loan interest, as is the case at present. We all know that given the property prices nowadays, whoever buys a flat for self-occupation cannot possibly pay off the mortgage in just 10 years. I hope the Government can see the difficulty of the public in this regard instead of turning a blind eye to it.

President, I so submit.

MRS SOPHIE LEUNG (in Cantonese): President, I am very grateful to Mr LEE Wing-tat for moving this motion today and various Honourable colleagues for discussing it. Members are right in saying that we should address the housing problem but nowadays, even though this subject has been discussed for so many years and from various perspectives, we still cannot discuss this subject simply from the angle of such proposals as building more public housing and HOS flats or how to grant more land. Nowadays, all members of the public understand that this is a very complex issue that cannot be resolved simply by means of a few superficial solutions.

I agree very much with the comment made by Ms Starry LEE, that the contradictions between property developers and the public will become increasingly serious. President, in fact, I am very worried. To society as a

whole, not only will such contradictions fail to bring about harmony, they will also lead to even more serious implications and strong views on governance. When we look at this problem, we may have to do so from the angle of how the state of our land resources is like.

At present, land in Hong Kong is diminishing and with the construction of one more block of public housing, there is less land left and if we build more HOS flats, the land will decrease further. Land is actually getting scarce. The question is: Why did we have the concept of building public housing and HOS flats in the first place? Because we wanted to help some people and families meet their temporary needs, a short-term need and hoped that the land resources could then be released to enable the next generation and the next tier of people to use it when they have the need, instead of passing the resources on to the descendants of the former group after the grant of the land, as though it is permanent in nature like the small houses in the New Territories.

However, it seems that now we cannot achieve the purpose of releasing the land resources. Let us look at the original policy of the HOS. We hope that HOS flats can go into circulation after 10 years but if we look back at history, so far, the number of such flats in circulation is very small. Why? We should offer incentives or even resort to coercion to make these people put their flats back into the market. Just like Mr Paul CHAN, I also had a rather difficult time when I was young and have worked my way from having nothing to having something. In retrospect, if I had an HOS flat at that time, I would have wanted to occupy it forever but this may also impede my upward mobility. In fact, this is precisely the point. If we want society to have mobility, it is all the more necessary to release these resources. Of course, what we are facing now is an abundant supply. In this regard, the release of land resources is a major issue, so I hope the Government can conceive a holistic plan from this perspective, instead of deviating, changing or having other ideas on account of the debate today and some of the views expressed.

On another front, to the public, since many among them have acquired their own properties, they also hope that property prices can remain stable instead of surging, as a result of which the public cannot afford to buy their first homes, nor should the situation be like that at the time of the "85 000" housing policy, as a result of which flat prices tumbled.

I agree very much with the comments made by Dr Joseph LEE, that it is a question of not having enough revolving doors actually. Why do we have to continue to support the policy on well-off tenants living in public housing? Since they are well-off tenants, they should move out and make the resources available for other people in greater need. This should also apply to HOS flats.

On the other hand, Mr Paul CHAN also asked whether, when granting land, additional clauses should be imposed. At some locations, flats tailored more closely to the needs of the public instead of luxury properties should be built. To describe just about any location as luxury property is only intended to attract investors from other places to buy with little knowledge of the market.

Meanwhile, I hope that in the future, when releasing land for development, more new or small property developers can be attracted to participate, so that we can find more people aspiring to developing society to make investments and carry out development.

President, I so submit.

MR WONG KWOK-KIN (in Cantonese): President, the Chief Executive mentioned family values in his policy address and proposed that a Happy Family Campaign be launched to promote family core values. I believe that family core values must be founded on one thing, namely, a stable home and a satisfactory job, that is, it is a must to have a secure home. Regarding the position of the FTU on this motion debate, I believe my colleague, Mr WONG Kwok-hing, has already made it very clear, so I will only add a few words here.

First, concerning property prices at present, in requesting that the Government suppress property prices, we do not mean that we want the Government to demolish the existing property market. We only hope that the Government can provide more units affordable to the majority public and suited to their requirements, so that property prices can remain stable instead of developing into a bubble. This is what we mean.

Second, in respect of the HOS, we believe that it can be implemented alongside such proposals under discussion now as regular land auctions, the

enhancement of the Application List System and the construction of additional small and medium-sized flats, and there is not any contradiction at all. The quantity of HOS flats to be built each year should be about 3 000 and I believe this will not exert great pressure on the existing property market or serve to topple it. We understand full well that many members of the public have probably devoted all their life-time efforts to their flats and changes in property prices will have great impacts on social stability.

However, if about 3 000 HOS units are built each year, we cannot see how this will impact heavily on property prices. The role of the HOS, I repeat, is mainly to provide a revolving door to those so-called "well-off public rental housing tenants", so that they can have another option. This is because we found a set of figures indicating that since the moratorium on the construction of HOS units was imposed in 2002, the number of well-off public rental housing tenants has been on the increase. According to the information of the Housing Department, the number of well-off public rental housing tenants increased from about 12 000 in March 2003 to over 23 000 in May this year and has nearly doubled.

In fact, many of these well-off tenants are not really well-off, only that we call them this way. Since their children have grown up, their family incomes have increased. However, their means have not reached such a level that they can afford entering the private property market. For this reason, they are in fact forced to stay in public housing and become well-off tenants. In fact, this is not beneficial to the circulation of public housing units. If we revive the HOS, these well-off tenants can be absorbed, then the public housing units can be made available to people on the Waiting List.

Of course, according to past experience, when HOS flats were put on sale, Green Form and White Form applications both accounted for a certain proportion of the applications. In fact, White Forms can help people in the sandwich class acquire their first homes. We all know that the first thing young people nowadays would do when wanting to get married is to save for the down payment of their flats. If they have not saved enough money, even their wedding date may have to be postponed. I know many friends and their spouses who were originally both employed but in order to apply for public housing units (since no HOS flats are available now) and meet the income requirement, one of them had to resign. This actually has great impact on the living of these families.

The Housing Department has just put its surplus HOS flats on sale and recently, on the first day the show flats of the surplus HOS flats under Phase 5 were open for public viewing, over 22 000 people inspected them. In fact, only some 1 000 units are on offer this time. The enthusiastic response shows that there is a strong public demand for this kind of flats.

Apart from reviving the HOS to increase supply, I think it is also necessary to look at the income and asset limits. Since many years have passed, we think they should be reviewed. To take a family with two members or more as an example, the monthly income limit is \$24,000. Nowadays, for a young couple who are both employed, it is very likely that their income will exceed this limit.

After this round of discussions, we think society has actually reached a consensus on reviving the HOS. In fact, many other political parties and groupings in this legislature have already reached a consensus on whether or not the HOS will have an impact on the property market and whether or not it will be of help to well-off public rental housing tenants or the sandwich class.

I hope the Government can truly listen extensively to public opinion and effect a limited revival of the HOS, reintroduce the Home Starter Loan Scheme and the Tenants Purchase Scheme, so that the general public will be given opportunities to solve their housing problems.

With these remarks, President, I support the original motion and the amendments proposed by Mr WONG Kwok-hing and Mr CHAN Kam-lam respectively.

MR FREDERICK FUNG (in Cantonese): President, I wish to tell government officials that they should not treat housing merely as a commodity. If they do, their positioning and definition of housing are both wrong. The function of housing is accommodation. Apart from being a commodity, in fact, it is a basic necessity for every individual and every family and it is no different from food and water. In other words, housing is a basic necessity for our survival and living. If it is a basic necessity, we should regard providing housing to every family (whether such housing is rented or purchased will be discussed later), be the family a poor or rich one, as a right. However, what approach should be adopted to assure this right? This can be discussed further.

Second, in fact, housing also serves political purposes and this is not just a matter of positioning. As we all know, it is stated clearly in Singapore that housing is a fundamental factor in social stability. If each person owns his home, society will be much more stable. As we all know, in Singapore, the approach of Housing Development Board flats ownership is adopted to deal with the issue of housing. At present, if Housing Development Board flats and private flats are both taken into account, over 70% or close to 80% of Singaporeans own their own homes.

I hope the Secretary will understand that housing can have three different effects: The first is the effect of a commodity in that it provides accommodation and meets a basic need; the other is the political effect of stabilizing society. However, since the abolition of the HOS, the Government has blended these three effects together and it regards housing as a commodity by completely positioning it as such. Moreover, it is also totally biased in favour of major property developers in that the land sales system is designed for them. Why do I say so? Because insofar as the triggering of sites for auction is concerned, first, not everyone can do so, nor can everyone afford the sites, so this is a problem with the Application List System. Since the Government does not offer land for sale regularly, the Government controls the amount of land. In the market, since supply is small, land prices are high and the cost of construction also rises as a result. Consequently, the rents of the flats completed in the future will also be high. This is a chain reaction. Due to the commercialization of housing, problems relating to a basic human necessity have arisen and in turn, the political situation is affected. Since there is a lack of stability in housing, political problems occur as a result.

Let me cite an example. Earlier on, the Panel on Development of the Legislative Council made a visit to the Netherlands and found that different methods of land sale could have different effects. In one region in the Netherlands, the sizes of the lots range from about 8 000 sq ft to 10 000 sq ft. Not only can property developers buy these plots, anyone can also bid for them so long as they have the money. Let me assume that the price of a lot of about 10 000 sq ft. is 50,000 Euros, so even members of the middle class can afford it. After a site is sold, the Dutch Government will restrict the height of development, say, to a four-storey building. The person who has bought the lot can then hire an architect to draw up a plan to build a house that he wants. As a result, the development of that area is splendid.

