

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 26 October 2011

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, S.B.S., J.P.

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

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

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

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

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

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

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

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

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, J.P.

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.

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN, J.P.

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 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, J.P.

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

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

THE HONOURABLE LEUNG KWOK-HUNG

THE HONOURABLE TANYA CHAN

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE WONG YUK-MAN

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE JOHN TSANG CHUN-WAH, G.B.M., J.P.
THE FINANCIAL SECRETARY

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, G.B.S., J.P.
SECRETARY FOR DEVELOPMENT

THE HONOURABLE EVA CHENG, G.B.S., J.P.
SECRETARY FOR TRANSPORT AND HOUSING

THE HONOURABLE GREGORY SO KAM-LEUNG, J.P.
SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

THE HONOURABLE RAYMOND TAM CHI-YUEN, J.P.
SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS

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

MISS ADELINE WONG CHING-MAN, J.P.
UNDER SECRETARY FOR CONSTITUTIONAL AND MAINLAND
AFFAIRS

CLERKS IN ATTENDANCE:

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

MISS ODELIA LEUNG HING-YEE, ASSISTANT SECRETARY GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY
GENERAL

MRS PERCY MA, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Banking (Capital) (Amendment) Rules 2011	137/2011
Banking (Disclosure) (Amendment) Rules 2011	138/2011
Air Navigation (Hong Kong) Order 1995 (Amendment) Order 2011	139/2011
Air Navigation (Hong Kong) Order 1995 (Amendment of Schedule 16) Order 2011	140/2011
Dangerous Goods (Consignment by Air) (Safety) (Amendment) Regulation 2011	141/2011
Declaration of Geographical Constituencies (Legislative Council) Order 2011	142/2011
Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) (Amendment) Notice 2011	143/2011

Other Papers

- No. 16 — Construction Workers Registration Authority
Annual Report 2010-2011
- No. 17 — Electrical and Mechanical Services Trading Fund
Annual Report 2010/11
- No. 18 — Office of the Telecommunications Authority
Trading Fund Report 2010-11

- No. 19 — Traffic Accident Victims Assistance Fund
Annual Report for the year from 1 April 2010 to 31 March 2011
- No. 20 — The Legislative Council Commission
Annual Report 2010-2011
- No. 21 — Hongkong Post Annual Report 2010/11

WRITTEN ANSWERS TO QUESTIONS

Judicial Review Case Regarding Environmental Impact Assessment Reports of Hong Kong-Zhuhai-Macao Bridge

1. **DR LAM TAI-FAI** (in Chinese): *President, it has been reported that the plaintiff in the judicial review (JR) case regarding the Environmental Impact Assessment (EIA) reports of the Hong Kong-Zhuhai-Macao Bridge (HKZM Bridge) told the media that she originally did not intend to take any legal proceedings against the Government, but "someone had asked her to file the lawsuit". It has also been reported that the plaintiff's solicitor had admitted that the plaintiff was a volunteer of the Civic Party and was initially assisted by a Civic Party member in applying for legal aid, and that the plaintiff had then nominated him as her solicitor to represent her in the case. The solicitor and counsel representing the plaintiff were both members of the Executive Committee of the Civic Party. In this connection, will the Government inform this Council:*

- (a) *given that in reply to my question on 8 June this year, the Government indicated that it was not appropriate for it to comment on issues relating to the case at that time as the Environmental Protection Department had lodged an appeal against the High Court's judgment, whether the Government will provide the public with a detailed account after the case is closed; if it will, of the details; if not, the reasons for that;*
- (b) *whether the law-enforcement agencies will initiate investigation into the aforesaid case to ascertain if anyone is suspected of "maintenance", manipulating the litigation behind the scene,*

perverting the course of justice or other acts of abusing judicial proceedings in this case; if they will, what actions will be taken; if not, of the reasons for that;

- (c) *whether the authorities will request The Law Society of Hong Kong and the Hong Kong Bar Association to investigate the aforesaid case to ascertain if any of their members has contravened the professional codes of conduct; if they will, of the details; if not, the reasons for that;*
- (d) *of the respective amounts of legal and litigation costs incurred by the Government and the plaintiff in respect of the aforesaid case, and the percentage of the costs the Legal Aid Department (LAD) needs to bear in the total legal and litigation costs incurred by the plaintiff;*
- (e) *whether the LAD had vetted and approved beforehand the plaintiff's request of specifying the solicitor of her own choice to represent her; if it had, of the reasons for approving her request; if not, the reasons for that;*
- (f) *of the channels through which the aforesaid Executive Committee member of the Civic Party had become the counsel representing the plaintiff, and whether the LAD had considered and approved the appointment of that counsel beforehand; if it had, of the reasons for granting the approval; if not, the reasons for that;*
- (g) *given that under the existing legal aid system, the aided persons are allowed to specify solicitors and counsel to represent them, whether it is obligatory for the solicitors and counsels concerned to accept such appointments;*
- (h) *whether the authorities will initiate a comprehensive investigation to ascertain if, in the aforesaid incident, any person or political party has exploited the loopholes in the legal aid system to achieve certain political aims; if they will, of the details; if not, the reasons for that;*
- (i) *whether the authorities will study how to prevent people from abusing the legal aid system and initiating JR proceedings against*

the Government for the purpose of obstructing the Government from launching major infrastructure projects; if they will, of the details; if not, the reasons for that; and

- (j) *whether it has assessed the losses caused by the aforesaid case, including the losses suffered by the overall economy of Hong Kong, the delay in time and the additional costs involved in respect of the HKZM Bridge project and the other 70-odd projects affected by the case, as well as the impact on construction workers and the relevant professionals (including the number of workers who became unemployed and the number of jobs lost as a result of the case); if it has, of the details and a breakdown of such losses by project; if not, the reasons for that?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President, the question straddles across a number of bureaux and departments, and the Administration's consolidated response is as follows:

- (a) On 27 September 2011, the Court of Appeal (CA) of the High Court handed down its judgment to allow the appeal by the Environmental Protection Department. The CA's judgment sets out the grounds submitted by both parties to the proceedings, as well as the consideration and ruling of the Court. In summary, the CA's judgment clearly states that the current technical memorandum (TM) under the Environmental Impact Assessment Ordinance (EIAO) and the EIA study brief (SB) on the Hong Kong-Zhuhai-Macao Bridge (HKZM Bridge) have requirements for the project proponent "to minimize pollution". The three CA Judges unanimously ruled that the EIAO did not have requirements for a stand-alone assessment of the project in EIA reports and the HKZM Bridge could achieve the objective of minimizing pollution in accordance with the requirements laid down in the current TM and EIASB. Therefore, the CA reversed the ruling of the Court of First Instance. Details of the judgment are available at the Court's website (<http://legalref.judiciary.gov.hk/lrs/common/ju/ju_frame.jsp?DIS=78373&currpage=T>).

- (b) Generally speaking, the police will assess if there are reasonable doubts to believe that criminal elements are involved in the case having regard to whether reports from informants are received, whether reliable intelligence is available, and so on, and decide whether investigation should be conducted. As regards the incident raised in the question, neither reports from informants have been received nor any investigation has been commenced. Anyone who wishes to provide information or report a case may contact the police direct. The police will take follow-up actions as appropriate.
- (c) In relation to the case, the Administration has not made any referral to The Law Society of Hong Kong or the Hong Kong Bar Association for investigation of any alleged breach of code of professional conduct. The Administration is not aware of any breach of professional conduct in relation to the case. There are also no indications in the court judgment that any code of professional conduct has been breached.
- (d) The preliminary estimate is that Government's costs will not be less than HK\$7.5 million, subject to further and more detailed assessment and to taxation by the Court. As regards the legal aid costs incurred, the amount was HK\$1.49 million up to end September 2011.

(e) and (f)

In accordance with the data protection principles under the Personal Data (Privacy) Ordinance and the restriction on disclosure of information concerning aided persons under the Legal Aid Ordinance (LAO), the LAD is not at liberty to disclose information on any case, including the assignment of solicitor or counsel, to a third party without the consent of the plaintiff.

- (g) According to our understanding, solicitors and counsel generally accept assignment from the Director of Legal Aid (Director) irrespective of whether they are nominated by the aided persons.

(h) and (i)

Under the LAO, it is the duty of the Director to grant legal aid in cases where the applicant has reasonable grounds and passes the means test. In order to ensure that only eligible cases receive public funding for litigation in court, all applications are processed by the LAD's in-house lawyers who are legally qualified. If an application for legal aid is refused, the applicant may appeal against the Director's decision to the Registrar of the High Court. The decision of the Registrar is final.

A mechanism is in place in the Legal Aid Regulations to safeguard against abuse of legal aid services. If anyone has repeatedly applied for legal aid after being refused, the Director may order that no consideration shall be given to any future application by that person for three years if it appears to the Director that his/her conduct has amounted to an abuse of the facilities provided by the LAO.

(j) Since the Court of First Instance handed down its judgment on the JR case regarding the EIA reports of the HKZM Bridge projects on 18 April 2011, there was a need for numerous public works projects under design and planning stages to review the contents of the submitted EIA reports and the EIA in progress in order to meet the new EIA requirements laid down by the Court's judgment.

In the past (2010-2011) Legislative Council Session, five projects had to withhold the Public Works Subcommittee submissions for funding approval due to the Court's ruling on the JR case of the HKZM Bridge projects. These projects include "Hong Kong-Zhuhai-Macao Bridge — Hong Kong Boundary Crossing Facilities — reclamation and superstructures", "Hong Kong-Zhuhai-Macao Bridge — Hong Kong Link Road", "Tuen Mun — Chek Lap Kok Link — detailed design, site investigations and advance works", "Dredging, management and capping of contaminated sediment disposal facility to the south of the Brothers", and "Liantang/Heung Yuen Wai Boundary Control Point and associated works". Following the judgment of the CA which

allowed the Director of Environmental Protection's appeal on the EIA reports of the HKZM Bridge projects, the concerned bureaux are now proceeding full steam ahead with the implementation of the above projects with an aim to submit the funding applications to the Legislative Council Finance Committee for approval as soon as possible.

For the HKZM Bridge related projects which were subjected to the JR, these projects were originally scheduled to commence construction before end 2010. If the construction of these projects can now commence by end of this year, the schedule of the construction commencement will be deferred by about one year from the original timetable. The Transport and Housing Bureau estimates that the overall cost increase for the HKZM Bridge related projects is about HK\$6.5 billion in money-of-the-day prices, including costs for increase in construction prices and adjustment of construction method to compress the construction timetable. The Transport and Housing Bureau will endeavour to meet the original target of commissioning the Bridge in 2016 through arrangement of works.

The EIA for a number of projects has been delayed due to the JR case. Though it is difficult to quantify the full impact of the delay on the Hong Kong economy in the coming few years, any slippage in commissioning of the HKZM Bridge and other cross-boundary infrastructure projects would inevitably impede the process of economic integration between Hong Kong and the Pearl River Delta Region. This would in turn undermine the development opportunities of the trading and logistics sectors, thereby affecting Hong Kong's economic growth potential over the longer term.

Assistance to SMEs in Relieving Capital Flow Problems

2. **MR JEFFREY LAM** (in Chinese): *President, with regard to relieving the capital flow problems of small and medium enterprises (SMEs), will the Government inform this Council:*

- (a) *whether it will consider relaunching the Special Loan Guarantee Scheme (SpGS) for SMEs at present to assist SMEs in securing loans from lending institutions with the Government acting as the guarantor of the approved loans; if it will, of the timetable; if not, the reasons for that;*
- (b) *whether it will encourage the Hong Kong Export Credit Insurance Corporation (ECIC) to step up its credit information enquiry service to facilitate SMEs to grasp more market information; if it will, of the timetable; if not, the reasons for that;*
- (c) *whether the authorities will set up funds or loan schemes to assist SMEs in Hong Kong in tapping the domestic market on the Mainland; if they will, of the timetable; if not, the reasons for that; and*
- (d) *whether the authorities will consider waiving the business registration fee of SMEs as soon as possible to reduce their operating expenditure; if they will, of the timetable; if not, the reasons for that?*

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

- (a) The SpGS was a time-limited initiative introduced in December 2008 with the aim of helping enterprises tide over the credit crunch problem arising from the global financial crisis. It was an exceptional measure that was introduced during exceptional times. Although the SpGS ended in end 2010, the Hong Kong Mortgage Corporation has subsequently launched the market-based "SME Financing Guarantee Scheme" on 1 January 2011 with the aim of providing 50% to 70% loan guarantee to eligible Hong Kong enterprises.

In his Policy Address made earlier this month, the Chief Executive has already pointed out that with the recent sharp downturn in the external economy, our economy will face greater downside risks

next year. As the Chief Executive said, we would brace ourselves for this and would keep a close watch on changes in the external environment. We would pay particular attention to the difficulties faced by the SMEs, and would introduce timely and effective measures to tide the trade over when necessary.

- (b) To support our export trade, the ECIC provides Hong Kong exporters with insurance protection against non-payment risks arising from commercial and political events. Assisting SMEs has always been the ECIC's service focus. Exporters may submit credit limit applications on two buyers via the ECIC's online platform "EC-link". The ECIC will conduct credit checks on the buyers and offer free quotations to the exporters. Policyholders of the ECIC are given a free credit checking facility, determined according to the volume of insurable business invoiced in the past policy period, and can receive free credit checks up to 150 buyers.

In order to provide exporters, especially SMEs, with information about the latest developments in overseas markets, thereby assisting them in understanding market developments and improving their risk management, the ECIC has launched a "Market News Bulletin" on its website since 27 May 2009. The "Market News Bulletin" includes the latest political and economic news, emerging markets conditions, bankruptcy statistics, and the ECIC's data regarding claims trends for major exports and for emerging markets.

The ECIC will continue to keep a close watch over developments in the overseas markets and strive to meet the needs of exporters.

- (c) The Government is committed to assisting enterprises in brand building so as to tap the Mainland market. The Government has adopted multi-pronged measures, including the provision of funding and financing support through various funding schemes administered by different departments (for example, the Trade and Industry Department's "SME Funding Schemes"; Innovation and Technology Commission's "Innovation and Technology Fund" and "Research and Development Cash Rebate Scheme" and CreateHK's "Design-Business Collaboration Scheme").

To further assist Hong Kong enterprises tap the Mainland market, the Chief Executive has announced in the Policy Address the proposal to set up a dedicated fund of \$1 billion to encourage them to move up the value chain and build brands by leveraging Hong Kong's strengths in design. Our initial thinking is that the dedicated fund can provide direct funding to individual enterprises to develop their brands, promote their products in the Mainland domestic market, as well as restructure and upgrade their operations in the Mainland. The dedicated fund can also finance non-profit-distributing support organizations to launch large-scale projects to assist Hong Kong enterprises in general or in specific sectors in developing their brands, tapping the Mainland domestic market, and enhancing their overall productivity in the Mainland.

We will draw up the implementation details as soon as possible and liaise with the trade and relevant organizations in the next few months. We plan to submit a funding application to the Finance Committee of the Legislative Council in the first half of 2012.

- (d) In formulating the 2012-2013 Budget, we will consider carefully the case for introducing one-off measures such as waiver of business registration fee, having regard to the economic situation and the Government's fiscal position, so as to relieve the inflationary pressure faced by various sectors of the community.

Provision of Medical Services for Residents in Kowloon East Cluster

3. **MR WONG KWOK-KIN** (in Chinese): *President, according to the information of the Hospital Authority (HA), in 2009, the Kowloon East Cluster (KE Cluster) with its catchment area covering Kwun Tong and Tseung Kwan O, served a population of 954 000, which was the fourth highest catchment population among the seven hospital clusters; and 13.4% of its catchment population were aged 65 or above (that is, 127 836 persons in total), which was the third highest among all clusters. However, the funding allocated to the KE Cluster in 2010-2011 was only \$3.2 billion (accounting for 10.1% of the HA's total allocation), which was the smallest amount of allocation among all clusters. In this connection, will the Government inform this Council, whether it knows:*

- (a) *given that the population size of Kwun Tong District accounts for more than half of the catchment population in the KE Cluster, and the population in the district comprises mainly the grassroots and the elderly, who have a strong demand for public healthcare services, yet the allocation to the KE cluster was obviously smaller, the reasons for that;*
- (b) *among the population in the KE Cluster's catchment area, the number of people who sought medical consultations in other clusters over the past five years; whether the HA will, in the light of the population profile in the catchment area, redeploy more resources to cater for the growing demand for public healthcare services from the grassroots and the elderly in that cluster; if it will, the details; if not, the reasons for that; and*
- (c) *the current progress of the plan to reserve land at Kai Tak for the construction of the Kai Tak Hospital; the expected time of completion and commissioning of the hospital; the specific details of the facilities and services to be provided by the hospital, as well as the expected number of persons to be served annually?*

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

- (a) When allocating resources to various clusters under its resource allocation and service planning mechanism, the HA will take into account factors such as its priority service areas, service needs of the community, provision of primary and specialist services, new service programmes and initiatives, and so on, in addition to the population and demographic profiles of various regions. The HA will also adjust its funding allocation to various clusters having regard to their respective expenditures for implementing new service programmes, staff training, updating equipment and purchasing drugs, and so on, so that the clusters can provide suitable services to the public.