What does this mean? It means that if the area of a site is only about 10 000 sq ft, everyone can afford it. If the site is 100 000 sq ft in area, perhaps only small or medium developers can afford it. If the site is 1 million sq ft in area, only a large developer can afford it. The size of a site precisely reflects what kind of buyers it is intended for. For this reason, if a site is large, only large property developers will be capable of developing it. This shifts the responsibility to the market without considering the outcomes that other possibilities can give rise to.

In view of this, President, I think that the present situation is such that basically, the Government is using the triggering of sites for auction to deliberately (even if the Government has no such intention, I would still say that this is intentional) reduce the supply of land, so that there is inadequate land in the market. In fact, I think that the adverse consequences nowadays are of the Government's own making. For this reason, I believe that if we want to deal with this problem, apart from supply supply can also be divided into two types, one being supply in the market that can truly be regulated by the market. For this reason, there must be adequate land supply and sites of various types and sizes with capped prices must be put on sale before the market can be invigorated and diversified, so that developers of various scales can become market players. Only in this way will flats of different prices be made available as options for the public. In this regard, I agree with adopting the practices of the commercial market.

However, in the 1990s, the Housing Authority and the public at large were both aware of the existence of a sandwich class in that the income of some people had really exceeded the income limit for applications for public housing — at present, the income ceiling for a three-member family is \$12,000 monthly and even if its income is \$12,001, it is not eligible. If this family rents a private flat and assuming that a three-member family rents a one-bedroom flat, the rent is \$3,000 to \$4,000 monthly even in Sham Shui Po. It means that 30% of its income has to be spent on rent, so what can it do? Is the rent not exorbitant and unreasonable? How can the Government let these people have stable accommodation at a reasonable cost, so that they can have peace of mind? Of course, these people are not eligible for public housing.

Moreover, they cannot afford private residential flats and even if they make \$15,000 monthly, they still cannot afford a 300 sq ft one-bedroom flat in Sham

Shui Po. If we want these people to have peace of mind and enjoy the right of housing, there is only one way, that is, the Government should provide HOS flats by addressing the housing right and the need of these people through a different and alternative market, as well as stabilizing society by political means. In addition, another option is to study how to revitalize the existing market for HOS flats.

On revitalizing the existing market for HOS flats, apart from increasing the quantity of HOS flats, I believe that insofar as HOS flats in the secondary market are concerned, the approach of making land premium payments in instalments should be adopted, so that it will be more likely for potential buyers of HOS flats to choose HOS flats. If the land premium accounts for 30% to 50% of the property price, the amount of down payment required will be very large.

President, in view of the various factors related just now, if the Government really wants to address squarely the problems pointed out by me just now, I call on it to give consideration to other possibilities. Thank you, President.

MR ALAN LEONG (in Cantonese): President, the issue of land supply or flat supply nowadays can be considered and discussed in both the short and long terms. In the long term, the appropriate measures formulated to stabilize the property market, thereby ultimately attaining the goal of increasing the supply of small and medium-sized flats and suppressing undesirable speculative activities, should be included in long-term planning. However, on the short-term policy, it is an undisputed fact that property prices are rising incessantly and of all people, the grassroots and young people are facing the greatest difficulty in buying their first homes. Of course, President, I have to state clearly that the young people we are talking about here do not refer to those who want to buy a luxury property upon graduation, rather, they are couples who graduated five years ago. They will encounter difficulties when they want to buy a flat and this is the fact. The Government can by no means sit idly by and disregard such instances. Other Members from the Civic Party have already elaborated on the short-term measures. For this reason, President, I wish to comment on the long-term policy considerations.

The high-land price policy in Hong Kong originated from the colonial era. At that time, by controlling land supply, the Government could rely on land sales

to generate revenue for the coffers and use it as public expenditure, so as to reduce direct taxes. The public were also prepared to toil for the sake of their own properties and sacrifice their quality of life to obtain a profit on paper.

However, nowadays, it seems that the high-land price policy is losing effectiveness. In the past 20 months, the Government could only sell two "midget sites" through the Application List System and the coffers could get little revenue. However, it seems property developers are hoarding sites obtained by other means, such as changes in land use and private treaties. For this reason, the supply of flats is curiously small. The public find those so-called "bloated flats", "shrunk flats" and other misleading practices such as a flat of 1 300 sq ft ending up with just 750 sq ft without the buyers' knowledge, as well as the virtual reality of advertisements on television, newspapers and magazines, all unacceptable. A property development boasts itself as being an 18th century British Mansion but at the actual development, not even a piece of lawn can be found. A luxury development set against the backdrop of a sea that stretches to the horizon turns out to be located next to a landfill. All such instances give the public the impression that the Government can no longer generate revenue for the coffers by means of its high-land price policy, rather, property developers are having a free-for-all by exploiting the loopholes to offer bloated flats to make the greatest profit possible. The greatest grudge of the public is that in the face of the free-for-all for property developers, the Government appears to be totally helpless. At such a time, the public cannot but wonder if a review of this so-called proven high-land price policy is in order.

President, I am not being naïve and proposing the immediate abolition of the high-land price policy. However, a lot of issues are involved and it is necessary to find revenue for the coffers to replace the revenue generated by the policy on land sales. Is it actually necessary for us to change the economic-cum-industrial structure to generate revenue that can make up for the reduced revenue resulting from the abolition of the high-land price policy? In addition, to members of the public who own land and properties, how can a soft landing for the value of these properties and assets be effected? All these issues require in-depth, serious, holistic and macro consideration by the Government which cannot act rashly. This is because having gone thus far, public perception of the high-land price policy is correct in that they think if they have to work like slaves in order to get a profit on paper, why not turn their attention to raising their quality of life instead?

In Hong Kong, 80% of the land resources have not yet been developed and recently, Secretary Carrie LAM proposed a new policy on industrial buildings. In fact, the amount of land thus released will by no means be small. Is it necessary for us to control land supply to shore up property and land prices, or would it be more desirable for us to find more time to get together with family members, travel abroad, read books or listen to music instead? In the long run, it is now time the Government reviewed its high-land price policy and worked for the welfare of the public. Thank you, President.

MR LEUNG KWOK-HUNG (in Cantonese): President, we urge the Government to increase the supply of medium and small-sized residential flats. But in investigating the LEUNG Chin-man incident, we have already known that the reason for the Government suspending the sale of HOS flats is to shore up the market, so as to enable some people to reap profits. I do not want to talk about it anymore.

The Government said it would not intervene the market. Of course, it would not. It is because even without its intervention, those rich people can still make substantial profits. Is there any point for it to intervene at all? The Government will only be blamed for doing so. Those rich people have taken full advantage of the geographical convenience, only that they were so greedy and made the property market crash with a hard landing. As such, the Government has to take some remedial measures to rescue the market. We may all understand this by simply looking back at what had happened in the past. The policy of "building 85 000 flats" proposed by "Uncle TUNG" was blamed. Among them, 50 000 units (including the Sandwich Class Housing, Home Ownership Scheme (HOS) and public rental housing (PRH) flats) were provided by the Government. This is what it said, but I doubt if this could be achieved or not. The remaining 35 000 flats were provided by developers. They all knew that with those 50 000 flats, their 35 000 flats might not be sold out. However, they insisted on constructing them. There should be no grudge against anyone, right?

The property market was ruined. Some people had no alternative but to go to the North to make money. For those who could not do so, they simply asked the Government to rescue the market. Now, people are urging the Government to increase the supply of medium and small-sized residential flats.

It is similar to a joke I have heard. Given a proposal, no matter a new one or an old one, TUNG Che-hwa would first ask Mr LI if he had any interest in it before considering it. If Mr LI said that he had no interest in it at all, the plan would be shelved.

We are now discussing the supply of medium and small-sized residential flats. I think public housing should be constructed on a large scale. Emphasis should be put on PRH flats, whilst HOS flats should also be transformed into another kind of PRH flats. As for the supply of public housing, some people have higher affordability. They may rent flats from the Government. Perhaps, we can adopt the overseas practice, under which they will pay the rentals and the Government will subsidize the payment of premium. After making contributions for 20 years, they will become owners of their flats. This is also feasible. If the Government can supply such flats directly — the Council is now yelling for I have taken this issue into account Frankly speaking, I believe Secretary Carrie LAM also thinks that we are talking nonsense. It is because such a policy does not work once the property market crashes. If we have to increase the supply of medium and small-sized residential flats, but such flats are not provided by the Government, who will be responsible for providing them? Even if the Government sells lands through auction, if developers think that it is not profitable, they will not bid for them. However, if they think that it is profitable, even though they know that the property market will slip within two years, they will still go ahead. This explains why the situation in 1997 emerged. At that time, the unemployment rate surged suddenly. Many people suffered losses in their businesses or used their flats to obtain additional loans for property speculation or business operation, resulting in many people failing to service their mortgages.

We urge the Government to increase the supply of medium and small-sized residential flats here today. Members hope that it can increase the supply of land. This is of course rubbish. If only there can be one kind of businessman who could specify that he wishes to co-operate with the Government and whose great aspiration is to enable all people in Hong Kong to have suitable homes can the Government co-operate with him to achieve this. There are already examples overseas, and that is, to alleviate the upward pressure of remuneration by providing low-priced residential flats. This is indeed not the first time. For employees of the Swire, flats will be provided, and the former should be responsible for repaying their loans. Such flats will not be provided once they

leave, with a view to retaining talents. All large British institutions have adopted such practice. At present, there are overheated speculation activities for flats in Tai Koo Shing.

We are always mindful of the market. The stance of the League of Social Democrats is to increase the supply of medium and small-sized residential flats. The Government has to identify some businessmen who are prepared to do this kind of business — I hate businessmen, but if there are such businessmen, I will sing their praises — to provide mortgage loans at a low interest rate. Moreover, the Government should subsidize the payment of premium. In that case, those people can have their own flats. It does not matter whether they are known as HOS flats or PRH flats.

Honourable colleagues think that the Government is "evil", but their conclusion is exactly the same as that of the Government. Why will the property prices rise? Before 1997, there was an influx of capital from the Mainland. With the supply of land restricted at 50 hectares, bankers, in view of the low interest rate, would of course engage in property speculation. Developers requested land exchanges one after another, and they did make a fortune because they could construct properties on lands exchanged with farmland. The MTR Corporation had also made a fortune, as a tremendous amount of wealth had been transferred to it. Therefore, today's topic is: If the Government really thinks that HOS flats will cause no impact on the market, why does it refuse to build HOS flats or some better PRH flats I have just mentioned, so as to enable those — as mentioned by Mr Alan LEONG — who can afford using a bigger share of their income to repay loans on a regular basis but have no intention to engage in speculative activities? This is a very simple method.

Colleagues also urge the Government to build some properties to adjust the market. I think their efforts are indeed "useless". In my opinion, the Government has no intention to solve this problem at all, as it only listens to bankers, real estate agents and the Mainland developers which will enter Hong Kong soon. Therefore, I consider that today's topic is wrong.

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

MR WONG YUK-MAN (in Cantonese): President, I am very grateful to Mr LEE Wing-tat for moving this motion. First of all, I would like to talk about a number of people. They are all bigwigs, meaning that they have both power and wealth, right? They are different from us. We are just members of the beggar gang. However, many electors voted us into this Council. We are representing the grassroots.

Among these few bigwigs, the first one is Mr Anthony CHEUNG. He is a Member of the Executive Council. I wonder if he has made any deal with Eva CHENG in advance or they simply could not reach a compromise. What they have said are completely two extremes, right? He supports resuming the construction of HOS flats — that is, the motion moved by Mr LEE Wing-tat today — this may be due to the fact that they are ex-partisans. As for whether they have any collusion, I am not sure. In the Executive Council, he is a "vase" of the democratic camp, right? There is such a saying that he has joined the pro-establishment camp he is a member of the pro-establishment camp. Buddy, he has powers, right? However, he is not an underground member. The underground member is sitting opposite to me. Perhaps, he is an underground member of the Democratic Party.

President, another one is Mr CHENG Yiu-tong. His point of view should also be completely different from that of Anthony CHEUNG. I believe he is a communist. His thinking in the past is relatively closer to ours at present. That is to say, my thinking now is relatively closer to his in the past. He is a bigwig now, having joined the Executive Council. On the political map, the pro-establishment camp should also have some representatives from the labour sector, right? This guy attends the Executive Council meeting in suit and tie every Tuesday. I do not know if he is still concerned about the livelihood of workers. However, he still has his men here to move amendments for him, right? He mentioned that we should resume building an appropriate number of HOS flats. I really cannot imagine that such an opinion can come from a Member of the Legislative Council who is supposed to support the working class. This is really very ridiculous, right? CHENG Yiu-tong also nailed the coffin, saying that some HOS flats should be provided, right?

Following that, LEUNG Chun-ying said someone was singing a different tune. LEUNG Chun-ying said that it did not matter as the policy had

yet been finalized. Was it a big deal to sing a different song? He said that they were just expressing various opinions or points of view, rather than singing a different tune. Before the Government has finalized the policy, Members of the Executive Council can express their own views. I wonder if this is the actual situation. I have to ask the President about this as you have also been a bigwig before. But you are now one of our members, who is responsible for presiding over the meeting here, right?

CHENG Yiu-tong, Anthony CHEUNG — Anthony CHEUNG is very clever. Once he knew that there was something wrong, he wrote an article yesterday. Secretary, have you read it? It is published in today's *Ming Pao*. Have you read it? Answer me. No. The article is entitled "復建居屋討論應擺脫謬誤", meaning that no fallacies should be allowed in the discussion on resuming the construction of HOS flats. One of the paragraphs reads to this effect: "The Government has made it clear that it would not consider resuming the construction of HOS flats. However, Secretary for Transport and Housing Eva CHENG (that is you, Secretary) advised that they could consider how to revitalize the existing HOS secondary market. The Government's stance is understandable. The withdrawal from the HOS market in a high profile in 2002 was not a hasty decision, as it was determined to restore the confidence of the public and investors in the real estate market." This is what Prof Anthony CHEUNG, as an academic, said. In fact, he just adopted another way of expression. Very simple, this is what we call an act of shoring up the market. Am I right? "Long Hair" has also mentioned this point, right? Withdrawing from the HOS market to restore investors' confidence in private properties — this is simply an act of shoring up the market, right?

Moreover, Secretary CHENG, you have also mentioned that if the Government considers it necessary to resume the construction of HOS flats, it will at least examine if three conditions are met or not. First, is there a serious imbalance in the market? Does the property price remain at an extremely unreasonable level, making it difficult for people from the middle and low strata to purchase their own homes? Do you not think that the current situation is like this? Second, is there any problem in the circulation of public rental housing (PRH) flats, which has seriously prolonged the waiting time of PRH applicants? Do you not think that the current situation is like this? If you do not think so, please show us some figures. Third, is there any consensus in society? Definitely, there is no consensus at all. Frankly speaking, those rich people are

"king", right? The leftists have become rightists, and those extreme leftists have also started tilting towards the rightist camp, right? Only we, a few "guys" — "Ah Kee", LEUNG Yiu-chung — are left. Only these few "guys" together with Abraham SHEK sitting next to me are left in the Legislative Council. I can see all these a big gang on the right and another gang on the left. Only we, these few people, are left — there is of course no consensus. However, we are not the mainstream, buddy. Those bigwigs, together with the majority of the Legislative Council from the pro-establishment camp, are the mainstream. They can only accept an appropriate number of HOS flats. But what does an appropriate number mean? It means that the number can only be up to a level that no impact will be caused on the private property market.

Originally, I have drafted a speech for today as it is now very popular to have verbatim records. Moreover, I have to keep my speeches for my book, may be. However, I now speak in such a piecemeal manner. As I am so happy to see you, Secretary, I certainly have to comment on you, right? What on earth are you doing? What kind of Government is this? What Members of the Executive Council have mentioned is completely different from what you have said, right? You should give us an explanation. Buddy, we really find it very confusing now. Even the pro-establishment camp and those supporters also find it very confusing. You should make a clean breast of everything to us.

As we all know, buddy, HOS only involves a number of areas. We in the League of Social Democrats (LSD) have also discussed this issue — as time is running out, let me talk about the LSD's stance first. The following is the LSD's platform on the housing policy: We consider that the Government should be responsible for providing the low stratum with housing of decent quality and amenities. However, it has no responsibility to ensure that all or the majority public can have their own properties. Therefore, it is not necessary for the Government to encourage the public to purchase their own flats. Neither should it shore up the market. The Government is only responsible for formulating policies to ensure a steady supply of land, so that developers and home buyers can anticipate the supply of properties in future and make their own investment decisions. Also, the selling price should be adjusted by the market. Private flats can be regarded as the public's assets for investment and savings. But they should in no way become a tool for making money in speculative activities. The Government and the Housing Authority should give up its guiding policy of urging the public to purchase their own homes and tilting towards the interests of

developers. Rather, it should put emphasis on the provision of PRH flats. This is our stance. There is still a long paragraph following this. "Long Hair" mentioned it briefly just now. I speak in such a piecemeal manner here as I, indeed, want to criticize you. What kind of people are you all? This Government is beyond rescue.

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

MR ALBERT HO (in Cantonese): President, in fact, many people said that from the way the Hong Kong Government handles the property market, one can see this Government's ability in governance. Some people even said that it also shows this Government's philosophy of governance and values. To put it more plainly, the way in which the Government has handled many issues is neither accepted nor supported by the public.

As we can see, there have been sharp fluctuations in the property market over the past decade or so. Hong Kong is a small place with a large population. The supply of land is limited and in this regard, the Government and the major property developers have played a pivotal role. There were times when the market was manipulated and speculative, with many people engaging in property hoarding and speculation. A bubble thus took shape in the entire property market. The situation then became more and more serious, resulting in social problems and yet, the Government was slow in response, not knowing what to do. That was what happened back in 1997. History seems to be repeating itself now. Why is it so? Is it that the Government will see the need to make effective and immediate intervention only when these problems have developed into crises to the detriment of the governance of the Government?

As we can see, it appears that this Government is still affected by what happened in 2000 during TUNG Chee-hwa's era. Back then, TUNG Chee-hwa intervened in the property market, leading to the bursting of the bubble and causing a hard landing of the entire property market, and he was considered to have acted too drastically, abruptly applied the brakes and gone way too far. Many people were made to suffer badly, losing a great deal of their fortune all of a sudden and even becoming owners of negative equity assets. To many members of the public and even the entire Government, these fears are still

lingering. The Government becomes very worried once market adjustment is mentioned, not knowing how to handle it. All this shows that the Administration has remained incapable of making appropriate judgment and worse still, this shows the failure of the top echelons of the Government to formulate long-term strategies and the objectives and principles to be firmly upheld when making adjustment to the market. All these are the crucial issues.

In fact, when we compare the present situation with what happened back in 1997 and 1998 when the bubble took shape, we will find that the problem is very similar in that there is an acute shortage in supply. In 1997, under the British Government's policy of a ceiling of 50 hectares for land disposal, coupled with a host of factors in the external environment, such as a huge capital inflow, the interest rate, and the Government's reluctance to introduce effective measures to tackle property speculation, a bubble of critical proportions was thus created. I recall that the Democratic Party cautioned at the time that as the problem was pressing, it would be impossible for long-term measures to produce immediate effects. I also recall that we proposed immediate payment of stamp duty after completion of the property sale and purchase agreement, but when we found that this measure was inadequate to address the problem, we further proposed the introduction of some effective taxation measures to curb property speculation. For example, we proposed a property speculation tax, which means a special levy on property sold shortly after purchase. I think that had the authorities agreed to take these measures, the bubble of the property market at that time could have been effectively suppressed.