To cope with the increasing service demand in the region, the HA has allocated additional resources to the KE Cluster over the past few years to provide about 60 additional beds and implement a

number of service improvement initiatives. These include provision of additional cataract surgeries, enhancement of clinical oncology services, and introduction of palliative care for patients with end stage renal disease, and so on. In 2011-2012, the HA will set up a new cataract centre in Tseung Kwan O Hospital (TKOH) and continue to enhance specialist services in the KE Cluster, including psychiatric service, antenatal and postnatal services, and so on.

On the other hand, the Administration will continue to allocate additional resources to improve facilities of the KE Cluster. The expansion of TKOH will be completed in 2013. By then, the number of in-patient beds and day beds in TKOH will increase to 636 and 140 respectively, and the number of consultation rooms in the specialist out-patient department will increase to 70. Other services and facilities of the Hospital will also be expanded accordingly to meet its increased service capacity. Taking into account the long-term service needs of the Kowloon East region and the views of local residents reflected to the Administration through the Kwun Tong District Council, the Government will support the HA to expand the United Christian Hospital. New facilities and services to be provided under the expansion project include a cancer centre in the KE Cluster, an ambulatory centre and rehabilitation/convalescent beds. Facilities such as the accident and emergency department, intensive care unit, operation theatres and specialist out-patient clinic will also be expanded. The HA will seek funding approval in accordance with the established procedures, with a view to commencing the works as soon as possible.

- (b) In general, cross-cluster utilization of public healthcare services is very common among patients and is not a phenomenon unique to the KE Cluster. The reasons for cross-cluster utilization of services varied among patients. For example, some patients have been arranged to receive services at specialist centres in other clusters under the HA's referral mechanism; and some others who have moved home wish to seek cross-cluster services in the hospitals they used to attend in order to be followed up by the same team of medical staff. Cross-cluster utilization of services is more

noticeable in the Kowloon clusters given their high accessibility by transportation.

According to the figures of the HA, among the cases involving in-patients living in the KE Cluster, the percentage of those using services in other clusters dropped from 32% in 2006 to 27% in 2010. Among the cases served by the KE Cluster in the past five years, about 16% to 18% each year involved residents of other clusters.

As mentioned above, the HA takes into account factors such as population and demographic profiles, demand for and utilization of services of various regions in the planning of services and facilities and the allocation of resources for the clusters.

- (c) A site has been reserved in the Kai Tak Development Area for hospital use, including the development of a Centre of Excellence in Paediatrics (the CEP). We have reached an initial consensus on the scale, facilities and areas of the CEP. The Administration will brief the Panel on Health Services of the Legislative Council on the detailed timetable, estimated completion date, target number of patients, as well as estimated cost of the CEP after we have completed examination of the relevant issues. We plan to seek funding approval from the Finance Committee of the Legislative Council in 2012. Other medical projects to be launched at the site are under study and preliminary planning, and no specific proposals are available now.

Tourist Attractions in Hong Kong

4. **MR PAUL TSE** (in Chinese): *President, recently, the website of the Cable News Network of the United States has selected 12 tourist attractions around the world as "tourist traps" that are misrepresentations and cause disappointment to tourists, and the "Avenue of Stars" (AoS) of Hong Kong ranks second among them. In this connection, will the Government inform this Council:*

- (a) *of the policy currently in place to improve the aforesaid tourist attraction;*

- (b) *given the aforesaid criticism on the "AoS", whether the Government will review its policy on the development and operation of tourist attractions, so as to avoid causing similar disappointment to tourists as the places turn out to be misrepresentations; and*
- (c) *whether it will reconsider the development of the Fisherman's Wharf under the Aberdeen Tourism Project, especially reducing the commercial elements, and preserving as far as possible the original features of the Aberdeen Typhoon Shelter area, so that the place will not become another tourist attraction which turns out to be a misrepresentation; if it will, of the plan; if not, the reasons for that?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, the AoS was developed in 2004 in response to visitors' keen interest in Hong Kong movies, and also to recognize the contributions of the film industry to the tourism and economic development of Hong Kong. Features installed at the AoS include milestones of the local movie history, floor plaques with handprints and autographs of Hong Kong's movie stars and workers, a sculpture of the late world-famous Kung Fu legend Bruce LEE, and the recently installed statue of McDull, a brand of local original animation and cartoon. As the AoS is located along the Tsim Sha Tsui waterfront, visitors can enjoy the facility as well as the scenic view of the Victoria Harbour while strolling along the waterfront promenade. The AoS Management Company Limited, which is responsible for the management of the venue, arranges a variety of activities and programmes from time to time for the participation and viewing by visitors and locals alike. Since its opening, the AoS has been very popular among visitors and local residents.

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

- (a) We note that in a report by CNN's website CNNgo released in August this year, CNNgo indicated that AoS focused only on the provision of souvenir booths, whereas comfortable resting areas were lacking. Together with the city of Tokyo, New York's Times Square and Nanjing Dong Lu in Shanghai, the AoS was listed as one of the World's 12 Worst Tourist Traps. However, according to the findings of the Hong Kong Tourism Board's (HKTB) regular surveys

on visitors, the AoS has been one of the top 10 must-see tourist attractions of Hong Kong, with the number of visitations accumulating to over 44 million up to the present. Based on information from the Leisure and Cultural Services Department (LCSD), the AoS is currently provided with about 230 seating spaces, some of which are also equipped with shades for use by visitors. In addition, outside seating accommodation for use of alfresco dining is available in the area between the AoS and the Tsim Sha Tsui Promenade.

After we learnt about CNNgo's report, the Tourism Commission together with the LCSD immediately contacted the HKTB and the AoS Management Company Limited to explore suitable improvement measures. We have already identified a number of possible options. For instance, the LCSD will consider providing additional resting facilities in the vicinity of the AoS, such as along the Tsim Sha Tsui Promenade. In addition, the LCSD will explore with the AoS Management Company Limited and relevant film association the possibility of installing more floor plaques for handprints of distinguished local movie stars and information boards at the venue. They will also strengthen the management of the AoS and its adjacent open plaza, and tighten the control of illegal hawkers and mobile stalls to avoid disturbances to visitors, so as to maintain a more pleasant environment for visitors. In parallel, the HKTB has been actively exploring with the AoS Management Company Limited for decorating the AoS during major festivals and large-scale events, which would help enhance the festive ambience and enrich visitor experience.

- (b) In planning for the development of new attractions, we typically draw up detailed plans and proposals. We will take into account the views of the tourism sector, notably the HKTB and the Hong Kong Travel Industry Council, as well as feedback on the preferences and needs of visitors of different origin as reflected by the travel trade. We will also take into account the special features and unique characteristics of individual attractions, such as the natural landscape, local culture, the presence of any landmarks and buildings with preservation value, and the related historic

background of the site, and so on, and will explore how to make the best use of these natural and existing features in the conceptual design. In implementing the development of attractions, we will consult relevant departments, local community and organizations, as well as other stakeholders, to obtain their support for the project. In addition, we will recommend a suitable mode of operation and management for individual attractions, with a view to offering quality tourist facilities and services for our visitors.

We will review our strategy for the development and operation of tourist attractions from time to time, and will closely liaise with the operating and management agents of the attractions as well as the tourism sector for their views. We will also undertake suitable adjustments and improvements where necessary, to ensure that the facilities and services offered by these attractions would meet the needs and aspirations of our visitors.

- (c) We have been using the theme of a traditional fishing village in taking forward the Aberdeen Tourism Project. In the early stage of the study, we have considered introducing commercial elements in the facilities in order to enlarge the scale of the project. However, a detailed assessment by the financial consultants revealed that a conceptual design incorporating such commercial elements would not be attractive to private developers, and also not financially viable. Moreover, the conversion of a large piece of open space for commercial uses would destroy the ambience of a traditional fishing village. We accepted the view and decided to fund the beautification works along the promenade of both sides of the Aberdeen Harbour as well as Ap Lei Chau Main Street and adjacent streets with a view to preserving the characteristics of a traditional fishing village. We will endeavour to preserve the characteristics of the district, and provide tourist facilities, harbour cruise landing shelters, and additional display board, with traditional fishing village ambience, so as to go in line with the character of the area and further enhance Aberdeen as a traditional fishing village. The above proposal has been endorsed and supported by the District Council and relevant stakeholders, and funding has also been approved by the Finance Committee of the Legislative Council.

Funds Allocated to Social Work Programmes Operated by Universities

5. **MR CHEUNG KWOK-CHE** (in Chinese): *President, regarding the details of the funds allocated by the University Grants Committee (UGC) to the social work programmes operated by various universities, will the Government inform this Council whether it knows:*

- (a) *the amount of the UGC funds received by the social work programmes operated by various universities and the number of enrollees in those programmes in each of the past three academic years (set out in the table below);*

Academic year: _____

	<i>Sub-degree programmes (amount of funds/number of enrollees)</i>	<i>Bachelor's degree programmes (amount of funds/number of enrollees)</i>	<i>Master's degree programmes (amount of funds/number of enrollees)</i>	<i>PhD programmes (amount of funds/number of enrollees)</i>
<i>The University of Hong Kong</i>				
<i>The Chinese University of Hong Kong</i>				
<i>The Hong Kong Baptist University</i>				
<i>The City University of Hong Kong</i>				
<i>The Hong Kong Polytechnic University</i>				

- (b) *of the criteria based on which the UGC allocates funds to the social work programmes operated by various universities; and*
- (c) *if the UGC has a monitoring mechanism in place to ensure that after receiving the funds, the universities allocate sufficient funds to the social work programmes according to their student number targets?*

SECRETARY FOR EDUCATION (in Chinese): President,

- (a) The approved student numbers of the UGC-funded social work programmes for the 2008-2009 to 2010-2011 academic years are as follows:

(full-time equivalent)

<i>Year</i>	<i>Sub-degree (intake places)</i>			<i>Undergraduate (first-year first-degree and senior year intake places)</i>			<i>Research postgraduate (places)[^]</i>		
	<i>2010- 2011</i>	<i>2009- 2010</i>	<i>2008- 2009</i>	<i>2010- 2011</i>	<i>2009- 2010</i>	<i>2008- 2009</i>	<i>2010- 2011</i>	<i>2009- 2010</i>	<i>2008- 2009</i>
City University of Hong Kong	46	52	58	85	85	85	-	-	-
Hong Kong Baptist University	-	-	-	55	55	55	-	1	-
The Chinese University of Hong Kong	-	-	-	48	48	48	8	7	7.8
The Hong Kong Polytechnic University	40	40	77.5 [#]	55	55	53	-	-	-
The University of Hong Kong	-	-	-	40	40	40	8	7	8.3
Total	86	92	135.5	283	283	281	16	15	16.1

Notes:

Including 17.5 part-time places (in full-time equivalent term) for 35 intakes.

[^] The Administration has provided 800 additional research postgraduate places by phases starting from the 2009-2010 academic year. As these places were categorized by the institutions into 17 major Academic Programme Categories (APC) where social work discipline was covered by the Social Sciences APC, the UGC does not have the actual number of student places out of the 800 research postgraduate places allocated to social work disciplines. As such, the figures in the above tables have not included the 800 extra places.

(b) and (c)

The UGC conducts academic planning and recurrent grants assessment with its funded institutions on a triennial basis. The allocation of undergraduate places is based on the assessment results on the institutions' Academic Development Proposals and their relative performance during the exercise. Institutions are then required to allocate the student places to individual discipline in accordance with the student number targets proposed by the UGC for the triennium. Apart from a limited number of disciplines subject to the Government's specific manpower requirements with which institutions should meet as far as practicable, institutions have a high degree of freedom to decide on how to allocate the student places received to respective academic faculties and departments. The UGC will then calculate the recurrent grants, comprising both the block grants and the earmarked grants, for individual institution for that particular triennium based on their internal allocation of places to academic programmes. The grant recommendation will be submitted to the Government for consideration, and the Government will then seek the Legislative Council's acceptance of the funding required.

The block grant system provides for a one-line allocation of resources to the institutions for a funding period without attaching detailed requirements as to how it should be spent. Institutions are free to decide on how to use the grants, for instance the amount of funds to be allocated to individual faculty/department, or between academic and administrative areas. That said, institutions are required to observe the guidelines set out in the "UGC Notes on Procedures" when spending the recurrent grants and/or handling affairs of the institutions.

In the 2008-2009 to 2010-2011 academic years, social work was one of the areas subject to the Government's specific manpower requirement, and the planning of student places for the discipline should largely follow the Government's targets. However, the funding allocated to the discipline has been counted into the block grant allocated to the respective institutions. As mentioned above,

it is within the institutions' autonomy to allocate the funding to individual discipline (including social work discipline), and therefore the UGC does not possess any details on the amount of grants allocated to the social work programmes by the institutions concerned.

The Central Government's Measures to Implement Renminbi Qualified Foreign Institutional Investor Scheme and Support Hong Kong's Insurance Companies to Enter the Mainland Market

6. **MR CHAN KIN-POR** (in Chinese): *President, Mr LI Keqiang, Vice-Premier of the State Council, announced during his visit to Hong Kong in August this year 36 measures of the Central Government to support Hong Kong's social and economic development, which covered various areas including finance, the economy and trade, as well as people's livelihood, and so on, and among such measures, two are of particular concern to the insurance sector, namely allowing investments in the Mainland equity market by means of the Renminbi Qualified Foreign Institutional Investor (RQFII) scheme and supporting Hong Kong's insurance companies to enter the Mainland market by means of setting up offices or taking up stakes. In this connection, will the Government inform this Council:*

- (a) *whether the relevant government departments and various regulatory bodies in Hong Kong (including the Hong Kong Monetary Authority, the Securities and Futures Commission (SFC) and the Office of the Commissioner of Insurance (OCI)) have proceeded with the corresponding preparatory work (including putting in place regulations, procedures and human resources arrangements, and so on) for the two aforesaid measures; if they have, of the details; if not, the reasons for that; of the current progress of discussions between the relevant government departments/regulatory bodies and Mainland authorities (including the items of co-operation on which discussions with Mainland authorities have already been held so far, the outcome of such discussions, as well as the outstanding discussion items and the expected time frame for discussions, and so on);*

- (b) *whether it knows the specific timetable for implementing RQFII by the Central Government (for example, whether it will be implemented within this year), and when approval of the preset "quota" for RQFII with an initial size of RMB 20 billion yuan will be given respectively for Hong Kong's qualified institutional investors (QIIs); whether the Government has discussed with Mainland regulatory bodies the criteria (such as the companies' net asset size, licences, duration of operation in Hong Kong, and profit position, and so on) for vetting and approving the eligibility of QIIs; if it has, of the details; if not, whether at present it has any plan to commence communication in this regard in the future;*
- (c) *given that it has been reported that while some China-affiliated securities companies and fund houses in Hong Kong have embarked on a lot of studies on RQFII products, they are worried that complex and lengthy vetting and approving procedures will result in their products no longer being able to meet market needs when they are launched in the market, whether it knows the criteria to be adopted by Hong Kong's regulatory bodies in vetting and approving RQFII products, and based on the existing policies and manpower positions of such bodies, the procedures and expected time required for vetting and approving RQFII products by such bodies after the announcement of the policy details and approval of the quota by the Central Government; whether the authorities will allocate additional resources to expedite the vetting and approving procedures; if they will, of the specific arrangements;*
- (d) *whether it knows if, apart from retail funds, the first batch of RQFII products will include insurance products; if they will, of the details; if not, whether it will consider introducing more products (including insurance products) under RQFII in the future to provide investors with more choices; and*
- (e) *regarding the Central Government's measure to support Hong Kong's insurance companies to enter the Mainland market by means of setting up offices or taking up stakes, of the difficulties and barriers expected to be encountered in implementing the measure; of the specific plan and work schedule for implementing this measure?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President, my reply to parts (a) to (e) of the question is as follows:

At the Forum on the 12th Five-Year Plan and Mainland-Hong Kong Economic, Trade and Financial Co-operation held in August 2011, Mr LI Keqiang, Vice-Premier of the State Council, announced a package of measures to support the financial development in Hong Kong. The Financial Secretary, the Chief Executive of the Hong Kong Monetary Authority and I visited Beijing last week to meet with a number of Mainland authorities to follow up on issues mentioned in the question and received positive response.