Let us look at the present situation. The bubble of the property market is not created overnight, and we can see this point simply by looking at the statistics. Let us look at the volume of production from 2004 to 2006. In 2004, 26 000 flats were completed, compared to only 8 800 in 2008, which represents a three-fold decrease. The number of flats under construction reflected the same situation. In 2006, the number was 17 300, but what is it now? It is 8 000 only. From this we can see that the supply is very small indeed. Moreover, given the low interest rate now, the Government is utterly unable to adjust the market by way of the interest rate through monetary policies. Added to this is the suspension of the construction of HOS flats in 2002 and the then MTR Corporation being instructed to freeze or halt certain development projects. Are these not the reasons explaining what is happening today? As the saying goes, it

takes more than one cold day for the river to freeze three feet deep. As things now stand, we must tackle the problem resolutely. But we must not abruptly apply the brakes; we must not force a hard landing of the property market, and we must draw up some long-term measures. We think that the HOS is an appropriate policy to help the grassroots purchase their first homes. It provides a ladder for them to own their property, while at the same time telling the market that the Government has the ability to regulate the market through the supply of HOS flats. All these are very important.

Besides, we have made plenty of proposals today, such as those in respect of land supply, resuming land sale at regular intervals, and so on. But while so much has been said, is this useful at all? Many people have told me that this is useless, because the Government appears to think that it must not approach the problem with the same kindheartedness as that of TUNG Chee-hwa before, as he finally turned out to be doing a disservice despite the good intentions. It appears to think that Hong Kong has to practise the high-land price policy, and that members of the public have to chase after the ever surging property prices, so that everybody cherishes the dream that the price of his property will continuously remain high. Even though the public may have grievances, this still will not be as damaging as the hard landing of the property market back in those years, while the high-land price policy is also in line with the objective of property developers to profiteer. It is precisely due to this mentality that the policy is skewed and then becomes the principle of the Government in promoting or regulating the property market. I hope that the Secretary will give a response later as to whether the high-land price policy is the Government's objective and principle.

MR ABRAHAM SHEK (in Cantonese): President, today, I have heard a lot of colleagues express many views on the Government's housing and land policies. These are the collective wisdom of the Legislative Council, to which the Government can make reference.

President, many people said that property prices have now reached an unacceptable stage. Property prices are regulated by the market, and they cannot be manipulated by any property developer. In this connection, President, we must take a look at it clearly and find out why property prices have come to this stage? Many colleagues mentioned 1997. How was our society before the reunification in 1997 different from the present circumstances? Before 1997,

the economy then was a growth economy with a very low unemployment rate. The economy back then could be considered as in the best shape over the years. Many people had purchased residential properties, given the policy on "50 hectares" as mentioned by Albert HO earlier. People had huge capitals with them and they all wanted to engage in property speculation. But now as the financial turmoil has swept across the globe, many places, countries and markets must take actions to rescue their market. This is why many governments have been printing banknotes. The United States, in particular, has kept on printing greenbacks to cause the US dollar to depreciate, and when the situation becomes a bit more stable, they will transfer their capitals elsewhere.

Why are the conditions in other places not as good as those in Hong Kong now? Because Hong Kong has the rule of law. Hong Kong is an international metropolis, and many investors have confidence in Hong Kong. So, when the hot money that I mentioned just now comes to Hong Kong, it is not hot money, but an investment. Given the pegging of the Hong Kong dollar to the US dollar and when the US dollar keeps on depreciating, people will think that land in Hong Kong is the best investment. This is why so many luxury flats have been sold at such exorbitant prices. That very flat sold at \$70,000 per sq ft was purchased by neither locals nor mainlanders, but by a foreign investor. This investor, who is a Chinese, considers Hong Kong the best place for investment. Such being the case, does it have any bearing on the prices of other properties? Yes, it does. As we can see, property prices at the Mid-Levels had increased by 10% or 15% but then came down rather quickly.

Recently, after his meeting with the real estate developers, the Financial Secretary put across a big message to the entire market and since then, the prices of many properties have come down by at least 10% and continued to drop because there are very few transactions. So, one must decipher the whole picture before hurling criticisms at the Government's policies. To put it simply, if our land policy is unsatisfactory, can it be changed all of a sudden? And if it is changed again when the situation turns the corner, that would dampen the confidence of investors. Why is Hong Kong so successful? Because the Hong Kong Government can convince many investors that the current policies are very stable, thus inspiring confidence in them to make investments in Hong Kong.

The case of housing is just the same. Under the housing policy of Hong Kong, we have public rental housing (PRH) from which members of the public

can often benefit most. It is a policy of Hong Kong that nobody should be deprived of housing. Then why are there people sleeping on the street? That is their own choice. If they ask the Government to provide them a dwelling place, the Government will not reject them because it provides housing to the people as a matter of policy.

There are currently 120 000 applicants on the Waiting List for allocation of PRH, and I agree that the construction of PRH should be expedited, so that more people can have a better living environment. We think that under the current circumstances, especially when the Treasury is rolling in money, investment should be made expeditiously by building more PRH to enable more people to move into PRH flats. Ms Audrey EU mentioned caged homes earlier. Why do these things happen? Because these people all choose to live in the urban area. Therefore, we should provide more singleton hostels, so that they can live in the downtown or urban area, rather than moving them to the New Territories or other remote places. As many people choose to live downtown, so in the context of the PRH policy, the Government should consider how it can provide the public with housing in some better locations.

President, I support the provision of more sites for the building of medium and small-sized flats. As I made it very clear on that day, in respect of land sale, not a lot of sites are sold for new residential developments each year and most of these sites are made available through lease modification. Recently, Henderson Land Development said in the press that it had reached a consensus with the Government on paying \$9.3 billion for building about 4 000 flats. In this respect, if the Government can speed up the procedures, so that more developers will invest in Hong Kong by building more small and medium-sized flats in districts such as those in the New Territories, I think the problem of housing supply can be resolved very soon. In this connection, the Government must really give this consideration, because it is not the case that there is no land. The truth is that there is plenty of land. Government officials must be more open-minded, so as to encourage developers to invest in Hong Kong and construct more buildings, and bear in mind that it takes a few years to complete just one building.

President, why is the supply of housing inadequate in Hong Kong nowadays? It is because the economy was really in a very bad shape a few years ago and nobody dared to make investments in anything and as a result, the

provision of land or residential flats is inadequate now. That said, some 8 000 flats are going to be put up for sale in the market and about 14 000 flats will be made available next year. So, it is not the case that there is no land or housing. Only that there are procedures to complete. So is the case with investments.

Thank you, President.

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

MR ALBERT CHAN (in Cantonese): President, the housing and land policies of the Hong Kong Government have caused boiling public anger and resulted in widespread opposition from not only the public but also its apologists. Members of the Executive Council should supposedly defend the Government's policies, arguing for the Government's policies and even promoting them. But not only have they failed to speak up for the Government, their position is even diametrically opposite to that of the Secretary. When the Secretary dismissed calls for the construction of HOS flats, Members of the Executive Council supported the resumption of the construction of HOS flats in a high profile. When the Government said that no land auction would be conducted, Members of the Executive Council said in a high profile that the Government should conduct land auctions. To protect the interests of property developers, the Government has caused boiling public anger and widespread opposition from both the public and its apologists, completely neglecting the system of collective responsibility.

President, when it comes to housing, it is quite exceptional that Mr Abraham SHEK's comments can reflect some of the situations and views of the public. Whenever the supply of and demand for housing is discussed, he would invariably refute my views after I had spoken, while I would oppose his after he had spoken. It is really exceptional to see that as the representative of the real estate sector, he, in his speech today, has indeed reflected a side of humanity in putting forward some views on the housing demand of the ordinary public, especially people in the lower-middle class. If the Government does not even accept such views, the Government could be considered as inhuman.

Looking back, since "SUEN's nine strokes" — I vehemently opposed "SUEN's nine strokes" at that time. When Secretary Michael SUEN announced "SUEN's nine strokes", I already stated that he would definitely court great troubles. In retrospect, from the MACLEHOSE's era and from the 1970s in Hong Kong, there were the four major pillars. The four major pillars of public policies announced in Hong Kong back then were housing, medical and health care, education and social welfare. Following the promotion of these four major pillars, the support given to them and the delivery of services, the 1970s and 1980s saw a great leap forward in the Hong Kong economy. In recent years, particularly after the introduction of "SUEN's nine strokes", the wealth gap in Hong Kong has worsened and the problem of poverty has deteriorated. The "shell-less snails" campaign has been organized and promoted again, and as the public are facing housing problems and pressure of rental, the people are boiling with anger.

It is not the case that Hong Kong has no land. The Government still has plenty of land. In respect of the development of private housing, land supply can be increased in the private sector through auctions or revising certain policies under the Application List System. The public sector is just the same. The Hung Shui Kiu Development and Kwu Tung Development have been discussed for years, and although the Government has a lot of land that can be put to use, it has dragged its feet. The delays to the projects are not entirely caused by the Government, as many Members in this Chamber must also share the blame. Many directly-elected Members opposed the construction of public rental housing (PRH). On the one hand, they vigorously championed in this Chamber for the construction of more PRH flats by the Government but on the other, they put up opposition when the Government was going to construct PRH flats. Even Members from the grassroots in the democratic camp opposed the construction of PRH. Is this not absolutely absurd? Many Members used to live in PRH flats, and I myself grew up in Lei Cheung Uk Estate. Now that they have moved out from PRH flats and are living in luxurious residential flats and driving cars, does it mean that Hong Kong people do not need to live in PRH flats anymore? They said that this would obstruct the view and local development and they proposed developing parks, rather than PRH flats. Do they want people to sleep on the street? So, not only the Government should be condemned. All those Members in this Chamber who had opposed the construction of PRH must also be condemned, including those from the democratic camp. What kind of Members are they? Do they have any sense of humanity? Those who live in caged

homes are living in miserable conditions, and they have no other place to live in; those people who sleep on the street have nowhere to live; those people have to wait again and again after submitting an application for PRH and they are not allocated a PRH flat even when they are about to die and yet, you people are opposing the construction of PRH? These Members who do not have any sense of humanity must also be condemned.

More infuriating is that I often cite Yuen Long Estate as an example. When Yuen Long Estate was to be demolished back then, the Government said that there would be PRH development on the site of Yuen Long Estate but the Yuen Long District Council outrageously opposed it. What kind of members and representatives of public opinions are they? So, President, in this world and society, black and white are really reversed, and right and wrong confused. The formulation of public policies must ensure that all social groups can access services that they should be provided with, and the most basic services being those in respect of clothing, food, housing and transport. Conflicts are bound to arise among social classes and social groups in the course of whatever development. This is only natural. Everybody wishes to live in a place overlooking the sea, and everybody wishes that his home can forever maintain a beautiful environment. But as society develops, transport and the environment will certainly be affected and so, it is necessary to strike a balance. Can those people who are already living there then flare up and act in a hegemonist manner and reject the right to housing of the homeless? What kind of disposition and value is this? So, President, I hope that the Government will provide all the information on its website in future by compiling a list to set out when and on what occasions which Members and political parties had opposed the construction of PRH, so that Hong Kong people can see clearly the faces of these people who look like neither human beings nor demons.

President, I have served in districts for many years. When I support certain developments of the Government, the public will criticize me and all I can say is, "Sorry, you can cast no vote for me in the next election." We must have our principles and positions. We cannot waver in our position, speaking one thing to human beings but another to demons, thus making ourselves neither human beings nor demons. When I look at some democrats from the grassroots, I really find their faces repulsive. They claim to be democrats standing for the grassroots — of course, I was one of the founding members back then — Those democrats from the grassroots whom I am accusing now are those people who

betray their own grassroots people. Just as YEUNG Sum whom I had taken to task before. He opposed setting a minimum wage. He was born in a family in the working class but he has now betrayed the interest of his own social class.

So, President, on the housing issue, the Government must take care of the group of people most in need, *(The buzzer sounded)* Certainly, the poor must also be taken care of

PRESIDENT (in Cantonese): Mr Albert CHAN, your speaking time is up.

MR ALBERT CHAN (in Cantonese): all the people of Hong Kong must be taken care of. Thank you, President.

PRESIDENT (in Cantonese): Mr Albert CHAN, do not get yourself so worked up. Please take care. *(Laughter)*

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr LEE Wing-tat, you may now speak on the amendments. You may speak up to five minutes.

MR LEE WING-TAT (in Cantonese): President, I have sat here for too long. First of all, I thank Members for their speeches. Do I still have a few minutes to speak after this?

PRESIDENT (in Cantonese): You will have five minutes and 22 seconds to speak later.

MR LEE WING-TAT (in Cantonese): Thank you, President. I have been here listening for too long and so, I am a little bit tired.

But President, with regard to the several amendments, colleagues have expressed their views on them. Regarding the amendment proposed by the Liberal Party, I do not agree to it because it seeks to delete the words "build Home Ownership Scheme flats". My proposal, which suggests building only 2 000 to 3 000 flats each year, is very moderate but the Liberal Party still does not accept it. In that case, it is very difficult for us to support its amendment.

We do not agree to the analysis of the Liberal Party, for we do not see that this has anything to do with causing impacts on the property market. As the Secretary has said repeatedly, the construction of a small number of Home Ownership Scheme (HOS) flats basically has nothing to do with the property market. I do not wish to see the Liberal Party keep on scaring the public by such alarmist talk. Think about this: Before 1997, or in 1991 — no, not 1991; from 1977 to the 1990s there were HOS flats, and this means that scientifically, the provision of HOS flats seems to have no definite correlation with the plunge of the property market, especially when we are just talking about a small number of HOS flats.

Second, with regard to Mr CHAN Kam-lam's amendment, we agree to most part of it. In fact, I already talked with Mr CHAN Kam-lam once when he proposed his amendment. I politely asked him not to include the threshold for land resumption, because this is a very controversial issue on which public views will be diverse in the course of discussion.

Certainly, the Democratic Party has not reached any decision on the question of revising the requirement of 90% to 80%. The Secretary certainly very much wishes to change it, and she has waited for a long time. However, there must be a process and there must be discussion, and we must work out how, after the 80% of people have agreed to the resumption, the interest of the remaining 20% of people opposing the resumption can be protected.

I remember that a few years ago, it might be Secretary Carrie LAM or another Director of Bureau who talked about the question of tenancy control, and that piece of legislation did give us some very impressive experience. At that time, the bureau said categorically that there would not be any problem. Certainly, I cannot say that the enactment of the legislation has caused the rental

of a suite, a small-sized flat or a cubicle apartment in Sham Shui Po or Tsuen Wan to rise to \$20 to \$30 per sq ft a month, which is actually comparable to the rent of luxury flats at the Mid-Levels. A so-called "luxurious suite" of 50 sq ft is asking for a rent of \$2,000 to \$3,000. This is what happens after tenancy control was lifted.

Certainly, the Secretary may say that this does not necessarily have to do with the legislation. But this phenomenon is very scaring. Many residents of Central and Western District are here listening to us in the public gallery. There were cases in which tenants of old, small-sized flats in Central and Western District faced drastic rent increases upon renewal of tenancy. So, I said to CHAN Kam-lam, "Why must we be so careful with the question of revising the requirement of 90% to 80%?" Because some experiences have made us feel very worried, and we do not wish to deal with this issue so hastily. So, sorry, insofar as this point is concerned, we cannot support the amendment of the Democratic Alliance for the Betterment and Progress of Hong Kong. We can only abstain in the vote.

Mr WONG Kwok-hing's amendment is consistent with most of our views, except that on the question of land sale, his views are different from that of a majority of colleagues, except those from the Liberal Party. In fact, whether it is conducted at regular or irregular intervals, or whether it is just a small number of sites, or it is to be conducted on a preliminary basis or with a gradual approach, and no matter how it is described, most colleagues actually support land sale. But the Hong Kong Federation of Trade Unions is so conservative that it is difficult for us to support it. So, if Mr James TO's amendment to Mr WONG's amendment is passed, we will support Mr WONG Kwok-hing's amendment. Otherwise, we will abstain in the vote.

Thank you, President.

SECRETARY FOR DEVELOPMENT (in Cantonese): President, almost half of all Members of this Council have spoken on this topic today. This precisely shows that the topic under discussion today is of great concern to the community. In my opening remarks I already stated our views on several issues and Members also gave their comments in their speeches and so, I am not going to repeat them. For example, Mr Frederick FUNG hopes to see more diversification in respect of

land for the supply of housing, and also the provision of large, medium and small sites. Actually, this is exactly the strategy that we have adopted and sometimes, we may even divide a site into two smaller sites for inclusion on the Application List, so that small property developers can trigger the sale of these sites for development. This is why nearly half of the sites on the Application List now are small sites measuring no more than 0.5 hectare. Dr Priscilla LEUNG and Ms Audrey EU have mentioned financial services and immigration policies. As these issues are not mentioned in the original motion and the amendments, I can only relay the views of the two Members to the relevant Directors of Bureau.

As I said in my earlier speech, from what I have heard so far, there is quite a strong consensus in the community on the various measures adopted to increase land supply for housing development. Prof Patrick LAU calls for more foresight in this area of work, urging us to look farther ahead. In fact, over the past few years, we have developed certain systems to monitor the production of private residential flats to facilitate our work in land supply. We have basically put in place two systems. The first is the Housing Monitoring Information System of the Housing Department. One of the purposes of this system is to enable us to monitor the supply of private residential flats in the primary market. The other is the monitoring system for housing-related infrastructure of the Works Branch of the Development Bureau. One of its purposes is to enable us to more effectively identify problems in the relevant works projects in case the timely provision of private residential sites and important support infrastructure may be affected, so that follow-up actions can be taken.

Recently, or to be more exact, a few months ago, I initiated a task in the Development Bureau. As Members may know, the Development Bureau has the advantage of having departments responsible for planning and lands matters and also departments responsible for public works. I hope that with the concerted efforts of various departments, we can look into the possibility of making a breakthrough in land development. For instance, a land bank of the Government can be developed in Hong Kong, as it may not be adequate to provide land purely on the basis of today's projection of demand. Another example is how to align our efforts with Hong Kong's economic development. As Members can see, the six industries with clear advantages as proposed by the Chief Executive all require land and housing support. But I must say that we are lucky for the time being because over 1 000 old industrial buildings covering an

area of 17 million sq m can be released to meet the demands arising from economic restructuring. While I do not have sufficient information today to share with Members the preliminary views on this measure, I very much look forward to working with Members in future meetings of the Panel on Development to explore how best land development can be taken forward with more creativity and foresights.