- (a) We have met with the China Securities Regulatory Commission (CSRC) and the People's Bank of China (PBoC) and were given to understand that the CSRC was in discussion with the PBoC and the State Administration of Foreign Exchange about the technical details of the RQFII scheme. We understand that the scheme will be implemented shortly.

Regarding the preparation for the implementation of the RQFII scheme, the existing regulatory system administered by the SFC is capable of handling a wide range of investment products to be offered for sale to the public under the RQFII scheme. The SFC will liaise with the CSRC closely and will use the same set of approval criteria under the existing regulatory system for assessing applications for authorization of retail investment products offered under the RQFII scheme.

On gaining access to the Mainland market by Hong Kong insurance companies, the OCI has been reflecting views on establishing business in the Mainland to the China Insurance Regulatory Commission (CIRC) through various channels. In response to the measures in support of the development of our insurance sector announced by Vice-Premier of the State Council Mr LI Keqiang during his visit to Hong Kong in August, the OCI has also liaised with the CIRC to follow up on the details of the measures to be implemented by the Central Government. During our meeting with the CIRC last week, we suggested the lowering of entry thresholds of Hong Kong insurance companies to the Mainland market to

enhance co-operation between the insurance sectors of the Mainland and Hong Kong. This would facilitate innovation in Mainland's insurance market, and enable the insurance sector of the Mainland to better fulfil its social functions in preventing risks and providing protection.

- (b) We understand that relevant Mainland authorities are discussing the technical details of the RQFII scheme. We have expressed our view to the CSRC for the early announcement of the technical arrangements. This would promote the further development of the onshore and offshore markets through the two-way flows of funds between the two markets with risks properly controlled. We will maintain close communication with the Mainland regulators and keep in view the implementation progress so as to achieve the early implementation of the relevant programmes with proper support and risk control.
- (c) The authorization of RQFII products requires collaboration in various respects. First of all, a number of Mainland authorities have to introduce relevant rules and specific implementation details. Subsequently, institutions which intend to launch RQFII products will need to apply to relevant Mainland authorities for approval of their eligibility and investment quota in accordance with the corresponding requirements. Finally, institutions which meet the relevant conditions must obtain authorization from the SFC before offering RQFII investment products for sale to the public in Hong Kong.

As mentioned in my reply to part (a) above, the existing regulatory system administered by the SFC is capable of handling a wide range of investment products to be offered for sale to the public under the RQFII scheme. The SFC will apply the same set of approval criteria for other investment products to applications for authorization of retail investment products offered under the RQFII scheme.

On resources, it is expected that the RQFII scheme and the Notice on Issues Related to RMB Cross-border Direct Investment recently

announced will facilitate the development of RMB products in Hong Kong. The SFC has redeployed its internal staff and resources to process applications in respect of RQFII products. In parallel, the SFC will take into account the demand for authorization of RQFII products in its future manpower and resources planning.

- (d) We are actively pursuing with the relevant Mainland authorities for an early announcement of the technical arrangements. The introduction of further products will depend on market conditions and demands after the implementation of the RQFII scheme. If it is considered necessary, we will discuss with the relevant Mainland authorities to introduce more products under RQFII scheme.
- (e) As mentioned in my reply to part (a) above, the OCI has been reflecting views on establishing business in the Mainland to the CIRC through various channels. The OCI will pursue measures which include the lowering of entry thresholds of Hong Kong insurance companies to the Guangdong market and further opening-up of the insurance intermediary market through platforms like CEPA and the Guangdong-Hong Kong Framework Agreement.

Mega Events Fund

7. **MISS TANYA CHAN** (in Chinese): *President, the Hong Kong International Jazz Festival 2011 (the Festival) funded by the Mega Events Fund (MEF) was earlier held at the West Kowloon Cultural District. It has been reported that the obvious difference between the performance arrangements for local and overseas performers made by the event organizer has attracted criticisms from the community. Regarding the assessment of funding applications and monitoring of the implementation of the events funded by MEF, will the Government inform this Council whether it knows:*

- (a) *the amounts of MEF funding applied and approved for the Festival, as well as the estimated total revenue and expenditure of the Festival;*

- (b) *the justifications based on which MEF approved the Festival's funding application; whether MEF will review the criteria for assessing funding applications for arts and cultural events in the future in the light of the above incident; if it will, of the details; if not, the reasons for that;*
- (c) *if MEF has given any specific cost-benefit indicator and requirement to the organizer of the Festival in the process of assessing its funding application; if it has, of the details; if not, the reasons for that; if MEF will follow up the criticisms from the community on the Festival; if it will, of the details; if not, the reasons for that;*
- (d) *if MEF will pro-actively gauge the views of various stakeholders (including the audience, performers and staff concerned, and so on) when assessing the cost-benefit of the event; if it will, of the details and outcome of such view-gauging exercises; if not, the criteria based on which MEF assesses the cost-benefit of the event; and*
- (e) *if MEF will consider reviewing its assessment criteria with a view to encouraging more events to be held in Hong Kong in a sustainable and regular manner to promote local arts, culture and traditions to overseas visitors; if it will, of the details; if not, the reasons for that?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, the Festival is one of the events supported by the MEF. It was held between 25 September and 2 October 2011 at various locations in Hong Kong and Kowloon. In addition to the West Kowloon Cultural District Concerts, the event also included concerts held at the Hong Kong Cultural Centre Piazza and the City Hall, together with a series of educational and interactive activities, such as workshops for public participation, jazz music appreciation seminars and exhibitions, and so on.

Our reply to the questions raised by the Honourable Member is as follows:

- (a) The amount of MEF funding applied by the organizer of the Festival (hereinafter referred as the "Hong Kong Jazz Association"), the

upper limit of funding approved and its budget expenditure are \$4.33 million, \$3 million and \$9.56 million respectively.

- (b) The MEF has a stringent and open assessment mechanism. Successful applications must fulfil a number of basic criteria. For instance, the proposed event must be an arts, cultural or sports event; the organizer(s) must be local non-profit-making organization(s); the number of participants in the proposed event must reach 10 000 or more; and the events must be open for the participation of the Hong Kong people. Other assessment criteria include economic benefits (such as the number of overseas participants and visitors attracted to the event, and the number of jobs created), additional benefits (such as whether the event can raise Hong Kong's international profile and attract media coverage), the scale of the event, its technical and financial feasibility, as well as the applicants' technical and event management capabilities, and so on. Moreover, applicants are required to provide funding from their own pockets or from other sources (such as ticket income and/or sponsorships from third parties) to meet at least half of the event cost. The MEF Assessment Committee (the Committee) has been considering all applications fairly in accordance with the above published assessment criteria, details of which are available on the MEF dedicated webpage <<http://www.tourism.gov.hk/english/mef/mef.html>>.

In considering the application the Festival, the Committee has taken into account the information provided in the application form submitted by the Hong Kong Jazz Association, comments from the relevant government departments, and the representation made by the applicant to the Committee; and the application was assessed by the Committee in accordance with the aforementioned criteria. The Committee noted that the Festival proposed to invite world-class jazz performers to perform in Hong Kong, and would attempt to expand the event's scale and step up publicity to attract more local participants and visitors to the event. The Committee considered that the application met all MEF requirements, and obtained passing marks in all assessment criteria. On this basis, the Committee agreed that funding should be provided for the event.

We consider that the assessment criteria of MEF are effective. For individual MEF supported event which fails to comply with the funding conditions, the Committee will act in accordance with the established rules.

- (c) For each successful application, the Committee will impose performance targets and indicators, additional funding conditions and appropriate control provisions, having regard to the specific circumstances of the event, for compliance by the organizer. In the case of the Festival, the Committee required the organizer to use the MEF funding for inviting world-renowned jazz performers to perform in Hong Kong, strengthening the publicity of the event, and such publicity should cover Mainland China and overseas markets. The Committee also reminded the organizer that it should develop contingency plans as some outdoor programmes of the event were susceptible to adverse weather conditions. The specific targets and indicators applicable to this event (such as the details of performers that the organizer undertook to invite, expected number of participants, number of visitors to be attracted to the event, and so on) were listed in the funding agreement. The agreement also stipulated that, in accordance with the usual practice, 50% of the approved funding would be provided to the organizer after signing of the agreement, and that the balance would be released only upon satisfactory completion of the event, and post-event evaluation report, publicity report and audited accounts are submitted by the organizer to the satisfaction of the Committee. If the event's results and the performance of the organizer were found to be unsatisfactory, or the organizer failed to meet the pledge targets, the Committee may recommend to the Government not to consider any future MEF applications submitted by the organizer, reduce or not to pay the full amount of MEF funding, or even recover the funding already provided. The Committee will evaluate and review the result of the Festival according to the contractual provisions and established mechanism, taking also into account the views by participants and the public towards the event.
- (d) In reviewing the effectiveness of the event, the Committee will consider feedback from different sources, including on-site

inspection reports provided by Committee members and government representatives; the evaluation report, publicity report and audited accounts to be submitted by the organizer; media reports and coverage by local and international media over the event; views from the public; and the survey report to be submitted by the organizer (covering feedback from relevant stakeholders such as participants, audiences, visitors, the Hong Kong Tourism Board and views from critics, and so on). According to the contractual requirement, the organizer has to submit the evaluation report, publicity report and audit accounts of the event for consideration by the Committee within three months after the completion of the event. The Committee will then examine whether the completed event has attained all pledged targets before making a recommendation to the Government as to whether the balance of MEF funding should be released to the organizer.

- (e) The MEF was established in May 2009 following funding approval by the Finance Committee of the Legislative Council. It aims to assist local non-profit-making organizations to host more arts, cultural and sports events in Hong Kong, so as to enrich travel experience of visitors, and to maintain Hong Kong's tourism appeal. In the past five rounds of application, MEF funding have been approved to support a number of events related to local culture and traditions and are intended to be organized in a sustainable manner, such as the "Record Breaking Dragon and Lion Dance Extravaganza" (香港龍獅節), "Hong Kong Well-wishing Festival" (香港許願節), "Hong Kong Dragon Boat Carnival" (香港龍舟嘉年華), and "Mui Wo Sky and Water Lanterns Festival" (梅窩水燈節), and so on. On the other hand, the promotion of local arts, culture and heritage is at present mainly carried out by the Home Affairs Bureau.

We are reviewing the MEF with a view to further improving its *modus operandi*. We shall take into account views and comments from all sectors, and consider amending the requirements so as to better achieve the Fund's objectives.

Anti-smoking Measures

8. **MR WONG TING-KWONG** (in Chinese): *President, a survey conducted by the Census and Statistics Department between October and December 2010 revealed that the prevalence of daily cigarette smokers aged 15 or above was 11.1% in 2010, which is slightly lower than the 12% in 2009, yet, the number of young smokers among these people increased significantly by 40% while the number of smokers over 60 years old also increased by 5% instead of decreasing. The Financial Secretary has raised the tobacco duty in the 2011-2012 financial year by 41.5%. In this connection, will the Government inform this Council:*

- (a) *how the smoking population in this financial year up to the present compares with that of the same period last year, and list the relevant data by age group distribution;*
- (b) *whether the authorities have assessed the reasons for the substantial increase in the number of young smokers by 40% in last year; whether they have followed up the problem; if they have, of the specific measures; if not, the reasons for that;*
- (c) *whether it knows how the number of requests for assistance received by Tung Wah Group of Hospitals (TWGHs) Integrated Centre on Smoking Cessation in this year up to the present compares with that of the same period last year; of the current operation of the Centre, and whether additional resources will be allocated to the Centre in anticipation of an increase in the number of cases requiring cessation support; if so, of the details; and*
- (d) *given that according to the relevant data, in the past two years, one third of smokers had attempted to give up smoking but failed, whether the authorities have compiled statistics on the number of those among these smokers who had repeatedly tried to give up smoking but failed, and of the percentage of such number in the relevant total number; whether the authorities have looked into the reasons and offered assistance to these smokers; if they have, of the details; if not, the reasons for that?*

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, the Government surveys smoking prevalence in the population from time to time. The last two surveys on the smoking prevalence in the population aged 15 and above were conducted from October 2010 to December 2010 and from November 2009 to February 2010 respectively by the Census and Statistics Department. The smoking prevalence by age groups as found in these two surveys are at Table 1. The statistics show that the proportion of persons who had a daily smoking habit among all persons aged 15 and above dropped from 12.0% (698 700) to 11.1% (657 000). All age groups saw a significant drop in smoking prevalence except the age groups of age 60 or above and age 15 to 19.

The latest smoking prevalence in the age group of 15 to 19 was 2.5% (10 800 persons), reflecting an increase when compared with the 1.8% (7 700 persons) found in the previous survey. This might not reflect the actual situation due to the small statistical base. Moreover, the consumption of cigarettes among this group of daily smokers dropped from 10.8 sticks per day in 2009 to 8.6 sticks per day in 2010. Meanwhile, the survey specifically conducted by the School of Public Health of the University of Hong Kong on the proportion of student smokers over a longer period of time revealed a sustained drop in the proportion of smokers among Form One to Form Five students, from 9.6% in 2003-2004 to 6.9% in 2007-2008 and dropping further to 3.4% in 2010-2011.

The Government has all along adopted measures to effectively control the use of tobacco, in order to reduce the hazard of tobacco and prevent youngsters from picking up the smoking habit. By encouraging smokers, especially youngsters, to quit smoking as early as possible, it can improve their health and that of their families, and also relieve the healthcare and economic burdens on the community in the long run. We will continue to strengthen publicity and education, so as to reduce the chances of youngsters being exposed to second-hand smoking and picking up the smoking habit.

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

- (a) Please refer to Table 1. As a new round of survey on smoking prevalence will only commence in late 2011, we do not yet have the relevant data for this financial year.

- (b) The Government has been adopting a progressive and multi-pronged approach comprising legislation, taxation, publicity, education, enforcement and promotion of smoking cessation services to reduce youth smoking and prevent youngsters from contacting cigarettes and picking up the smoking habit.

On promotion and education, the Tobacco Control Office under the Department of Health (DH) has endeavoured to enhance the awareness of youngsters on the harmfulness of smoking, prevent them from picking up the smoking habit, and encourage smokers to quit smoking through various channels and avenues such as enquiry hotline, promotion campaigns, online games, health education materials and seminars. In August 2011, the DH launched a smartphone application for smoking cessation for free download by the public. In parallel, the Hong Kong Council on Smoking and Health continues its education and publicity efforts at kindergartens, primary and secondary schools through production of guidelines and exhibition boards on implementation of tobacco control measures in schools, health talks and theatre programmes, and so on.

Since June this year, the Government has provided funding to the School of Nursing of the University of Hong Kong for establishment of the Hong Kong Youth Quitline, which aims to provide counselling to young smokers aged 18 to 25 over the phone. The DH also works with Po Leung Kuk and the Life Education Activity Programme to organize health promotional activities at schools for promotion of a smoke-free culture.

The Government will closely monitor the trend of smoking prevalence (including young smokers), and continue to deploy resources for promotion of a smoke-free culture in joint efforts with community organizations, in order to enhance the awareness of youngsters on the harmfulness of smoking and prevent them from picking up the smoking habit.

- (c) TWGHs has been granted funding by the DH since January 2009 to launch a community-based smoking cessation programme. At present, TWGHs has established five integrated centres on smoking

cessation. Between January and September 2011, the smoking cessation programme of TWGHs has provided services for 2 013 smokers, which is twice the number for the same period in 2010. To enhance the existing smoking cessation services, the Government has provided additional resources to TWGHs for establishment of the sixth integrated centre on smoking cessation, so as to provide services for more smokers who intend to quit smoking.