Insofar as this area of work is concerned, if the situation we face today is said to be identical to that in 1997 and a conclusion can then be drawn that a solution should be easily identified, I am afraid this is oversimplifying the situation. I can tell Mr Albert HO that the present situation is actually greatly different from what happened back then. Take land supply which is under my purview as an example. Over the past 12 years, civic awareness has grown in society and coupled with the public's concern about the environment, the situation now is very much different from that in 1997 when land development and development density were steered to provide support to the policy of building "85 000 flats". Nowadays, land development or formation and the provision of a certain number of housing flats with the land hence provided are no easy task. Mr Albert CHAN also raised this point in his very impassioned speech earlier. The difficulty that we face now in formulating policies is that while we see what is happening now, our past endeavours may not necessarily provide fully accurate benchmarks for us to follow, not to mention that we do not have a crystal ball to see future changes. But we will continue to work hard, come what may. .

A number of Members reminded us not to act overly cautious under the influence of the policy of "85 000 flats" in handling the housing issue. It is true that we must be very cautious in this area of work, but we are cautious not because of the spectre of "85 000 flats". Rather, it is because this issue is very wide in scope and it can affect many stakeholders, including small owners mentioned by the Chief Executive and owners of mortgaged properties mentioned by Mr Vincent FANG earlier. We are very concerned about their well-being. To illustrate with an example, I wish to read to Members the contents of an email. Some Members mentioned earlier that they had received some e-mails. I have also received some, and this one comes from an ordinary citizen to the Chief Executive, which was then passed onto the two relevant Bureaux of ours.

It reads, and I quote, "Chief Executive, while I have no idea whether or not this email can really reach the Chief Executive or officials, I must still give it a

try, in order to at least give myself an opportunity to express my views. The recent bubble in property prices has become a focus of attention in the market, and I wish to give some of my views today. Frankly speaking, I have just bought a flat of close to 500 sq ft (in early October) in Greenfield Garden on Tsing Yi at \$1.8 million. I had considered it for a few months before deciding to buy it. But if the Government introduces policies to intervene in the property market, that would be most unfair to those owners who have just purchased their properties. We bought our properties with our hard-earned savings, and we decided to buy a flat after many months' of consideration. If the Government takes actions to regulate the property prices, having regard only to those 100-odd "shell-less snails" who took to the streets and that lawyer-doctor couple who wish to buy a luxury flat on Hong Kong Island, that would indeed be most unfair to small owners like us. In fact, the interest rate is not going to remain at this low for good. When the interest rate rises, the surge in property prices will naturally cease, so why do we not let it run its course naturally but have to suppress it? With only some policies rolled out by the Monetary Authority, the volume of transactions has immediately shrunk. I am really very worried that many negative equity asset owners will again appear in Hong Kong. Chief Executive, officials, I appreciate the dilemma that you face, but please do consider us before introducing any policy." (End of quote)

I think the view expressed in this email is broadly the same as the messages received by Mr Fred LI and Mr LEUNG Yiu-chung, as they said earlier when advocating the resumption of the construction of Home Ownership Scheme flats. However, I must point out that this is just one of the emails, and I have also received some other emails expressing views that are very similar to those expressed by Members today in that they also expressed the wish to see the Government taking more aggressive actions. This is just an example to illustrate to Members the scope of our consideration in administration.

Another point to which I wish to respond is land valuation. Two Members of the Liberal Party, namely, Mr Vincent FANG and Mr Tommy CHEUNG, both considered that we are way too aggressive in the evaluation of sites on the Application List, thus making it difficult for land sale to be triggered. I have heard of this view for many times. But I would invariably say to the developers that if they do not make any attempt to trigger a site, how can we proceed to a process of aggressive evaluation and make a decision to allow them to trigger the site? In fact, since the publication of the Application List in March

this year, only four applications have been received and in one case, land sale was successfully triggered right after the application was submitted and the site was subsequently sold in the auction at a price double the trigger price. As for the other three applications, two of the sites were residential sites and only one attempt was made for each of them.

Land valuation is professional work responsible by professional Estate Surveyors of the Lands Department (LandsD), who take into consideration many market data and factors in conducting land valuation, such as the cost and revenue of the development project, including the selling price on completion of the development project, construction costs, interest cost, profit of the developer, and so on. These factors may change in tandem with changes in the market.

I must stress that the Government will not deliberately create obstacles for land sale by asking for a staggering price, or by doing so, impose strict control on land supply, as some Members have said. By the same token, we will not deliberately adjust the land price downwards to boost land sale to the neglect of the professional judgment made by professional Estate Surveyors of the LandsD. In fact, as I said just now, this year, the only residential or non-industrial site sold with approval for residential use was successfully triggered for sale the first time the application was submitted and it was eventually sold in auction at a price double the trigger price. Therefore, we do not agree with Mr Vincent FANG's comment that our price is too high or overly aggressive, and there is also no question of the so-called "high-land price policy".

Land is a valuable resource in Hong Kong. The LandsD performs its duty in a prudent and responsible manner. Adjusting the valuated price or deliberately lowering the open market value is not an option at all. I have heard a lot today, and there seems to be a consensus among various parties and groupings that even if we insist on an open market value, can we still lower the threshold for triggering sites? Basically, the threshold for triggering sites does not affect the open market value. Even if the sale of a site can be triggered more easily because of a lowered threshold, we will still insist on selling the site at the open market value in the auction, or else we would withdraw the site from sale.

Insofar as this point is concerned, the various parties and groupings in the Legislative Council share the same view with the Real Estate Developers

Association (REDA), which is quite rare. The REDA issued a press release a fortnight ago to express support for the Application List System, while stating their consensus view that it is necessary to improve the Application List System and lower the threshold for triggering sites, in order for more land to be flexibly made available to the market and to promote land sale, thereby providing an index on land price for the market. Mr LEE Wing-tat mentioned that in a meeting with property developers, he asked them whether they would certainly submit an application if the trigger price was reduced from 80% to 60%. From what I have heard, he seemed to have said that he was not given a definite answer. I am luckier than him when I asked them the same question. Since they had issued the press release, I asked them whether they would certainly submit an application if I really took on board their advice and lowered the threshold for application. Looking around in this Chamber, I can see many are nodding. Having said that, the remarks made by the developers are not binding (*Laughter*), and I will not act on this.

On this point, I must give a response to Ms Starry LEE, who is nevertheless not in the Chamber now. She said that she had heard before and after the policy address a piece of news, the source of which seemed to be the Government. It said that insofar as the Application List was concerned, the Government would not do anything since a consensus had not yet been reached by the REDA. She said that this piece of news had aroused dissatisfaction among many members of the community. I must make it clear to Members here that this is not the Government's position. Nor should it be the position of the Government. The Government is not the source of this news either. It is the duty of the SAR Government to formulate policies and so, Members can be assured that I have not outsourced to property developers the formulation of policies on land supply. This is definitely done by us.

Also, Mr Alan LEONG holds that we always seem to be at our wits' end, not knowing what to do, when we deal with property developers. This, I beg to differ a bit. Because over the past two years, Mr LEONG should particularly know better than other Members that many of our initiatives are taken forward in public interest and even contrary to the interest of property developers. These initiatives include the systematic dissemination by developers of all information on open space and public facilities as required under the land lease to facilitate public monitoring; conducting a comprehensive consultation for the purpose of consolidating our work on "flats with inflated saleable area", and the

revitalization of industrial buildings which target commercial premises owned by property developers. The only difference from Mr LEONG is that — to put it in Mr LEONG's own words — we must be comprehensive, thorough and cautious in our work before making any changes. We must not act rashly.

The Chief Executive said that we would closely monitor the market in the coming months and improve the arrangements for land supply where necessary. Mr CHAN Kam-lam is concerned about whether we would do something only when the figures or indices and property prices have reverted to the levels in 1997. I can tell Mr CHAN that my answer is "No". His concern is unwarranted, because our monitoring work is comprehensive. We will not trigger the mechanism only when the property prices have returned to the levels in 1997. However, in considering making any changes in land supply, we must firmly uphold three policy objectives and guiding principles: First, we must allow the market force to be continuously brought into play, so that the market can develop an economic philosophy of minimal government intervention in the market; second, we must strongly uphold clarity and consistency in land policies to avoid as much as possible making unnecessary changes constantly, so as to ensure the provision of a fair and stable environment for the property market to operate freely and efficiently, while meeting the demand for social development in the market in a timely manner; and third, we must protect public revenue, which means that we will not lower the prices arbitrarily and sell lands at knock-down prices.

In respect of land supply, even if problems have arisen, we will not take an attitude of trusting to chance and luck. On the other hand, members of the public must support the SAR Government's attitude of not acting rashly, for the issues involved are extremely wide in scope. We will continue to work with the objective of maintaining the stable and healthy development of the property market in Hong Kong.

Thank you, President.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I thank Members for speaking on the motion and the amendments. We understand that given the recent surge in overall property prices, especially as the prices of luxurious residential flats have continuously hit new heights,

members of the public are concerned about issues such as the supply of housing and a bubble in the property market.

In his policy address delivered some time ago, the Chief Executive also expressed concern over these issues and undertook to closely monitor the development of the property market. The Secretary for Development has also given an account to Members earlier on improving the system of land supply.

Dr Joseph LEE reminded us to clearly explain again our housing policy. It has been the Government's housing policy to provide public rental housing (PRH) to low-income families who cannot afford private rental housing, in order to meet their housing needs, and also withdraw from playing the role of a property developer and cease the production and sale of subsidized public housing flats, with a view to minimizing intervention in the market. Encouraging home ownership through the Home Ownership Scheme (HOS) or other schemes is no longer an objective of the Government's housing policy. We consider that a decision on purchasing a property should be a matter of personal choice and affordability. The resumption of the construction of HOS flats in whatever quantity is in conflict with the existing policy.

In fact, many public opinions and academics have recently urged us to be very careful in handling the question of resuming the construction of HOS flats, pointing out that resumption of the construction of HOS flats is not a measure or means that should be adopted to deal with the existing problems of the property market.