- (d) According to the survey on the smoking population conducted by the Census and Statistics Department between October and December 2010, 33.2% of daily cigarette smokers had tried to give up smoking but failed. We do not have the statistics on the number of smokers among these smokers who had made repeated attempts to give up smoking but failed. However, according to local and overseas experience, most smokers need to make several attempts to give up smoking before they can quit smoking successfully.

The survey also found that the two most commonly cited reasons for failure to give up smoking were related to psychological factors, such as "cigarette smoking had formed a habit" and "not determined enough" which accounted for 54.4% and 44.6% respectively.

Provision of proper psychological counselling for quitters is an integral part of the whole smoking cessation programme. A study has confirmed that providing quitters with counselling treatment, or even just some simple advice on quitting can effectively boost the success rate of smoking cessation. The DH has set up an integrated smoking cessation hotline (1833 183) for provision of smoking cessation information and psychological counselling for callers. The hotline is manned by registered nurses who provide callers with counselling treatment over the phone to enhance smokers' motivation and determination to quit smoking. In addition, the nurses will call back the smokers and follow up on their progress on smoking cessation, so as to enhance their chances of success in quitting smoking.

Under the smoking cessation programme run by TWGHs, the service team is also comprised of clinical psychologists, social workers and

counsellors for provision of targeted counselling treatment for quitters in addition to the relevant services provided by doctors and nurses. Such counselling treatment can enhance and strengthen the quitters' determination to give up smoking and boost the success rate of smoking cessation.

In addition, the Government has substantially increased the resources for smoking cessation services with a twofold increase from \$21 million to \$42 million in this financial year. Our tobacco control will focus on promotion of smoking cessation as well as provision and promotion of smoking cessation services. The Government will continue to closely monitor the demand for smoking cessation services and their effectiveness. Additional resources will be provided for smoking cessation services where necessary.

Table 1

Number of Daily Cigarette Smokers by Age

	<i>Survey conducted in Nov 2009-Feb 2010</i>			<i>Survey conducted in Oct 2010-Dec 2010</i>			<i>Comparison of the two survey</i>		
	<i>Number of smokers</i>	<i>Percentage %</i>	<i>Rate %*</i>	<i>Number of smokers</i>	<i>Percentage %#</i>	<i>Rate %*</i>	<i>Number of smokers</i>	<i>Percentage %</i>	<i>Rate %</i>
15-19	7 700	1.1	1.8	10 800	1.7	2.5	3 100	0.6	0.7
20-29	99 200	14.2	11.0	88 800	13.5	9.7	-10 500	-0.7	-1.3
30-39	157 100	22.5	15.6	145 000	22.1	14.4	-12 200	-0.4	-1.2
40-49	170 600	24.4	14.0	151 700	23.1	12.7	-18 900	-1.3	-1.3
50-59	155 500	22.3	14.3	146 600	22.3	13.1	-8 900	0.0	-1.2
≥60	108 500	15.5	9.1	114 100	17.4	9.2	5 600	1.9	0.1
Total	698 700	100.0	12.0	657 000	100.0	11.1	-41 800	0.0	-0.9

Notes:

* A percentage of all smokers in the respective age groups.

Owing to rounding, there may be a slight discrepancy between the sum of individual items and the total as show in the table.

Development of Harbourfront Promenades

9. **MR JAMES TO** (in Chinese): *President, according to a paper submitted by the Government to the Subcommittee on Harbourfront Planning of this Council in July this year, the Government will examine the establishment of a dedicated "harbourfront authority" for harbourfront development. Moreover, the Government also proposed that "the open space at ex-Tai Kok Tsui bus terminus site will be developed into a waterfront open space by the Leisure and Cultural Services Department (LCSD)" (hereinafter referred as "Tai Kok Tsui bus terminus development project"), and "possible development of a new waterfront promenade for public use upon successful re-zoning of a vacant site of about 200-metre long to the north of Yau Ma Tei typhoon shelter to 'Open Space' use" (hereinafter referred as "Yau Ma Tei waterfront development project"). In this connection, will the Government inform this Council:*

- (a) *of the current progress of the Tai Kok Tsui bus terminus development project; whether the final design is expected to be different from the design previously submitted to the Harbourfront Commission (HC); of the expected time when the Government will proceed to seek funding from this Council;*
- (b) *regarding the aforesaid development projects in the waterfront areas of Tai Kok Tsui and Yau Ma Tei, whether the Government will in the near future conduct traffic assessment or study the improvement of transport supporting facilities in order to mitigate the possible impact of the projects on the traffic in such districts; in addition, as I have learnt that at present provision has been made for an exit to be connected to a footbridge leading from the southern concourse of the Olympic Station of the MTR Tung Chung Line to the nearby waterfront, whether the Government will consider constructing access links to enhance the accessibility of the nearby waterfront areas;*
- (c) *of the expected time when the vacant site located to the north of Yau Ma Tei typhoon shelter and reserved for "Open Space" use will be developed into a waterfront promenade; given that the Government has planned to construct marine facilities at the existing "Government, Institution or Community (G/IC) Facilities" site which*

is adjacent to that vacant site, and the waterfront access next to the marine facilities will be developed into a waterfront promenade, whether the Government will develop that waterfront access into a waterfront promenade together with the "Open Space" site at the same time; in addition, whether at present there is any new progress of exploring how to improve the pedestrian facilities running from the West Kowloon Cultural District located to the south of Yau Ma Tei towards the Tai Kok Tsui waterfront located to the north; and

- (d) *given that the Secretary for Development earlier said that a framework on the various aspects of the establishment of the "harbourfront authority" was expected to be worked out within one year, of the current progress, and according to the Government's estimate, whether it can complete drafting the framework as scheduled?*

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

- (a) According to the Draft South West Kowloon Outline Zoning Plan No. S/K20/26, the parcel of waterfront land at the ex-Tai Kok Tsui bus terminus site has been zoned as "Open Space". The LCSD and the Architectural Services Department (ArchSD) consulted the Community Building Committee under the Yau Tsim Mong District Council (YTMDC) and the Task Force on Harbourfront Developments in Kowloon, Tsuen Wan and Kwai Tsing (Kowloon Task Force) under the HC on the preliminary design of the open space development in May last year and early this year respectively. The ArchSD is now fine-tuning the design of the open space in the light of the views collected and the LCSD will prepare for funding application for the project in due course.
- (b) Regarding the two development sites involved in the harbourfront development projects in Tai Kok Tsui and Yau Ma Tei, to which the question refers, the parcel of waterfront land at the ex-Tai Kok Tsui bus terminus site has been zoned as "Open Space" while the strip of land along Hoi Fai Road on the waterfront facing Yau Ma Tei

Typhoon Shelter has been rezoned from G/IC to "Open Space". As the traffic flow in relation to "Open Space" sites is normally lower than that of G/IC sites, the relevant change in zoning is not expected to cause adverse traffic impact on the road networks in the vicinity.

Regarding the area near the southern concourse of the MTR Olympic Station, the public can now walk from the MTR Olympic Station to the sites near Hoi Fai Road (including the above "Open Space" sites) by taking the footbridge leading to the Bank of China Centre and through the ground level footpath. The Administration does not have any plan to construct a new footbridge connecting the southern concourse of the MTR Olympic Station with the Hoi Fai Road area at this stage, but will continue to monitor closely the traffic and pedestrian flow in the area, and take appropriate follow-up action as necessary.

- (c) A strip of land along Hoi Fai Road on the waterfront facing Yau Ma Tei Typhoon Shelter has been rezoned from G/IC to "Open Space" to facilitate the proposed waterfront promenade development. The Development Bureau and the Civil Engineering and Development Department are exploring the direction of developing the proposed waterfront promenade and will commence the advance preparatory works as soon as practicable. The Administration will consult the relevant stakeholders, including the YTMDC and the HC, and so on, on the works design of the project in due course.

The Marine Department (MD) plans to build additional office facilities to meet its operational needs at the adjacent G/IC site to the north of its existing Harbour Patrol Section office at Hoi Fai Road. The MD and the ArchSD have briefed the YTMDC and Kowloon Task Force under the HC respectively on the relevant design and landscaping proposal this year. The Administration has set back the proposed building structure for the provision of a passageway to facilitate public access to the waterfront, subject to the future development of the nearby waterfront areas.

Moreover, there are existing establishments along the New Yau Ma Tei Typhoon Shelter, namely the new Yau Ma Tei Public Cargo

Working Area (PCWA) and some other government facilities, including the sewage pumping station of the Drainage Services Department, the marine refuse collection point of the MD, the water selling kiosk of the Water Supplies Department and the PCWA Administration Building of the MD. In the long run, the Administration will explore how to improve the connection of pedestrian facilities running from the Tai Kok Tsui waterfront in the north to the West Kowloon Cultural District in the south, on condition that the operation of the above facilities will not be affected.

- (d) The Task Group on Management Model for the Harbourfront under the former Harbour-front Enhancement Committee recommended in its recommendation report that the Administration could in the long term establish an independent, statutory and dedicated authority for harbourfront planning, design, operation and management. Further to the Secretary for Development's remark in the motion debate on harbourfront development at a Legislative Council meeting held in July this year that relevant research work would be launched, the Harbour Unit of the Development Bureau has commenced work on information collection, with a view to drawing up a framework by mid-2012 for consideration by the Government of the next term. The proposal will be further discussed by the HC at its upcoming meetings.

Law and Order in Tseung Kwan O District

10. **MR CHAN HAK-KAN** (in Chinese): *President, a total of four cases of passers-by being chopped by an attacker occurred in Tseung Kwan O (TKO) District between the evening of 2 October and the morning of 3 October this year, resulting in injuries to four men. Residents are concerned whether there are signs of deterioration in the law and order in the district, and they also question the approach taken by the police of not immediately making public the details of the cases. In his reply in March this year to my question on issues of law and order in TKO District, the Secretary for Security said, "Tseung Kwan O meets the requirements for upgrading to a police district merely in terms of population". In this connection, will the Government inform this Council:*

-
- (a) *of the number of crimes, together with a breakdown, which occurred in TKO District from January to September this year; which areas in the district are black spots of crime;*
- (b) *according to the reply from the authorities in March this year, the establishment of front-line police officers in the TKO Division was 255, of the latest figure; whether they will consider increasing the establishment in the near future; if so, of the details; if not, the reasons for that;*
- (c) *given that the current population in TKO District exceeds 400 000 and the police-to-population ratio in that district is approximately 1:1 570, whether such ratio is relatively low when compared with those in other divisions in the Kowloon East (KE) Region of the police, and list the figures in various divisions for comparison; whether the police will consider adjusting upwards the police-to-population ratio in TKO District; if it will, of the level to which the ratio will be upwardly adjusted;*
- (d) *of the latest progress of the arrangements for upgrading TKO District to an independent police district; when the TKO Police District can eventually be established;*
- (e) *why the police made public the relevant details only days after the occurrence of the aforesaid cases; whether an assessment has been made on the impact of such delay on the prevention of such cases and provision of clues by the residents; and*
- (f) *given that the Police Public Relations Branch issued a press release on 10 October this year, stating that the police would investigate "if there is any room for improvement in the process of disseminating information or any failure to follow procedures properly" in handling the aforesaid cases, of the criteria based on which the police decide whether to disseminate information on crimes at present; the details of the aforesaid review; and the expected dates for completing the review and making the outcome public?*

SECRETARY FOR SECURITY (in Chinese): President, the law and order in TKO is currently maintained by the TKO Division of the Kwun Tong District in the KE Region of the police. The police have been closely monitoring the crime situation and policing needs of the district. Adequate police strength has been deployed to TKO to maintain law and order with reference to its community development and population growth. My reply to the six parts of question is as follows:

- (a) The number of reported crimes for the first nine months of this year in TKO Division is 2 255. A breakdown of the crime cases is at Annex 1.

Most of the crimes that occurred in TKO involved miscellaneous thefts, shop thefts, criminal damages and woundings, which happened more often in places with heavy pedestrian flow or within housing estates. The police have stepped up patrols in the district according to the crime situation.

- (b) and (c)

The police will provide adequate police strength to meet the policing needs of the TKO Division. In addition to the local resources of the TKO Division, the police would redeploy resources internally where necessary to meet the operational needs within the area. Currently, the strength of front-line police officers in the TKO Division is 273. Among them, 255 are within the establishment while the remaining 18 are deployed from other police divisions. Therefore, the enforcement capability of the police in TKO and other districts will not be restrained by the administrative boundaries of the police districts. The police will continue to closely monitor the policing needs in TKO and take corresponding measures to maintain law and order.

Regarding the police-to-population ratio, although the ratio of TKO Division is lower than those of other divisions in the KE Region, the police will, as mentioned above, redeploy resources internally where necessary. Besides, it is worth noting that regarding the law and order in the TKO Division, the crime rate (per 100 000 population)

of the Division has been maintained at the lowest level among all divisions in the KE Region. It is also lower than the territory-wide average for the past eight years. The crime rates and police-to-population ratios of all divisions in the KE Region are at Annex 2.

- (d) The police would review their policing arrangements from time to time. To tie in with future development, the police are currently conducting a study on the reorganization of the KE Region and the required ancillary facilities in order to better meet the policing needs of local communities. In conducting the review, the police would take into account such factors as projected population growth, land use and infrastructural developments, geographical characteristics and crime trends, and so on. Upgrading the TKO Division to a police district is one of the major issues to be considered in the review. It is expected that the preliminary proposal of the reorganization of the KE Region would be completed next year and local organizations will be consulted.

- (e) and (f)

The police always respect the public right of knowledge and media's freedom of reporting. Public support is essential if the police are to carry out their duties effectively and it is of paramount importance that public confidence in the Force is to be maintained and that a good image is to be established.

It is the established policy of the police to endeavour to facilitate media reporting as far as practicable. As far as the mechanism of disseminating information of unforeseen incidents by the police is concerned, if a case involves public interest, public safety or if it is a major incident, the information concerned will be disseminated to the media. When disseminating information, the police will take into consideration the public right of knowledge, and comply strictly with the relevant ordinances and the requirements of the "Code on Access to Information". At the same time, the process should not affect covert operations, privacy of individuals and possible judicial procedures.

Regarding the arrangements for disseminating information on the four wounding cases in TKO, the police have already provided a response on 10 October 2011, indicating that since those four cases involve public interest and public safety, the police will investigate if there is any room for improvement in the process of disseminating information or any failure to follow procedures properly. We appreciate the public concern about the cases. The police are conducting a review on the operation and will provide an account of this incident as soon as possible.

In fact, upon receipt of such case reports, the police immediately consolidated them and then passed them to the District Crime Squad of Kwun Tong District for follow-up. Apart from carrying out background investigation, uniform and plainclothes patrols were also stepped up in the district and special operations were conducted by plainclothes officers. On 10 October 2011, the police arrested and subsequently charged a 31-year-old male suspect of those four cases.

Annex 1

Number of Crime Cases in TKO Division

<i>Crimes</i>	<i>January to September 2011</i>
Shop Thefts	302
Miscellaneous Thefts	583
Wounding and Serious Assaults	221
Serious Narcotics Offences	35
Unlawful Society Offences	29
Criminal Damages	274
Robberies	20
Indecent Assaults	35
Others (including Criminal Intimidation, Blackmail, Unlawful Sexual Intercourse and Possession of Offensive Weapon)	756
Total	2 255

Annex 2

Crime Rates and Police-to-Population Ratios of
All Divisions in the KE Region

The crime rates (per 100 000 population) and police-to-population ratios of all divisions in the KE Region are set out below:

<i>Divisions in the KE Region</i>	<i>January to September 2011</i>	<i>Police-to-Population Ratios of the Divisions</i>
	<i>Crime rates</i>	<i>(based on figures in September 2011)</i>
Sau Mau Ping	634	206/212 000 (1:1 029)
Ngau Tau Kok	897	223/104 000 (1:466)
Sai Kung	783	133/42 000 (1:316)
Kwun Tong	693	265/295 000 (1:1 113)
TKO	558	273/404 000 (1:1 480)

Note:

The population figure of each division is an estimation based on information from the Census and Statistics Department.

Development of Chinese Medicines After Disbanding Hong Kong Jockey Club Institute of Chinese Medicine

11. **DR PRISCILLA LEUNG** (in Chinese): *President, the Innovation and Technology Commission (ITC) recently announced that the Hong Kong Jockey Club Institute of Chinese Medicine (HKJCICM) set up in 2001 will be disbanded, and it is preparing to set up a committee, which will be chaired by the Commissioner for Innovation and Technology, to lead the research and development (R&D) as well as promotion of Chinese medicines (CM) in Hong Kong. In this connection, will the Government inform this Council:*

- (a) *given that at a special meeting held on 14 June this year, the Panel on Commerce and Industry of this Council unanimously passed the motion that the Panel considers that the Administration should not disband HKJCICM, and the Kowloon Chamber of Commerce, the CM industry as well as a number of business associations have also*

written to the authorities earlier to query the relevant decision, but the authorities still insist on disbanding HKJCICM, of the reasons for that; before arriving at the final decision of disbanding HKJCICM, whether the authorities had gone through the relevant procedures required by the Government, fully consulted various major stakeholders including the CM industry, and reflected truthfully the relevant views to the two major shareholders (that is, the Hong Kong Applied Science and Technology Research Institute Company Limited (ASTRI) and the Hong Kong Jockey Club (Charities) Limited (HKJCCL));

- (b) how the aforesaid committee proposed to be set up will assist the local CM industry in its research work; how the authorities assess whether the operation mode of replacing HKJCICM with the committee can more effectively support the local CM industry in its research work;
- (c) given that HKJCICM's research on certain medicines is still in progress, and it has accumulated 10 years' research experience and skills, how the Government will preserve HKJCICM's achievements in academic research and professional support, so as not to waste the results of its work over the years;
- (d) whether the authorities will consider transferring HKJCICM's incumbent research staff to work in the organizations under the new committee, so as to ensure that this group of experienced researchers on CM can continue to serve Hong Kong's CM industry; and
- (e) given that the authorities indicated that they will continue to support the development of CM through the Innovation and Technology Fund (ITF), which has a current balance of some \$2.1 billion, of the amount of funding under ITF to be used for supporting R&D of CM in the future; and the percentages of the funding to be used respectively to pay for administrative expenses as well as those actually used to conduct research and testing?

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

- (a) The HKJCICM was established in May 2001, with the mission to spearhead the development of CM as a high value-added industry for Hong Kong through promotion and co-ordination of related activities and strategic support for scientific and evidence-based development programmes. It was set up under the Companies Ordinance as a subsidiary of the ASTRI, with Hong Kong Jockey Club (HKJC) (via its HKJCCL) and ASTRI each holding 50% of the shares.

In view of considerable new developments in the CM sector in Hong Kong in recent years, the Board of HKJCICM engaged consultants to conduct a comprehensive review of HKJCICM last year. The scope of the review included the current situation and needs of the CM sector, the most effective way to integrate the efforts of Government, industry, academic and research sectors to cope with future development needs, and the role and cost-effectiveness of HKJCICM after a decade of operation. The Review Report was submitted to the HKJCICM Board and the ITC for consideration in March 2011. In brief, the Report shows that:

- (i) The cost-effectiveness of the Institute has not been as good as envisaged when it was first set up. The Institute has committed around \$108 million on projects (funded by HKJCCL) over the last decade. This means an average project spending of around \$10 million per year (with variations from year to year). The recurrent cost of running the Institute is provided by ASTRI. Since 2008-2009, the sum earmarked for HKJCICM was some \$10 million a year (actual expenditure in 2009-2010 was \$8.65 million). Thus roughly, the ratio between project expenditure and operating expenditure is close to 1:1 and this is undesirable. On the output side, the projects have not brought along great impact (one of the important projects is the production of chemical markers. But due to missing documents and doubts on the quality of chemical markers, sales has been suspended);

- (ii) Due to its small establishment (with only some 20 employees), HKJCICM has not been able to create a critical mass. Although it has tried to make changes in its strategic direction and work priorities at different stages over the years, the outcome was still less than desired;
- (iii) In the past decade there have been considerable new developments and changes in the CM sector, indicating that more and more parties have become interested in and are capable of contributing to the development of CM in Hong Kong in various ways, for example, the establishment of the Hong Kong Council for Testing and Certification in 2009 with CM designated as one of its four selected trades with good potentials, the research capabilities and infrastructure of local universities in CM area have been enhanced after years of development, the Hong Kong Science and Technology Parks Corporation has been actively developing a biotechnology (including CM and western pharmaceuticals) cluster in recent years; and
- (iv) The reason for putting HKJCICM under ASTRI at the outset was that HKJCICM could benefit from ASTRI's administrative and housekeeping support. However, over the years, ASTRI has increasingly focused its work on information and communications technologies (ICT) which are not related in any way to the promotion of CM development.

The Review has explored three options for the future of HKJCICM, namely (1) maintaining the *status quo*; (2) complete revision of HKJCICM's roles and functions; and (3) setting up of a new committee under Government to co-ordinate the development and promotion of CM and disbandment of HKJCICM.

The ITC considers that Option (3) is most desirable. Since the co-ordination work on promoting CM development in Hong Kong has become increasingly complex, a new Government-led committee will be needed to co-ordinate the collaboration of all parties in

promoting the R&D and testing of CM to meet the future needs of Hong Kong. It will also resolve the issue of HKJCICM being a subsidiary of ASTRI which focuses on ICT and does not have expertise in CM.

Furthermore, since mid-2010, a number of incidents have revealed internal management problems of HKJCICM, for example, various complaint cases (including anonymous and non-anonymous), missing of documents and about half of the Institute's staff resigning within a short period of time. There has also been involvement of law-enforcement agencies. The image as well as the operation of the Institute have inevitably been affected. We have already submitted the relevant information to the Legislative Council Panel on Commerce and Industry.

The decision on the future of HKJCICM rests with HKJC and ASTRI. We have hence submitted all relevant information (including the Review Report, feedbacks from stakeholders, views of the Panel on Commerce and Industry as well as the ITC, and so on) to the two shareholders for deliberation.

The ASTRI Board of Directors has conducted an in-depth review of the role of HKJCICM in Hong Kong against the rapidly changing environment in CM and taking into consideration the new strategy put forward by the Government on promoting CM through a Government-led committee. The Board has concluded that since the current focus of ASTRI is on ICT, it should concentrate its energy and resources on its core business instead of CM. As such, the Board has decided to disband the HKJCICM.

The other shareholder, HKJC, has also decided to endorse Government's proposal to disband HKJCICM. It however stresses that despite the disbandment, it is committed to supporting the development of CM in Hong Kong. Recognizing the value and importance of CM to the community, it will continue funding worthwhile CM projects in Hong Kong after the disbandment of HKJCICM. Currently, about \$400 million out of the \$500 million earmarked by HKJC for supporting CM R&D projects remains

unused. To facilitate the continued development of CM, HKJC would use the remaining balance of the funds to support non-profit organizations to conduct CM R&D in Hong Kong.

Following the endorsement of the two shareholders, the ITC and the two shareholders issued press releases on 28 September 2011 to announce the decision to disband HKJCICM and the setting up of a Government-led committee.

- (b) The ITC is setting up the new Committee which will be chaired by the Commissioner for Innovation and Technology. Members of the Committee will include representatives from the Government, industry, academic and R&D institutions involved in CM R&D. The Committee will collect views from various stakeholders, formulate strategies for promoting CM R&D in Hong Kong, and promote the relevant work in collaboration with various parties. Since the representation and scope of work of the new Committee will be broader than HKJCICM, we believe that it will be more effective in co-ordinating collaboration among various parties.
- (c) With the decisions made by the two shareholders, the ITC is now working with the management of the shareholders on the disbandment of HKJCICM. It will cover issues such as appointment of the liquidator, staff arrangements, disposal of assets, unspent funds, intellectual properties (IP), and so on.

Regarding the preservation of HKJCICM's R&D deliverables and professional support, as most of HKJCICM's R&D projects are implemented by local universities, we will explore the feasibility of transferring the R&D projects or deliverables to the corresponding universities in handling the ownership of IP and technologies. Such arrangement will facilitate the universities to conduct follow-up research and technology transfer to the industry.

- (d) On the staffing side, HKJCICM now only has nine employees, one of whom is a researcher. Contracts of staff of HKJCICM will be dissolved in accordance with existing contractual provisions and the Employment Ordinance. Before the announcement of the decision

on the disbandment of HKJCICM, a briefing was given to staff to explain to them the decision of the shareholders and to seek their assistance in the preparation for the dissolution of the company. They were assured that termination of employment would be made in accordance with their contracts and the relevant laws of Hong Kong.

- (e) The ITF under Government has been supporting applied R&D projects conducted by universities, R&D institutions and companies. CM is also one of the technology areas which ITF is supporting. The ITF does not have pre-set funding ceiling for specific technology areas. Hence, it will fund quality R&D projects from any technology areas.

The ITF has a current balance of about \$2.1 billion. If the industry has suitable CM applied R&D projects, they can apply to the ITC for funding support. Since all administrative work relating to the vetting and monitoring of ITF funded projects is handled by staff of the ITC, no additional expenses will be incurred.

Separately, HKJC has indicated that it will continue to support the development of CM in Hong Kong after the disbandment of HKJCICM.

We would like to stress once again that the disbandment of HKJCICM definitely by no means suggests that the Government will provide less support to the development of CM. Instead, the new committee to be set up will provide stronger support for R&D and testing of CM in Hong Kong to the benefit of our community.

Granting of Land to Franchised Bus Companies

12. **MR IP WAI-MING** (in Chinese): *President, it has been learnt that the Government granted land to franchised bus companies for their operational use. In this connection, will the Government inform this Council:*

- (a) *of the details of the land granted by the Government to franchised bus companies at present (set out in the table below);*

<i>Name of franchised bus company</i>	<i>Details of the relevant land grants</i>							
	<i>Detailed location</i>	<i>Area</i>	<i>Usage</i>	<i>Year of the grant</i>	<i>Duration of the grant</i>	<i>Terms and conditions</i>	<i>Value</i>	<i>Plot ratio (PR)</i>

- (b) *of the conditions which the Government will take into account in granting land to franchised bus companies, and the form in which the authorities will make the relevant land grants; and*
- (c) *up to the present, among the land granted in part (a), of the number of pieces of land for which approval has been granted by the authorities for the franchised bus companies concerned to change their uses; the reasons for granting such approval; the respective amount paid by franchised bus companies to change the use of each piece of land, and how such amounts were calculated?*

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

- (a) The details of the land granted by the Government to franchised bus companies and the major conditions of the grants are at Annex (All sites were granted for use as bus depots or relevant purposes).
- (b) At present, the Lands Department (LandsD) grants land to franchised bus companies by way of short-term tenancies (STTs) for use as bus depots or relevant purposes. Subject to the availability of suitable sites and policy support from the Transport and Housing Bureau, franchised bus companies may apply to the LandsD for leasing the sites under STTs for setting up bus depots. The LandsD will, in consultation with the concerned departments, consider granting

STTs directly to franchised bus companies. It will be stipulated in the STTs that the sites can only be used as bus depots or relevant purposes, and the franchised bus companies have to pay the market rent to the Government.

- (c) According to the LandsD's record, no approval has been given for franchised bus companies to change the land use of any of the sites listed in Annex under reference in part (a) above.

Annex

(i) Direct Grant of STTs for Bus Depot Use

	<i>Bus company</i>	<i>Location</i>	<i>Area (sq m)</i>	<i>Year of the grant</i>	<i>Remarks</i>
1	Long Win Bus Company Limited	Siu Ho Wan, North Lantau	7 660	1997	(1) All sites are currently used for Bus Depots. (2) For all the STTs (except item 18), they are held on a periodic basis renewable quarterly, half-yearly or annually. For item 18, it is granted for a fixed term of seven years commencing from 2 October 2009 and thereafter renewable quarterly. (3) PR is irrelevant for sites granted under STTs. (4) Since the disclosure of rental value of the STTs requires the consent of the tenants, such information is not provided.
2	Citybus Limited	Chai Wan Depot, Shing Tai Road, 38 Sheung On Street, Chai Wan	11 335	2001	
3		Wong Chuk Hang Depot, Heung Yip Road, Wong Chuk Hang	3 826	2006	
4		Tuen Mun Depot, Hoi Wong Road, Area 16, Tuen Mun	11 000	2001	
5		Kwei Tei Street, Area 16, Fo Tan	4 050	1998	
6		San Chuk Street, Fo Tan	6 330	2001	
7		Wong Chuk Hang Depot, Ocean Park Road, Wong Chuk Hang	2 450	1998	
8		Siu Ho Wan Depot, Siu Ho Wan, North Lantau	8 800	1997	
9		Tung Chung Depot, Area 26, Tung Chung, Lantau Island	6 373	2002	
10		Kowloon Bay Depot, Lam Chak Street, Kowloon Bay	4 630	2009	

	<i>Bus company</i>	<i>Location</i>	<i>Area (sq m)</i>	<i>Year of the grant</i>	<i>Remarks</i>
11	New World First Bus Services Limited	Chong Fu Road Depot, Chong Fu Road, Chai Wan	13 000	2000	
12		Wong Chuk Hang Depot, 45 Heung Yip Road, Wong Chuk Hang	3 002	1998	
13		Kennedy Town Depot, at the junction of Sai Ning Street and Victoria Road, Kennedy Town	1 900	1998	
14		Tseung Kwan O Depot, Area 85, Wan Po Road, Tseung Kwan O	5 180	2000	
15		West Kowloon Depot, Hing Wah Street West, West Kowloon Reclamation	8 200	2005	
16	New Lantao Bus Company, (1973) Limited	Mui Wo Depot, Mui Wo Ferry Pier Road, Mui Wo	4 058	1987	
17		Siu Ho Wan Depot, Siu Ho Wan, Lantau Island	3 070	1998	
18	The Kowloon Motor Bus Company (1933) Limited (KMB)	Hing Wah Street West, West Kowloon Reclamation	23 300	2009	
19		Yuet Lun Street Depot, at the junction of Yuet Lun Street and Po Lun Street, Lai Chi Kok	7 420	1983	
20		Tuen Mun Depot, at the junction of Tuen Yee Street and Hoi Wong Road, Area 16, Tuen Mun	20 000	1998	
21		Tung Tau, Hong Yip Street, Yuen Long	9 200	1992	
22		New Tung Tau, Wang Yip Street West, Yuen Long	4 400	2001	
23		Ting Shui Wai Area 14, Tin Park Road, Ting Shui Wai, Yuen Long	10 900	1995	

	<i>Bus company</i>	<i>Location</i>	<i>Area (sq m)</i>	<i>Year of the grant</i>	<i>Remarks</i>
24		Ting Shui Wai Area 13, Tin Park Road, Ting Shui Wai, Yuen Long	2 180	2000	
25		Tseung Kwan O Area 85, Wan Po Road, Tseung Kwan O	17 700	1999	
26		Tai Po Area 33, Dai Fuk Street, Tai Po	18 700	2000	
27		Kwei Tei Street, Fo Tan	9 170	2003	
28		San Wan Road, Shek Wu Hui, Sheung Shui	13 760	1987	
29		Area 16 Tsing Yi	23 600	2007	

(ii) Private Treaty Grant of Land for Bus Depot Use

	<i>Bus company</i>	<i>Location</i>	<i>Area (sq m)</i>	<i>Usage</i>	<i>Year of the grant</i>	<i>Duration of the grant</i>	<i>Land premium</i>	<i>PR</i>														
1	KMB	1 Kin On Street, Area 9, Tuen Mun	10 880	Bus Depot	1979	Expiring on 30.6.2047	\$5,274,000 (in 1979)	<ul style="list-style-type: none"> - Site Coverage (SC) of G/F and 1/F (including M/F) shall be permitted to extend to 100% provided that the height of the said G/F and 1/F (including M/F) does not exceed 16 m. - SC and PR of the building erected on the Lot of height exceeding 16 m shall be calculated as: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th rowspan="2"><i>Height of Building (m)</i></th> <th colspan="2"><i>Non-domestic Building</i></th> </tr> <tr> <th><i>SC (%)</i></th> <th><i>PR</i></th> </tr> </thead> <tbody> <tr> <td>Over 16 but not exceeding 18</td> <td>97.5</td> <td>5.8</td> </tr> <tr> <td>Over 18 but not exceeding 21</td> <td>95</td> <td>6.7</td> </tr> <tr> <td>Over 21 but not exceeding 24</td> <td>92</td> <td>7.4</td> </tr> </tbody> </table>	<i>Height of Building (m)</i>	<i>Non-domestic Building</i>		<i>SC (%)</i>	<i>PR</i>	Over 16 but not exceeding 18	97.5	5.8	Over 18 but not exceeding 21	95	6.7	Over 21 but not exceeding 24	92	7.4
<i>Height of Building (m)</i>	<i>Non-domestic Building</i>																					
	<i>SC (%)</i>	<i>PR</i>																				
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Over 18 but not exceeding 21	95	6.7																				
Over 21 but not exceeding 24	92	7.4																				

	Bus company	Location	Area (sq m)	Usage	Year of the grant	Duration of the grant	Land premium	PR		
								Height of Building (m)	Non-domestic Building SC (%)	PR
								Over 24 but not exceeding 27	89	8.0
								Over 27 but not exceeding 30	85	8.5
								Over 30 but not exceeding 36	80	9.5
								- Non-domestic building exceeding 36 m in height shall not have a PR in excess of 9.5 and in such case the SC will not be allowed to exceed that percentage specified in the eighth column of the 1st Schedule of Building (Planning) Regulations.		
2	KMB	Lam Wah Street, Kowloon Bay	21 470	Bus Depot	1986	Expiring on 30.6.2047	\$62,000,000 (in 1986)	- Development is subject to the controlled drawings under lease conditions.		