Many Members are concerned about the supply of housing. The Transport and Housing Bureau is responsible for data collection and monitoring. I would like to talk about the supply of residential flats in the market.

In respect of the primary private residential property market, there is still a supply of a certain quantity of small and medium-sized flats. From the latest information available to us, in the next few years, about 52 000 private residential flats will be supplied in the primary market, of which about 33 000 are small and medium-sized flats with a saleable area of below 70 sq m.

The primary private market aside, there is also a supply of quite many secondary private residential flats. As a matter of fact, the number of

transactions in the secondary market is about 77 400 on average in each of the past few years, accounting for 80% of the total annual transactions in the private residential property market. In the first three quarters of 2009, 73 000 transactions have been recorded in the secondary market, accounting for 84% of the total volume of transactions.

Besides, the first three quarters of 2009 have seen about 40 900 transactions of flats priced below \$2 million. In fact, while the prices of private residential properties have continued to increase in 2009, the number of property transactions at a value of below \$2 million has still increased during the same period, with 8 900 transactions in the first quarter, 16 300 in the second quarter and 15 700 in the third quarter of 2009. From these numbers of transactions, we can see that there is still a supply of a certain quantity of middle-to-lower-priced residential flats in the market.

Moreover, the Hong Kong Housing Authority (HA) launched the sale of a total of 1 300-odd surplus HOS flats under Phase 5 in end-October, and most of the flats are priced below \$2 million. After the launch of Phase 5, the HA will put up for sale the remaining 4 000-odd surplus HOS flats in an orderly manner from 2010 onwards. The HA will work out the future sales programmes by making reference to the sales result of Phase 5 and having regard to the market conditions at the time.

There are at present more than 300 000 HOS flats in Hong Kong, including 60 000-odd flats with premium paid and 250 000-odd flats with premium not paid, which can be traded in the open market and the HOS secondary market. These HOS flats are located in various districts of the territory, and about 75% of them are in urban areas and extended urban areas.

According to the current valuation, of the 300 000 HOS flats in the territory, about 70% or 220 000 are priced below \$2 million, and among them, about 50 000 are flats with premium paid. These HOS flats are a huge potential source of middle-to-lower priced flats, which also means a potential source of flats for first-time home buyers. Over the past few years, an average of 6 000 and 2 000 transactions are recorded annually of HOS flats in the open market and the HOS secondary market respectively. I welcome the views put forward by Members on how the HOS secondary market can be enlivened. I am also

grateful to Mr Fred LI for raising some specific issues which we will study in depth.

Some Members suggested in their speeches earlier the resumption of the construction of HOS flats, so as to provide people in need with an opportunity to purchase middle-to-lower priced flats in the primary market, or flats for first-time home buyers, so to speak. They also hope that this can facilitate the turnover of PRH flats.

Our policy objective presently is to maintain the stable and healthy development of the property market and return to the basics to allow the market to adjust the demand and supply. The Secretary for Development has already given an account on the improvement of land supply earlier.

I wish to point out that in spite of the suspension of the construction of HOS flats by the HA in 2003 and the termination of the Home Assistance Loan Scheme in 2004, the number of PRH flats returned voluntarily by sitting tenants or recovered from those who have purchased flats in the HOS secondary market has not been affected. Over the past few years, even though no HOS flat was made available, many PRH flats were recovered following the moving out of the tenants. From 2004-2005 to 2008-2009, an average of about 8 500 PRH flats were recovered each year.

Earlier on, Mr WONG Yuk-man asked me to provide the statistics and state whether the construction of HOS flats should be resumed based on the criteria that I have adopted, one of which is the turnover of PRH flats. From the above statistics, it is evident that there is not any problem in the turnover of PRH flats.

Besides, we must also note the reality of a limited supply of land in Hong Kong. The resumption of the construction of HOS flats may result in a reduction of sites available for the construction of PRH flats, which would in turn reduce the production of PRH flats. As we have reiterated repeatedly at meetings of the Legislative Council Panel on Housing, the sites of the HA must be used for constructing PRH flats and the sites made available after clearance of PRH estates must also be used for public housing development, but not for purposes including the development of HOS flats or other purposes. Otherwise,

there would be a great adverse impact on the objective of maintaining the average waiting time at around three years that we have been upholding continuously.

For these reasons, we do not agree to the proposal of resuming the construction of HOS flats. Next, I would like to reiterate the position of the Government and that of the HA on the re-launch of the Tenants Purchase Scheme (TPS) as proposed in the motion.

The HA introduced the TPS in early 1998 to enable PRH tenants to buy the flats they rented at affordable prices, thereby helping to achieve the then policy objective of reaching a home ownership rate of 70% in 10 years' time. In 2002, following a comprehensive review of the housing policy, the Government decided that it is unnecessary to continue to maintain the long-term home ownership target and pointed out the need to maintain an adequate number of PRH flats to meet the housing demand of eligible families. In line with this policy, the HA halted the TPS after the launch of Phase 6B in 2005. We do not have any plans to re-launch the TPS for the following considerations.

First, we have to consider the supply and turnover of PRH flats. According to the present forecast, the average annual production of new PRH flats is only about 15 000 for the next five years. The recovered flats have all along been an important source of public housing supply, accounting for about half of the PRH flats allocated each year on average. PRH flats, once sold to the tenants, will never be returned to the HA for re-allocation. Dr Joseph LEE and Miss Tanya CHAN also mentioned earlier that with one more PRH flat sold, it means one PRH flat less for re-allocation. Inevitably, the HA's ability to sustain the public housing programme and to maintain the average waiting time at around three years will be greatly undermined.

Moreover, the management of TPS estates is also a very important consideration. The HA would no longer be the sole owner of TPS estates, and mixed ownership will make management very complicated.

Indeed, PRH tenants have other choices of subsidized home ownership. They can purchase flats in the secondary HOS or TPS market, and payment of premium is not required if they purchase flats under these two arrangements.

The limited housing resources are important social resources. Particularly as Hong Kong is a small place with a large population, the land resources for public housing are all the more precious and must be utilized all the more carefully. As I said before, there are currently over 120 000 applicants on the Waiting List for PRH with an average of 3 500 new applications every month. The HA must pool together the limited housing resources to take care of low-income families who cannot afford private rental housing, in order to maintain the average waiting time for PRH at around three years. Reintroducing home ownership assistance will inevitably have an impact on the primary task of the HA at the moment. This is also contrary to the HA's long-established practice of focusing resources on helping people with housing needs.

Furthermore, take the Home Starter Loan Scheme (HSLS) implemented by the Government between 1998 and 2002 as an example. As at mid-October 2009, of the 33 400-odd HSLS loans, some 18 700 were fully repaid, of which about half had late repayment records during the repayment period. Out of the 12 500-odd loans with repayments currently on schedule, about 45% had late repayment records in the past and besides, some 1 200 were bankruptcy cases. The Government has already made commitment for about \$490 million of bad debts under the HSLS. For this reason, I take exception to Mr CHAN Hak-kan's view that these figures do not warrant concern. I think these figures are precisely alerting us that it may not be the best way to assist and encourage home starters by providing loans to them. We consider that a decision on purchasing a property should be a matter of personal choice and affordability. The Government should not take up the role of a lending institution and influence the public's decision on home ownership which should be premised on affordability.

Mr Paul CHAN has compared the HSLS with the loan scheme for university students. This, I do not agree. It is because insofar as the policy is concerned, the latter is meant to enable university students in need to complete their studies. Our housing policy, however, does not aim to encourage home ownership in this way.

President, the Government has all along taken into account the overall interest of the community when considering its role and position in economic activities as well as how public resources can be put to use more effectively, and the first and foremost consideration of our housing policies is the housing needs of low-income families in society.

The Government will continue to keep a close watch on the development of the private property market and where necessary, improve the arrangement for land supply. I thank Members again for their valuable input.

President, I so submit.

PRESIDENT (in Cantonese): I now call upon Mr WONG Kwok-hing to move his amendment to the motion.

MR WONG KWOK-HING (in Cantonese): President, I move that Mr LEE Wing-tat's motion be amended.

Mr WONG Kwok-hing moved the following amendment: (Translation)

"To add ", in view of the recent abnormal speculation and soaring prices in the property market of Hong Kong, which have affected local residents in acquiring their homes," after "That"; to delete "to resume" after "the Government" and substitute with ", on the basis of ensuring that the supply of land for building public rental housing will not be reduced and the waiting time for public rental housing will be shortened, to take proactive and effective countermeasures, which include: (a) to immediately improve the Application List System by lowering the threshold for applying for the sale of sites and increasing the land supply in the Application List; (b) to proactively consider resuming"; to delete ", build Home Ownership Scheme flats and re-launch" after "auction" and substitute with "; (c) whichever land sale measures mentioned above are to be adopted, the Government should give priority to exploring ways to increase the supply of land resources for building properties that meet the needs of the local sandwich class and grassroots to buy properties for self-occupation; (d) to resume building an appropriate number of Home Ownership Scheme (HOS) flats; (e) to adopt proactive measures to revitalize the HOS secondary market; and (f) to re-launch"; and to add "so that public housing tenants can acquire their own homes;" after " 'Tenants Purchase Scheme', ". "

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr WONG Kwok-hing to Mr LEE Wing-tat's motion, be passed.

PRESIDENT (in Cantonese): I now call upon Mr James TO to move his amendment to Mr WONG Kwok-hing's amendment.

MR JAMES TO (in Cantonese): President, I move that Mr WONG Kwok-hing's amendment be amended.