Redevelopment and Expansion of Public Hospitals in Various Districts

13. **DR JOSEPH LEE** (in Chinese): *President, with the ever-increasing demand for medical services by residents in Hong Kong, many public hospitals require expeditious redevelopment or expansion as their space is no longer sufficient to cope with such demand, and their design also fails to meet the operational needs. In this connection, will the Government inform this Council whether it knows:*

- (a) *which public hospitals will be redeveloped/expanded in the coming five years, the order of priority and the factors to be considered by the authorities in determining such order of priority;*

- (b) *the progress of the redevelopment/expansion projects in part (a), as well as a list of the respective dates of application for funding and the expected dates of commencement and completion of the various works projects;*
- (c) *the breakdown of the cost estimates of various redevelopment/expansion projects, the breakdown of the cost estimate for conducting redevelopment/expansion works in each of the public hospital concerned, and the total estimated costs for various works projects;*
- (d) *the anticipated numbers of additional hospital beds and increase in patient attendance after completion of the redevelopment/expansion projects of various public hospitals; and*
- (e) *whether the authorities will increase the manpower of nursing staff and allied health staff accordingly after the various public hospitals have been redeveloped/expanded; if they will, of the details; if not, the reasons for that?*

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

- (a) A number of hospital redevelopment/expansion projects are underway and will be completed in the coming few years. These include the Expansion of Tseung Kwan O Hospital (TKOH), the Redevelopment of Caritas Medical Centre (CMC) Phase 2 and the Redevelopment of Yan Chai Hospital (YCH). In addition, the Administration is also preparing for the Expansion of United Christian Hospital (UCH) and planning for the Reprovisioning of Yaumatei Specialist Clinic (YMTSC) at Queen Elizabeth Hospital (QEH).

Apart from carrying out redevelopment/expansion projects of existing hospitals, the Administration will also construct new hospitals as necessary to address the demand for healthcare services. Hospital under construction includes the North Lantau Hospital Phase 1, and new hospitals under preparation include the Tin Shui

Wai Hospital and the Centre of Excellence in Paediatrics at Kai Tak Development Area. The North Lantau Hospital Phase 1 is scheduled for completion in 2012, and the other two hospitals will be completed in 2016.

In determining the order of priority for the development of new hospitals and the redevelopment/expansion of various hospitals, the Administration will take into account the future population growth and ageing in the region, the demand for healthcare services, the overall provision of healthcare services in the various clusters under the Hospital Authority (HA), as well as the development of public and private healthcare services.

- (b) Information of the three ongoing redevelopment/expansion projects is as follows:

<i>Project Title</i>	<i>Date of Funding Application</i>	<i>Commencement Date of Works</i>	<i>Expected Completion Date</i>
Expansion of TKOH	8 July 2008	August 2008	March 2013
Redevelopment of CMC Phase 2	11 May 2007 24 June 2011 (Increase in approved project estimate)	Foundation works commenced in June 2009 and construction of the new ambulatory block will start within this month.	June 2014
Redevelopment of YCH	13 May 2011	June 2011	February 2016

In the 2011-2012 Policy Address, the Government has announced the preparation for the Expansion of UCH. It is estimated that funding approval will be sought from the Legislative Council in mid-2012 for the preparatory works. Besides, the Administration has also planned for the Reprovisioning of YMTSC at QEH. A

"design and build" approach will be adopted for this project, and tendering procedures will commence before seeking funding approval from the Legislative Council which will be based on the tender price. It is estimated that funding approval will be sought from the Legislative Council in 2013 with a view to completing the project in 2016.

- (c) The cost estimates of the three ongoing redevelopment/expansion projects are as follows:

<i>Project Title</i>	<i>Estimated Expenditure (\$M)</i>
Expansion of TKOH	1,944.9
Redevelopment of CMC Phase 2	1,719.6
Redevelopment of YCH	590.5

According to the preliminary estimate, the entire project of the Expansion of UCH will cost over \$7 billion, and the Reprovisioning of YMTSC at QEH will cost about \$1.4 billion.

- (d) Upon completion of the Expansion of TKOH, an additional 178 in-patient beds and 22 consultation rooms in the specialist out-patient (SOP) department will be provided. If the manpower of healthcare professionals permits, it is expected that the annual capacity of SOP attendances will increase up to about 80 000.

Besides, upon completion of the Redevelopment of CMC Phase 2, an additional 53 in-patient beds, 32 day beds and 20 Geriatric Day Hospital places will be provided. The redeveloped CMC will be able to handle a maximum of about 600 000 out-patient attendances annually. In other words, the annual out-patient attendances will increase by about 270 000.

Although no additional beds will be provided upon completion of the Redevelopment of YCH, with an increase in the number of consultation rooms from 36 to 54, the capacity of the general out-patient clinic and SOP clinic will be increased and the service capacity will be enhanced by up to 50%.

Preparation for the Expansion of UCH and the Reprovisioning of YMTSC at QEH is still underway. We will make a more detailed estimate on the numbers of additional beds and attendances to be provided after completion of these redevelopment/expansion projects when we are about to seek funding approval.

- (e) To cope with the service demand, the HA will deploy and gradually increase manpower having regard to the service needs, development of technology, completion of new hospitals, expansion and redevelopment of the existing hospitals, staff turnover, as well as the overall provision of healthcare services in the various clusters, and so on. Meanwhile, the number of staff that would be recruited is also affected by the manpower mobility among the HA, private hospitals, social welfare and rehabilitation sectors. The HA will conduct an annual review on the requirement for additional manpower. For example, recruitment of about 1 700 nurses and 590 allied health staff is planned for 2011-2012.

Redevelopment of Land in Country Parks for Residential Use

14. **MR ALBERT CHAN** (in Chinese): *President, in recent years, as the land available for housing development in urban areas has decreased gradually, quite a number of members of the public have requested the Government to consider reducing the coverage of country parks by developing some of the land in the country parks which is of relatively low ecological value at present into residential sites, so as to increase housing supply. In this connection, will the Government inform this Council:*

- (a) *of the respective sizes and locations of areas within existing country parks which are regarded by the authorities as having conservation and ecological value, as well as those without obvious conservation and ecological values (list in table form); and*
- (b) *whether the authorities have considered reducing the coverage of country parks to develop more residential sites; if they have, of the details; if not, the reasons for that, and whether the authorities will consider reducing the coverage to release more land, so as to*

increase the supply of residential sites; if they will, of the details; if not, the reasons for that?

SECRETARY FOR DEVELOPMENT (in Chinese): President, country parks are designated under the Country Parks Ordinance, which falls within the policy portfolio of the Environment Bureau. Based on information provided by that Bureau, my reply to the two parts of the question is as follows:

- (a) In considering the suitability of a site for country park designation, the Agriculture, Fisheries and Conservation Department (AFCD) bases its assessment on three main intrinsic criteria, namely, conservation value, landscape and aesthetic value, and recreation potential of the site. If the site is considered suitable, the AFCD will initiate the procedures under the Country Parks Ordinance, including public consultation, and deposit the map designating the country park in the Land Registry upon endorsement. As the authority adopts an approach in administering the areas designated as country parks which is different from the information sought under part (a) of the question, the Environment Bureau is unable to provide the requested list.
- (b) At present, there are 24 country parks and 22 special areas in Hong Kong, covering about 44 000 hectares of land. They are protected by the Country Parks Ordinance for conservation and recreational purposes. These areas also provide important habitats for over 98% of the flora and fauna of Hong Kong.

Our country parks are natural heritage that the public treasures and attaches great importance. They play an indispensable and vital role in our nature conservation work by facilitating our efforts in managing and sustaining the natural resources that are of prime importance in maintaining biodiversity in the territory, so that these resources can be enjoyed by the present and future generations of the community. We have no plans in hand to reduce the coverage of the country parks and release the land for residential development.

However, as pledged by the Chief Executive in the 2011-2012 Policy Address, we will be innovative in expanding our land resources that can be used for housing development. Apart from planning new towns and new development areas, we have identified the following measures:

- (i) Release about 60 hectares of industrial land for non-industrial uses, half of which will be made available for housing;
- (ii) Explore the option of reclamation on an appropriate scale outside the Victoria Harbour;
- (iii) Actively explore the use of rock caverns to re-provision existing public facilities and release such sites for housing and other uses;
- (iv) Look into the use of green belt areas in the New Territories that are devegetated, deserted or formed, thus no longer performing their original functions, and convert them into housing sites;
- (v) Examine "Government, Institution or Community" sites to avoid the under-utilization of sites long reserved but without specific development plans; and study ways to reduce the restrictions posed by government utilities to the development of adjacent areas; and
- (vi) Explore the possibility of converting into housing land some 150 hectares of agricultural land in North District and Yuen Long currently used mainly for industrial purposes or temporary storage, or which is deserted.

Regulation of Sales Practices of Subscription Television

15. **MR WONG KWOK-HING** (in Chinese): *President, I have previously received complaints alleging that some salespersons of domestic subscription television (TV) companies paid visits to the complainants' homes, entered their*

flats to repair TV sets or install TV set-top boxes using the excuse of facilitating members of the public to watch high-definition TV programmes, and then induced them to sign service contracts. The complainants indicated that some of the salespersons had not mentioned that payment would be required when they were selling the service, or said that no payment would be required, but after the service contracts were signed, they then told the complainants that they were required to sign contracts of a long duration and pay the contract fees; when the customers requested to terminate the service, the procedure is very complicated, or they even needed to lodge complaints in order to cancel the contract. In this connection, will the Government inform this Council:

- (a) whether it knows the number of complaints concerning subscription TV companies' sales practices of paying visits to residential units received or handled by the Consumer Council and relevant law-enforcement departments in each of the past three years, as well as the details, amounts involved, and the outcome of such complaints;*
- (b) given that section 7M of the existing Telecommunications Ordinance (TO) (Cap. 106) has expressly prohibited telecommunications service providers from engaging in sales practices which are misleading or deceptive, yet the sales practices of subscription TV are not subject to similar regulation, whether the authorities will consider amending the relevant ordinance to similarly regulate the sales practices of subscription TV; if they will, of the details and timetable; if not, the reasons for that;*
- (c) whether the authorities will, upon vetting and approving applications for or the renewal of subscription TV broadcasting licences, introduce relevant licence terms to expressly require the relevant companies to monitor strictly the sales practices adopted by their staff, so as to protect consumers' rights; if they will, of the details; if not, the reasons for that; and*
- (d) whether the authorities will carry out relevant publicity work to educate members of the public how to reject the aforesaid improper sales practices to avoid being deceived; if they will, of the details; if not, the reasons for that?*

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

- (a) The number of complaints received by the Consumer Council relating to the sales practices of subscription TV service providers (mainly involving misrepresentation) in the past three years, as well as the amount involved and the number of cases settled through mediation are set out in the following table:

	2008	2009	2010	2011 (January to September)
Number of complaints	207	396	546	346
Amount involved (\$)	79,860	198,867	236,771	188,765
Number of cases settled through mediation	154	251	379	212

The Customs and Excise Department, being the relevant law-enforcement department, did not receive any relevant complaint in the past three years.

- (b) and (c)

The TO (Cap. 106) regulates telecommunications matters, but it does not cover TV services. It is therefore not feasible to prohibit subscription TV licensees from engaging in sales practices that are misleading or involve misrepresentation by expanding the scope of TO through legislative amendment.

On the other hand, the Broadcasting Ordinance (BO) (Cap. 562) regulates broadcasting matters, but it does not empower the Broadcasting Authority (BA) to regulate the sales practices of subscription TV licensees. As the sales activities of such licensees are not subject to the regulation of BO or the BA, it is not feasible to incorporate relevant regulatory provisions into their licences. Nevertheless, when the BA receives complaints relating to the sales of subscription TV services, it will, with the consent of the complainants, refer the cases to the subscription TV licensees

concerned for investigation and follow-up action. Past experience indicates that most cases can be settled through mediation.

To tackle unfair trade practices and protect consumers' interests, we plan to amend the Trade Descriptions Ordinance (Cap. 362) to prohibit unfair trade practices commonly found in different sectors, including false trade descriptions of services, misleading omissions, aggressive practices and bait-and-switch. The amended provisions will be applicable to the sales of subscription TV services. We are now pressing ahead with the relevant law drafting work.

- (d) We have been in partnership with the Consumer Council in launching publicity and public education programmes to raise consumers' awareness. In respect of the sales practices of subscription TV service providers, the Consumer Council published in the May 2010 issue of its *CHOICE* magazine a feature article on the relevant complaints received and points to note for consumers.

Assistance Package for Trawler Vessel Owners and Local Deckhands Affected by Trawl Ban

16. **MR KAM NAI-WAI** (in Chinese): *President, on 10 June this year, the Finance Committee (FC) of this Council approved a one-off commitment of \$1,726.8 million to offer assistance to trawler vessel owners and local deckhands affected by the trawl ban. The assistance package comprises making ex gratia allowance payments, buying out affected inshore trawler vessels, providing assistance, and launching a special training programme. When local deckhands apply for the one-off grant, they have to provide evidence proving that he/she was employed to work as at 13 October 2010 on an affected inshore trawler vessel. In this connection, will the Government inform this Council whether:*

- (a) *it has started processing applications for ex gratia payment and the vessel buy-out scheme submitted by inshore trawler vessel owners; if it has, of the number of inshore trawler vessel owners who have so far submitted the required particulars to the authorities to facilitate the processing of their applications; if not, the reasons for that; and*

- (b) *the authorities have made known to all members of the trade that they need to keep the employment records of the affected local deckhands; if so, of the details; if not, the reasons for that?*

SECRETARY FOR FOOD AND HEALTH (in Chinese): President, the Chief Executive put forward in his Policy Address last year that in order to protect our precious marine resources and ecology, trawling in Hong Kong waters should be banned through legislation. The relevant subsidiary legislation was passed on 18 May this year. A new commitment of \$1,726.8 million was approved by the FC on 10 June 2011 to provide a one-off assistance package to eligible trawler owners, the local deckhands they employed and fish collector owners, as well as to implement other related measures. These include:

- (i) making *ex gratia* payments to affected trawler owners for permanent loss of fishing grounds arising from a statutory trawl ban;
- (ii) buying out affected inshore trawler vessels from trawler owners who voluntarily surrender their vessels;
- (iii) providing one-off assistance to affected local deckhands employed by the affected inshore trawler owners and affected fish collector owners; and
- (iv) implementing measures to support marine conservation and replenishment of fisheries resources, and launching a special training programme for affected trawler fishermen and local deckhands.

The relevant assistance measures will appropriately address the impact of the trawl ban on the livelihood of those affected.

As explained in our paper for the Panel on Food Safety and Environmental Hygiene on 15 October 2010, to be eligible for the one-off assistance to local deckhands as mentioned in item (iii) above, an applicant must be a local deckhand and must, at the time of application, provide evidence proving that he/she has already been employed to work as at 13 October 2010 on the affected inshore trawler vessels. In the papers for the Panel on Food Safety and Environmental Hygiene on 8 March 2011, for the Subcommittee on Fisheries

Protection (Specification of Apparatus) (Amendment) Notice 2011 on 3 May 2011, and for the FC on 10 June 2011, we have provided further details on the eligibility criteria and requirements of application, including the requirement that an applicant should as far as practicable provide relevant documentary evidence (for example, Mandatory Provident Fund records, employment contracts, salary payment records, and so on) to support his/her claim in his/her employment on the trawler vessel.