Mr James TO moved the following amendment to Mr WONG Kwok-hing's amendment: (Translation)

"To delete "consider resuming" after "(b) to proactively" and substitute with "arrange for resumption of"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr James TO to Mr WONG Kwok-hing's amendment, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

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

PRESIDENT (in Cantonese): I now put the question to you and that is: That Mr WONG Kwok-hing's amendment, as amended by Mr James TO, to Mr LEE Wing-tat's motion be passed.

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

(Members raised their hands)

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

(Members raised their hands)

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

PRESIDENT (in Cantonese): Members have been informed that Mr Vincent FANG will withdraw his amendment if Mr WONG Kwok-hing's amendment is passed. As this is the case now, Mr Vincent FANG has therefore withdrawn his amendment.

PRESIDENT (in Cantonese): Mr CHAN Kam-lam, as the amendments by Mr WONG Kwok-hing and Mr James TO have been passed, I have given leave for you to revise the terms of your amendment, as set out in the paper which has been circularized to Members. When you move your revised amendment, you may speak up to three minutes to explain the revised terms in your amendment. You may now move your revised amendment.

MR CHAN KAM-LAM (in Cantonese): President, I move the revised amendment the major change of which concerns item (g) which adds "in response to the aspiration of local residents, to relax the threshold for auction under the

Land (Compulsory Sale for Redevelopment) Ordinance to speed up the redevelopment of old districts;" I hope that Members will support it.

Mr CHAN Kam-lam's further amendment to the motion as amended by Mr WONG Kwok-hing and Mr James TO: (Translation)

"To add "and (g) in response to the aspiration of local residents, to relax the threshold for auction under the Land (Compulsory Sale for Redevelopment) Ordinance to speed up the redevelopment of old districts;" after "own homes;". "

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr CHAN Kam-lam's amendment to Mr LEE Wing-tat's motion, as amended by Mr WONG Kwok-hing and Mr James TO, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr LEE Wing-tat rose to claim a division.

PRESIDENT (in Cantonese): Mr LEE Wing-tat has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Dr Raymond HO, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Prof Patrick LAU, Mr Paul CHAN, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Dr Samson TAM voted for the amendment.

Ms Miriam LAU, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG, Dr Joseph LEE and Mr CHEUNG Kwok-che voted against the amendment.

Dr Margaret NG and Mr CHEUNG Man-kwong abstained.

Geographical Constituencies:

Mr CHAN Kam-lam, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Starry LEE, Mr CHAN Hak-kan and Mr WONG Kwok-kin voted for the amendment.

Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung, Mr Albert CHAN, Mr Frederick FUNG, Mr LEUNG Kwok-hung, Ms Cyd HO and Mr WONG Yuk-man voted against the amendment.

Mr Albert HO, Mr Fred LI, Mr James TO, Ms Emily LAU, Mr Andrew CHENG, Ms Audrey EU, Mr LEE Wing-tat, Mr Alan LEONG, Mr KAM Nai-wai, Miss Tanya CHAN, Dr Priscilla LEUNG and Mr WONG Sing-chi abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 19 were present, 11 were in favour of the amendment, six against

it and two abstained; while among the Members returned by geographical constituencies through direct elections, 26 were present, six were in favour of the amendment, seven against it and 12 abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr LEE Wing-tat, you may now reply and you have five minutes 22 seconds.

MR LEE WING-TAT (in Cantonese): President, the Secretary cited an email from a member of the public to her. Certainly, we also have many emails in support our position, but I must say that this is still lopsided and it would be best for the Government to carry out a survey. The Democratic Party conducted a survey from 29 October to 2 November. The interviewees sampled in the survey are basically quite representative, because 45% of the interviewees live in private housing, and some 20% to 30% of them have a monthly income of over \$40,000 to \$50,000. These figures are quite balanced, as people in various income groups in the community are included. The findings of the survey show that of the 630 interviewees, 79.6% think that the current property prices have gone beyond the affordability of the general public — this is not just the comment of the grassroots, as the middle class also shares the same view — while 84% of the interviewees support the resumption of the construction of HOS flats or PRH flats and they are not worried about property prices being affected as a result. Why do we have the confidence to make this proposal in the motion? Many Members in the Chamber think that the idea of constructing HOS flats is very frightening, but it certainly depends on the number of flats to be constructed. This survey shows that if only a small quantity of HOS flats will be constructed, 84% of the interviewees do not consider it a cause of concern. I hope Members can pay attention to this figure because this percentage of interviewees does not come from the grassroots and PRH tenants. They include many of those living in private housing and those with a monthly income of over \$30,000 or \$40,000.

President, this debate today is very good. I would like to draw the Secretary's attention to a phenomenon in society which was actually also mentioned by Starry LEE earlier. That is, "collusion between business and the

Government", a remark that Mr Donald TSANG hates to hear. He said in the policy address that he dislikes this remark. But if the Government's policy on housing and land is so skewed, honestly speaking, apart from the cleavage that exists politically, there are two other cleavages in society that the Government is unable to mend. First, the wealth gap in Hong Kong over which colleagues have expressed grave concern earlier, and this is the cause of hatred among the grassroots in general towards the Government; second, the policy on housing and land of the Hong Kong Government is excessively led by property developers. Some people even consider that this policy is not led by the Secretary. The Secretary thinks that she has not outsourced this task but she can ask the general public and people who are knowledgeable or those in the middle class whether or not they think that our policy on housing and land is led by property developers. They think that since Donald TSANG is elected by this group of people, how possibly could he not heed their dictates? I may place more trust in the two Directors of Bureau of you, but sorry, as to that person surnamed TSANG, I do not quite trust him. I really do not believe that the policy is not substantially skewed in favour of property developers. President, I am not referring to you. I am referring to Donald TSANG.*(Laughter)*

So, I think this impression is not something cooked up by us, for it is there for all to see. Besides, the Secretary said that the Government has actually worked very proactively, say, in respect of open space as she mentioned earlier. But the Secretary must bear in mind that had nobody put up resistance in the case of the Times Square, the outcome which is backing up the Secretary would not have come into being; had there not been so many people, including many Members of the Legislative Council, and also the Democratic Party and community organizations discussing the problem of flats with inflated area, the Government would not have been forced to take actions. So, Secretary, do not take it as the result of your own effort. This is all because conflicts have long been accumulated in society that the Government is forced to do something. Certainly, Secretary, your hard work is appreciated, but I urge you, Secretary, to always bear in mind that if the Government has consistently given people (the middle class and the grassroots alike) the impression that there is collusion between business and the Government, the Government must think about where the problem lies. Do members of the public believe what is just briefly reported in the media? Many of those people are university graduates. Many friends and schoolmates of us also have this impression.

Lastly, President, I wish to talk about HOS flats. I am very disappointed with the Secretary because she still refused to consider it. I do not think that the Secretary is correct in saying that the Government should not intervene in the market. Hong Kong does not have a free housing market. About 30% of our people live in rental housing. If there is a free market, why do members of the general public not rent flats which cost them less? Because there are no such flats for them to rent. So, I hope the Secretary will reconsider whether this is really not an option.

Lastly, Starry LEE reminded me that many residents in her district had said to her that the Government should put up PRH flats for sale. In fact, even the most rightist economists support this measure. So do the most liberalistic economists. Yet, the Government does not support it for the reason that it will cause troubles in management and reduce the future supply of PRH flats. All these are actually excuses. There are over 700 000 PRH flats and with a few thousand to 10 000 flats being sold yearly, what great effects will be produced? If the Government can provide land, there is not going to be any problem at all.

President, I do not wish to dwell on this anymore. I hope the Government will not take actions to handle the problem only when the bubble has become very big. Otherwise, I believe all colleagues in this Chamber will not consider the measures taken by the Secretary appropriate because by then, it would certainly be necessary to take drastic actions and prescribe a heavy dose. President, I thank colleagues for participating in this debate. Thank you.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LEE Wing-tat, as amended by Mr WONG Kwok-hing and Mr James TO, be passed.

PRESIDENT (in Cantonese): Will those in favour please raise their hands.

(Members raised their hands)

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

(Members raised their hands)

Mr Vincent FANG rose to claim a division.

PRESIDENT (in Cantonese): Mr Vincent FANG has claimed a division. The division bell will ring for three minutes.

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

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

Functional Constituencies:

Dr Raymond HO, Dr Margaret NG, Mr CHEUNG Man-kwong, Mr Timothy FOK, Ms LI Fung-ying, Prof Patrick LAU, Mr Paul CHAN, Mr CHAN Kin-por, Mr CHEUNG Kwok-che, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Dr Samson TAM voted for the motion as amended.

Ms Miriam LAU, Mr Abraham SHEK, Mr Tommy CHEUNG, Mr Vincent FANG and Dr Joseph LEE voted against the motion as amended.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Albert CHAN, Mr Frederick FUNG, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr Alan LEONG, Mr LEUNG Kwok-hung, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Cyd HO, Ms Starry LEE, Mr CHAN Hak-kan,

Miss Tanya CHAN, Mr WONG Sing-chi, Mr WONG Kwok-kin and Mr WONG Yuk-man voted for the motion as amended.

Dr Priscilla LEUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 18 were present, 13 were in favour of the motion as amended and five against it; while among the Members returned by geographical constituencies through direct elections, 26 were present, 24 were in favour of the motion as amended and one abstained. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the motion as amended was passed.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11.00 am on Wednesday, 11 November 2009.

Adjourned accordingly at ten minutes to Ten o'clock.

Appendix I**WRITTEN ANSWER****Written answer by the Secretary for Financial Services and the Treasury to Dr Samson TAM's supplementary question to Question 1**

As regards "Section 39E of Inland Revenue Ordinance", the Inland Revenue Department has not recorded data on tax recovery actions taken on companies pursuant to section 39E.