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

- (a) Since the approval of funding by the FC on 10 June 2011, the Government has been actively making preparation for introducing the initiatives set out in items (i) to (iv) above, including setting up an inter-departmental working group (IWG) in August this year to deal with matters of the one-off assistance scheme as mentioned in items (i) to (iii) above. The IWG has commenced operation, and will announce the detailed arrangements for application for *ex gratia* allowance, buying out of trawlers and one-off assistance for local deckhands employed by the owners of affected inshore trawler vessels, and invite applications around end 2011 as scheduled.
- (b) Since the announcement of the plan to ban trawling in Hong Kong waters in October 2010, the Agriculture, Fisheries and Conservation Department has been maintaining close contact with the trade to brief and consult them on the arrangements for implementing the relevant measures (including the one-off assistance package to local deckhands employed by inshore trawler vessel owners). The trade is generally aware of the eligibility criteria and related requirements of application (for example, the need to keep information relating to the employment of local deckhands for supporting their applications). The IWG will further explain to the trade the details of application requirements and information to be provided, before inviting applications. When processing the applications, the IWG will, taking into consideration the operation of the trade, require the applicants to provide reasonable and acceptable evidence to support their employment status.

Review of Issuance of Inflation-linked Bonds

17. **MR FREDERICK FUNG** (in Chinese): *President, to promote the development of the local retail bond market, and to provide the public with an investment option for coping with inflation, the Government launched the inflation-linked retail bonds (iBond) which was officially listed on the Hong Kong Stock Exchange (HKSE) on 29 July 2011. In this connection, will the Government inform this Council:*

- (a) *whether the Government has reviewed the criteria and process regarding the pricing, issuance, subscription and trading, and so on, of the iBond, as well as its issuance size; if it has, of the outcome; based on a preliminary assessment of the subscription and trading conditions, whether the iBond has achieved the purposes of promoting the development of the local retail bond market and helping the public to cope with inflation;*
- (b) *given that it has been reported that members of the public who subscribe iBond through banks have to trade it "over-the-counter" (OTC) through banks, and the trading prices in such OTC transactions are less transparent, while the trading prices in direct transactions through the HKSE are more transparent, thereby creating a situation of "one bond, two markets", whether the authorities have looked into such a situation; whether they have conducted analysis on the price differences in trading iBond through these two different channels, and looked into how much profit the banks have made from the price differences; whether this situation is what the authorities designed and anticipated when they formulated the iBond programme; whether they have assessed if such a situation will impede the flow of bonds and the development of the bond market; and*
- (c) *whether the authorities will, in view of the inflation situation and the development of the bond market, issue iBond again, and initiate a comprehensive review of as well as improvements on the bond issuance programme (including enhancing promotion to the public, and rectifying the unfair situation of "one bond, two markets", and so on); if they will, of the timetable and the details; if not, the reasons for that?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President, my reply to the question is as follows:

- (a) The objective of the iBond issue by the Government is to promote the development of the retail bond market in Hong Kong. It can also provide another investment alternative to Hong Kong residents in the current high inflation environment. We have conducted a review, following the completion of the iBond offering. Overall speaking, we believe that this bond issue has achieved the aforementioned objectives.

First, the pricing, subscription and trading arrangements, and so on, of the iBond are simple and easy to understand. This enables the general public to gain a better understanding of bond investment through participating in the subscription and trading process of the iBond. A total of over 150 000 applications have been received for the iBond, with the total application amount exceeding HK\$13 billion. Both figures are at very high levels when compared with those for recent retail bond offerings in the market. Second, according to our understanding, 10% to 15% of those investors who have subscribed the iBond through the two co-arranging banks (that is, Bank of China (Hong Kong) Limited and The Hongkong and Shanghai Banking Corporation Limited) have specifically opened an investment account for the first time due to the iBond issue. This suggests that the iBond issue has successfully attracted a group of investors who did not have any previous experience in bond investment. This has a positive impact on fostering the development of the retail bond market in Hong Kong.

In addition, the interest rate determination mechanism of the iBond allows the bond holders to receive the principal in full at maturity and an investment return tied to the average year-on-year inflation rate of the most recent six months during the bond term, which would help the bond holders to preserve the purchasing power of their investment.

- (b) While the trading platform of the HKSE and the OTC market operated by banks are two different platforms, they are in fact

interacting with and affecting each other. Any price differences in these two markets will eventually be narrowed as a result of market forces.

On the first trading day of the iBond, the price differences in these two markets were considered normal as it usually took some time for the price-discovery process to complete. Shortly thereafter, such price differences had already narrowed. According to our understanding, after taking into account the different transaction costs, the OTC bid prices quoted by some major banks to their customers were effectively very close to those bid prices quoted on the HKSE. This demonstrated that the two markets were interacting with each other and functioning properly.

Putting in place both the HKSE and OTC trading platforms for the iBond is aimed to meet the demand of various investors and can also enhance liquidity of the iBond, which is in the interest of investors. All along, bonds have not been actively traded on the HKSE. Their liquidity has not been high either. Securities firms are not obliged to quote bid prices to repurchase the bonds. Instead, they will only place sell orders regarding the bonds concerned on the HKSE on behalf of their customers. Therefore, those investors who hold bonds through the securities brokers and intend to sell their bond holdings via the HKSE may not be able to dispose of the full amount of the bonds at the desired price, and hence subject to certain degree of liquidity risk.

There is a market-making system in the OTC trading platform. Taking the iBond as an example, there are 18 banks acting as market-makers to provide investors with repurchase guarantee, under which they undertake that when their customers need to sell their bond holdings, they would quote bid prices to purchase the bonds. While the OTC prices quoted by banks may be somewhat different from those quoted on the HKSE, banks can offer repurchase guarantee to investors in the capacity of market makers. This can increase investors' confidence in bond investment and enhance liquidity of the bonds in the secondary market. Therefore, the OTC trading platform is the core part of the secondary bond market in

some of the advanced markets overseas, as it is conducive to and necessary for the bond market development. This is also the case in Hong Kong.

- (c) As mentioned above, the main objective of the launch of the iBond by the Government is to enhance retail investors' understanding of and interest in bond investment through participating in the subscription and trading process of the iBond, thereby fostering the development of the retail bond market in Hong Kong.

When considering whether to issue further retail bonds under the Government Bond Programme in future, we would, based on the overriding objective of promoting the further and sustainable development of the local bond market, take into account relevant factors including the prevailing market conditions (such as demand and supply, interest rates, inflation rate and the potential impact on other prospective retail bond issuers in Hong Kong) as well as the sustainability of the Bond Fund. In the process, we would not confine ourselves to issuing a particular kind of bonds.

At the same time, we recognize the importance of enhancing investor education. In this connection, we would maintain close liaison with the relevant regulators and continue to take forward the work on investor education with the aim of further enhancing retail investors' understanding of the bond market operation and investment.

Time Capsule of Former Urban Council

18. **MR FRED LI** (in Chinese): *President, before the reunification of Hong Kong, councillors of the former Urban Council (hereinafter referred as "ex-UC") had placed a time capsule underneath the ground in the vicinity of the Hong Kong City Hall and expected to unearth it 10 years later. However, as the Urban Council had already been dissolved, it is no longer possible for it to unearth the time capsule now. In this connection, will the Government inform this Council whether it will unearth the aforesaid time capsule; if so, when the capsule will be unearthed, and whether a function will be held for unearthing it;*

if a function will be held, of the details; if the time capsule will not be unearthed, of the reasons for that?

SECRETARY FOR HOME AFFAIRS (in Chinese): President, to commemorate Hong Kong's reunification with China, members of the ex-UC placed a time capsule in the Memorial Garden of Hong Kong City Hall in June 1997, which was scheduled to be opened after a decade.

The Leisure and Cultural Services Department (LCSD), being the management authority of City Hall, has earlier conducted a detailed study of the legal and technical issues pertaining to the handling of the time capsule placed by ex-UC members. After consideration, the LCSD now proposes to open the time capsule in the first quarter of next year to tie in with City Hall's 50th Anniversary. The exact date and detailed arrangements will be worked out and announced after consultation with relevant parties (including ex-UC members).

Infrastructural Developments and Policies to Promote Cruise Tourism

19. **MR PAUL TSE** (in Chinese): *President, regarding the Kai Tak cruise terminal project, will the Government inform this Council:*

- (a) *from the perspective of tourism development, what transport networks and infrastructures will be provided by the SAR Government to connect the Kai Tak cruise terminal with its neighbouring areas (for example, the Wong Tai Sin Temple, the Chi Lin Nunnery in Diamond Hill, the harbourfront promenade in Kwun Tong, as well as restaurants in Lei Yue Mun and Kowloon City, and so on), so as to maximize the economic benefits brought to the neighbouring areas by the development of the cruise terminal;*
- (b) *whether it will draw reference from the history of development of Tsim Sha Tsui with the Ocean Terminal complementing various transport networks and tourist attractions such as the former Kowloon-Canton Railway Terminus, the Star Ferry, the Hong Kong Cultural Centre, the Hong Kong Space Museum, the Peninsula Hotel and the harbourfront promenade, and so on, so as to make use of the*

cruise terminal project to develop East Kowloon into a new major tourism area and a transit point for tourists; if it will, of the details of the plans; if not, the reasons for that; and

- (c) *what policies and measures are in place to make use of the cruise terminal project to tie in with the proposal in the 2011-2012 Policy Address to enhancing connectivity within East Kowloon by an elevated rail-based link and "kick-starting the development of East Kowloon", so as to foster the renewal and development of the entire East Kowloon on the one hand to greatly improve the district's economic conditions and employment situation, and strengthen the tourism industry of Hong Kong on the other hand?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, my reply to the three-part question is set out below:

- (a) Kai Tak Development (KTD) is a mega-scale development project spanning a total planning area of over 320 hectares, covering the ex-airport site and the adjoining hinterland districts. The new cruise terminal is part of the KTD project. To tie in with the commissioning of the first berth of the new cruise terminal, the Government will provide in mid-2013 a two-lane single carriageway to connect the cruise terminal with Cheung Yip Street at Kowloon Bay. In addition to the existing major trunk roads (including Kai Tak Tunnel and Kwun Tong Bypass), the planned Route 6 (including the Central Kowloon Route with direct road connections at the KTD area) will provide a route linking West Kowloon with East Kowloon. The proposed Shatin to Central Link (SCL) will also provide fast and reliable railway service for the KTD area.

Moreover, the Government has commissioned a consultancy study on the feasibility of an environmentally-friendly linkage system (EFLS) for Kai Tak. Initial findings recommended that the EFLS should cover the KTD area with connections to Kowloon Bay Station and Kwun Tong Station of the Mass Transit Railway as well as Kai Tak Station of the future SCL. Given its high construction cost and wide-ranging implications, the Government plans to consult

the public on the EFLS in early 2012.

Upon the phased completion of the planned transport network and infrastructure, the new cruise terminal and the neighbouring districts will be more closely connected, and the economic benefits will be enhanced.

- (b) Today's Tsim Sha Tsui was developed in the course of history and upon the needs of Hong Kong's development at different times. The development of Kai Tak takes a different approach. The KTD area is an integrated development with a mix of community, housing, business, tourism and infrastructural uses. The phased completion of the various projects in the KTD will complement the facilities of the new cruise terminal and foster tourism development in the neighbouring districts and Hong Kong as a whole.
- (c) The transport network and infrastructure (including the EFLS which will shortly be put to the public for consultation) as mentioned in part (a) can enhance the connectivity of the new cruise terminal with the neighbouring districts, and coupled with the phased completion of various projects in the KTD area, the tourism and economic benefits for the cruise terminal as well as the neighbouring districts will be boosted.

Vice-Premier Mr LI Keqiang announced during his visit to Hong Kong that escalated efforts would be put in to support the development of Hong Kong as a homeport for cruise tourism. This ties in with the commissioning of the new cruise terminal in mid-2013 in further enhancing the development of our cruise tourism. Leveraging on the completion of the new cruise terminal, we will continue to co-operate closely with the major cruise companies and the Hong Kong Tourism Board (HKTB) to attract the deployment of more cruise vessels to Hong Kong. We will allocate more resources to the HKTB to strengthen its co-operation with cruise lines in promoting the cruise market in Hong Kong, and to lengthen the stay of cruise liners and tourists in Hong Kong through collaborative efforts with the travel trade in developing more diversified shore excursion programmes. We will also continue to

strengthen the co-operation with nearby ports to enhance the potential of the regional cruise market.

Plans to Tackle Manpower Shortage Problem in Public Health Sector

20. **DR JOSEPH LEE** (in Chinese): *President, quite a number of members of the health sector have relayed that with the development in local health services, the demand for allied health staff by public hospitals, private hospitals and non-governmental organizations has been increasing, and the sector faces problems such as manpower shortage and recruitment difficulties, and so on, at present. In this connection, will the Government inform this Council:*

- (a) *whether the authorities have assessed the respective demand for and supply of allied health staff in the next five years; if they have, of the details, (with a breakdown as set out in the tables below); and whether the supply of allied health staff in the next five years can sufficiently meet the demand; if it cannot, how the authorities will solve the manpower shortage problem;*

The year of _____

<i>Allied health staff</i>	<i>Manpower demand</i>					
	<i>Hospital Authority</i>	<i>Department of Health</i>	<i>Private hospitals</i>	<i>Non-governmental organizations (including subsidized, subvented and private residential care homes for the elderly and residential care homes for persons with disabilities)</i>	<i>Other organizations</i>	<i>Total</i>
<i>Chiropractor</i>						
<i>Medical Technologist</i>						
<i>Radiographer</i>						
<i>Physiotherapist</i>						
<i>Occupational Therapist</i>						
<i>Optometrist</i>						
<i>Ancillary Dental Worker</i>						
<i>Audiologist</i>						

<i>Allied health staff</i>	<i>Manpower demand</i>					
	<i>Hospital Authority</i>	<i>Department of Health</i>	<i>Private hospitals</i>	<i>Non-governmental organizations (including subsidized, subvented and private residential care homes for the elderly and residential care homes for persons with disabilities)</i>	<i>Other organizations</i>	<i>Total</i>
<i>Podiatrist</i>						
<i>Dietitian</i>						
<i>Orthopist</i>						
<i>Clinical Psychologist</i>						
<i>Prosthetist-orthotist</i>						
<i>Speech Therapist</i>						
<i>Dispenser</i>						

The year of _____

<i>Allied health staff</i>	<i>Manpower supply</i>					
	<i>Hospital Authority</i>	<i>Department of Health</i>	<i>Private hospitals</i>	<i>Non-governmental organizations (including subsidized, subvented and private residential care homes for the elderly and residential care homes for persons with disabilities)</i>	<i>Other organizations</i>	<i>Total</i>
<i>Chiropractor</i>						
<i>Medical Technologist</i>						
<i>Radiographer</i>						
<i>Physiotherapist</i>						
<i>Occupational Therapist</i>						
<i>Optometrist</i>						
<i>Ancillary Dental Worker</i>						
<i>Audiologist</i>						
<i>Podiatrist</i>						
<i>Dietitian</i>						
<i>Orthopist</i>						
<i>Clinical Psychologist</i>						
<i>Prosthetist-orthotist</i>						
<i>Speech Therapist</i>						
<i>Dispenser</i>						

- (b) *whether the authorities have set aside sufficient resources for the training and recruitment of allied health staff in the next five years; if they have, of the details; if not, the reasons for that; and*
- (c) *whether the authorities have considered collaborating with relevant organizations on improving the remuneration packages for allied health staff so as to retain talents; if they have, of the details; if not, the reasons for that?*

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

- (a) The Food and Health Bureau assesses the manpower requirements for healthcare professionals including allied health professionals according to the triennial planning cycle of the University Grants Committee (UGC), and advises the UGC on the corresponding requirements for publicly-funded places to facilitate academic planning by tertiary institutions. In making long-term manpower projections, we will take into account the anticipated manpower requirements of major healthcare providers having regard to, among other things, the wastage trends of different healthcare professions, the ageing rate of the population and changes in demographic profiles, and the community's need for services in particular areas, and so on. We will also take into consideration the implications on healthcare manpower arising from changes in healthcare services delivery models and related policies such as development of primary care and private hospitals and the introduction of a Health Protection Scheme.

As at July 2011, there were a total of 5 773 allied health professionals in the Hospital Authority (HA). Non-governmental and private healthcare institutions would in general employ staff on their own account according to their service and development needs. Overall speaking, as our population grows and ages and with advancement in medical technologies, it is expected that the demand for healthcare manpower will continue to increase. In view of this, for the triennial cycle starting from 2012, the Government will allocate an additional \$200 million to increase the number of

first-year first-degree places in medicine by 100, nursing by 40 and allied health professions by 146. Meanwhile, training places for nurses offered by self-financing post-secondary institutions are also on the rise.

Based on the outcomes of the Second Stage Public Consultation on Healthcare Reform, the Government will set up a high-level steering committee to conduct a strategic review on healthcare manpower planning (including doctors, dentists, nurses, Chinese medicine practitioners, pharmacists and allied health professionals) and professional development. The steering committee will put forward recommendations in the first half of 2013 on how to cope with the anticipated demand for healthcare manpower, strengthen professional training, and facilitate professional development and regulation having regard to the findings of the review, with a view to ensuring the healthy and sustainable development of our healthcare system.

(b) and (c)

Having regard to the demand for and supply of healthcare manpower, the HA has made continuous efforts to attract and retain talents through various means, such as stepping up recruitment, providing more training and development opportunities as well as improving conditions of service for staff. The HA has also been working to relieve the workload of its allied health professionals by re-engineering work processes, streamlining work flow and recruiting additional supporting staff. With the implementation of a basket of initiatives, the number of allied health professionals has recorded a net increase of 11% in March 2011 as compared to March 2008.

The HA plans to recruit 590 allied health professionals in 2011-2012 to meet the need for service development. The HA also seeks to fill the existing vacancies in certain healthcare professional grades through various channels including local and overseas recruitment as well as employing part-time allied health staff.

To provide more career advancement and development opportunities for its allied health professionals, the HA introduced in 2008 a new model of professional development for the Diagnostic Radiographer, Physiotherapist and Occupational Therapist grades. So far, 26 promotional posts have been created under the plan, including three "Consultant Therapists/Diagnosticians" and 23 "Senior Therapists/Diagnosticians". The HA will consider applying a similar model to other allied health professions having regard to the experience gained in the process.

On training, the HA set up the Institute of Advanced Allied Health Studies in 2007 to develop structured and long-term training plans for allied health staff. It also provides courses on specialist and multi-disciplinary training and personal development, including a three-year in-service training course for new recruits. The HA plans to fund 37 allied health staff to attend short-term courses or internship programmes overseas in 2011-2012 in addition to sponsoring some 100 allied health staff to undertake master degree courses. In collaboration with local and overseas universities, the HA also organizes various specialist training and development programmes having regard to its service development needs. Between 2006-2007 and 2010-2011, the HA has invested a total of over \$270 million on the training and development of its healthcare professionals.

We will closely monitor the manpower situation of various healthcare professions and respond accordingly in resource allocation, manpower training and planning so as to facilitate the sustainable development of our healthcare system.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motion.

Motion of Thanks. Ms Miriam LAU will move the motion; Mr Frederick FUNG, Mr LEE Wing-tat, Mr CHEUNG Man-kwong, Mr WONG Sing-chi and Ms Emily LAU will move amendments to this motion.

I have accepted the recommendations of the House Committee on the time limits for speeches in the debate. Every Member may speak in any of the five debate sessions, but he or she may only speak once in each session, subject to the total speaking time limit of 30 minutes.

Ms Miriam LAU and the five Members who will move amendments may speak in any of the five debate sessions, but no amendment is to be moved at this stage. I will invite them to move their amendments after the five debate sessions have ended. Ms Miriam LAU, as mover of the motion, will have an additional 15-minute speaking time for moving the motion and making reply, and another five minutes to speak on the amendments.

In each session, I will first call upon those Members who wish to speak to speak. After Members have spoken, I will suspend the meeting for 10 minutes for the relevant public officers to prepare their response. Only public officers may speak when the meeting resumes. If public officers consider the break not necessary, I will not suspend the meeting. The total speaking time limit for public officers in each session will depend on the number of speakers, but they will have a minimum of 45 minutes. After the public officers have spoken, the relevant debate session will come to a close.

Starting from today, the ending time for each of the three days of debate will be about 9 pm but the ending time may be extended for 30 minutes if necessary; and the debates to be held tomorrow and the day after tomorrow will start at 9 am.

At the conclusion of the five debate sessions, Ms Miriam LAU may speak on the amendments. I will then call upon Members who will move amendments to this motion to move their amendments one after another. After Members have voted on the various amendments, Ms Miriam LAU may reply on the motion. Finally, Members will vote on the original motion or the motion as amended.

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

MOTION OF THANKS

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

President, this year marks the ninth time that I move the Motion of Thanks. As usual, I wish to point out in the first place that this motion is not directional. It is a traditional practice required by the Rules of Procedure of the Legislative Council to give Honourable Members an opportunity to express their gratitude to the Chief Executive for his address. As regards Members who proposed amendments to the Motion of Thanks, I respect their decision and right to do so. I hope Members will air their views freely on the Chief Executive's Policy Address during the debate sessions in these three days.

I believe Members will agree that in the last Session, matters related to elections at various levels had consistently been a focus of discussion in the community, the most controversial of which was the Legislative Council (Amendment) Bill 2011 which dealt with the replacement mechanism. As the Government decided to withdraw the Bill from the resumption of the Second Reading debate at the last meeting of the Legislative Council in the last Session and to conduct public consultation on the Bill which was already completed on 24 September, I believe this issue will remain a focus of public discussion in this Session.

In the last Session, the Competition Bill was a similarly controversial legislative proposal. Although the Bills Committee held 21 meetings in the last Session, as Members hold different views on the legislative proposal and the Administration has recently made new proposals in respect of the Bill, it is expected that meetings will be held in a higher frequency this year.

Doubtless this year's Policy Address has placed its emphasis on responding to the various aspirations of the community in respect of the wealth gap and difficulties in achieving home ownership. Although the Chief Executive announced the introduction of a series of measures to reduce the wealth gap by, among other things, providing assistance to food banks, granting one additional month of payment to recipients of Comprehensive Social Security Assistance, Old Age Allowance and Disability Allowance, paying two months' rent for public

housing tenants, and so on, he admitted at the same time that the narrowing of the wealth gap could not be achieved in one go. How can the objective of reducing the wealth gap be achieved simply by implementing a couple of one-off relief measures? In the long term, I think it is imperative to invest in education and promote social mobility, so that members of the general public, especially the grassroots, can share the fruits of economic growth. That is the correct direction.

Needless to say, the resumption of the Home Ownership Scheme (HOS) is the first and foremost task announced in the Policy Address this year. After the resumption of the HOS was announced by the Chief Executive, various organizations and members of the public have put forward their views to me in many aspects, particularly on the fairness of the new HOS policy on existing owners of HOS flats. I believe in the next three days of debate, Members of this Council will put forward different views in this respect. As the resumption of the HOS is a major policy change, I urge the Administration to listen to the views of Members of this Council and members of the community when considering and finalizing the relevant details, so as to ensure that a policy originally intended to benefit the people will not stir up social conflicts or even lead to confrontation.

I must point out that in the entire Policy Address, we actually cannot find the two words "middle class". It is completely silent on the middle class. As regards the small and medium enterprises (SMEs), only one short paragraph (paragraph 171) mentioned giving support to the SMEs, but it stopped short of providing the specific details, which I think is disappointing. The middle class is the group of people who have given the most but received the least welfare. The SMEs account for about 98% of the total number of business corporations. They are the backbone of the Hong Kong economy and play an important role in the course of economic restructuring. As the SMEs have rather limited resources and are in a less advantageous position in the market, when inflation escalates, the sovereign debt crisis in Europe worsens and there are signs of slackening in the global economy, the pressure faced by SMEs is absolutely no less than that of members of the general public. The Administration seems to have forgotten the middle-class people who have made the greatest contribution to Hong Kong but received the least benefits. It has also forgotten the SMEs which have been quietly working to support and bolster up the economy of Hong Kong. As to what remedial measures will be taken, I would leave it to the relevant Directors of Bureau to give a reply in their responses.

This year is the last Session of the Fourth Legislative Council. After the House Committee resumed its meetings, I already raised the point at the first meeting with the new Chief Secretary for Administration in October that the Administration must table legislative proposals as early as possible and ensure that all bills will be submitted by March or April 2012 (that is, next year), whereas the controversial legislative proposals should be withheld, so that the Legislative Council will not be unable to complete deliberations before the end of this Session in the current term.

I am very glad that the new Chief Secretary for Administration has responded to the concern raised by me. The legislative programme for this year was provided for Members' information the next day after the Chief Executive had delivered the Policy Address, setting out the various bills proposed to be introduced to the Legislative Council within this Session. I think this is a good beginning in improving the relationship between the executive and the legislature. Compared with the last Session of the Third Legislative Council (13 bills were introduced that year), the Administration plans to introduce less bills in this legislative year as only eight bills will be introduced, with seven of them to be introduced in the first half of the Session. As the Government plans to table the legislative proposal on regulating the sale of first-hand residential properties only in the second half of the Session and as it involves rather controversial measures, I urge the Government to expeditiously table this legislative proposal in the first half of the Session as far as practicable, so as to preclude the scenario where Members have to scrutinize the bill hastily or are even unable to complete the deliberations on the bill.

President, when I moved the "Motion of Thanks" last year, I expressed the wish that the removal of the Legislative Council and Central Government Offices to Tamar will symbolize the shortening of the distance between the executive and the Legislative Council. Since August or September this year, Members of this Council and government officials have successively moved into their new offices in stages. Even now, both Members of this Council and government officials are still adapting to and familiarizing themselves with the facilities in the new Legislative Council Complex. I wish to reiterate here that in this very spacious Chamber, although Members and officials are sitting farther apart from each other than before, I hope we can draw closer to each other in our work objectives and style of work. Just like the theme of this year's Policy Address, "From Strength

to Strength", we will move forward in concert for the benefit of the people of Hong Kong.

With these remarks, President, I beg to move.

Ms Miriam LAU moved the following motion: (Translation)

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

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Ms Miriam LAU be passed.

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

PRESIDENT (in Cantonese): We now proceed to the first debate session. Let me remind Members that when they speak in a certain debate session, their speech should focus on the specified policy areas in that debate session as far as possible. This arrangement for debate, which is made with the consent of the House Committee, aims to ensure a more focused debate in each session and allow the relevant officials to immediately respond to Members' views in the relevant debate session.

The theme of the first debate session is "Developing the Infrastructure for Economic Growth".

This session covers seven policy areas, which include Commerce and Industry; Development (planning, lands and works); Economic Development (other than energy); Financial Affairs; Housing; Information Technology and Broadcasting (other than creative industry); and Transport.

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

MR TAM YIU-CHUNG (in Cantonese): President, I am sure the three major problems, namely difficulties in achieving home ownership, high commodity prices and lack of livelihood protection for the elderly and disadvantaged, are no strangers to all of you. Although Hong Kong's economic growth has been on the rising trend in the past few years, social discontent has risen to a high level. Hence, to help people achieve home ownership, to ease inflationary pressure and improve the livelihood of the elderly and the disadvantaged have become pressing problems to be addressed and the major items of work for the SAR Government.

As early as August this year, the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), with a view to helping the SAR Government cope with these three major problems, submitted a proposal entitled "Serving the People Beyond Tenure: Home Ownership, Fight Inflation, Support the Elderly and Disadvantaged" to Mr Donald TSANG in anticipation of his forthcoming Policy Address. In our proposal, there are 105 specific measures and suggestions in relation to three major areas including housing policy, easing inflation and improving the livelihood of the elderly and disadvantaged in the hope that the Government can respond to the aspirations of various sectors of society.

In this year's Policy Address, the Chief Executive has, in both macro ideas of administration and specific policy initiatives, absorbed the DAB's suggestions including the resumption of the HOS, enhancing the My Home Purchase Plan (MHPP), provision of additional concession for the elderly and people with disabilities who will be able to travel at a fare of \$2 a trip on specified public modes of transport and Old Age Allowance (OAA) to elderly people in Guangdong, introduction of one-off relief measures, and development of East Kowloon into a new core business district. Therefore, it has been reported that the content of the Policy Address bears a 80% to 90% resemblance to the content of the proposal of the DAB, and that the latter has become a big winner in this year's Policy Address.

Regarding the fact that the Chief Executive has taken on board a lot of the suggestions by the DAB in his Policy Address, we dare not claim credit because all of our suggestions are based on rationalized public sentiments and opinions, which are translated into specific recommendations. Thus, recognition and support should be given to the Chief Executive who has answered the aspirations

of society and adopted the DAB's suggestions. Nevertheless, the DAB considers that there is still much room for further improvement so that the Policy Address can keep closer tabs on the public pulse and better meet the needs of society.

Firstly, the Chief Executive has answered people's aspiration by proposing in his Policy Address the construction of new HOS flats and enhancing the MHPP as measures to subsidize home ownership. These are undoubtedly worthy of public support and encouragement. After the announcement of the idea of the new HOS, however, there are diverse views on the quantity of new HOS flats and the resale restrictions in the future. One of these views hold that the supply of new HOS flats cannot meet the needs of the public as the volume in the first year will only be 2 500 units. Besides, flat owners who wish to sell their flats after the five-year restriction period are only required to pay the subsidized portion of a unit's purchase price to the Housing Authority (HA). Such an arrangement is totally different from that for the old HOS flats, whereby the owners are required to pay premium according to market value. Hence, some query that new HOS flat owners will be over-subsidized under the new HOS which is like the Mark Six lottery, while some others consider it unfair to the existing HOS flat owners.

The DAB understands that the new resale arrangement for the new HOS introduced by the Chief Executive mainly aims at increasing the turnover of new HOS flats in future in order to preclude the recurrence of the same mistake. The reason is that the current lack of turnover of existing HOS flats affects the owners' opportunities of switching to other flats in the property market so as to improve their living conditions in future. Meanwhile, a lot of small and medium sized HOS flats have been frozen, thus affecting the opportunities of home ownership and choices of first-time home buyers. However, the resale arrangement for new HOS flats will really make the existing HOS flat owners feel unfair. Therefore, when formulating the specific resale arrangements for new HOS flats, the SAR Government and the HA should take the interests of existing HOS flat owners into account and consider how best the resale arrangement for existing HOS flat owners can be optimized, such that the latter will also be benefitted.

Apart from introducing some subsidized home ownership schemes like the construction of new HOS flats and enhancing the MHPP, another key step of providing a rung on the ladder of home ownership for the people is to ensure sufficient land supply for residential purpose. In the Policy Address, the Chief

Executive has proposed a series of policy objectives to increase land supply, namely setting a target of making land available for 20 000 private residential flats each year on average in the next decade, and adopting measures to develop more land resources such as releasing industrial land, exploring the option of reclamation on an appropriate scale beyond the Victoria Harbour and converting deserted areas in the New Territories into housing land so as to ensure an annual supply of land for an average of about 40 000 residential units of various types.

The lack of long-term planning by the Government has led to a short supply of land for residential units and the surge in property prices over the past few years. The relevant policy is a desirable approach that can change the situation. However, the DAB considers that the Chief Executive should further map out planning for long-term housing supply, whereby the demand for various types of residential units in society in the next five to 10 years should be assessed on the basis of scientific statistics and analysis so as to supply land for residential units of various types and meet the home ownership needs of the public in the long run.

Meanwhile, in order to help people cope with high inflation and the pressure of living due to the forthcoming global economic recession next year, the Chief Executive has proposed in his Policy Address that public housing tenants be waived two months' rent and an extra one-month allowance be provided to recipients of Comprehensive Social Security Assistance, "fruit grant" and Disability Allowance next year. Besides, he has requested the Financial Secretary to, when preparing the Budget for the next financial year, formulate relief measures for the next year on the basis of the prevailing economic situation and financial position.

The DAB welcomes the Chief Executive's indication at this stage that relief measures will be proposed in the Budget next year. However, the DAB considers that the Financial Secretary, in formulating relief measures, should introduce some novel thinking so as to enhance some relief measures. For instance, concerning rates relief, the Government may consider introducing an accumulative mechanism, under which any remaining portion of the one-off rate waiver amount will be allowed to be deducted from the rates payable in the next quarter. Of course, these are only some of the DAB's suggestions in respect of the Budget for the next financial year. I am not going to dwell on the details as our specific suggestions will be published soon.

President, regarding the DAB's suggestions in relation to other specific policies in this year's Policy Address, our Honourable colleagues will make further elaboration in their speeches in the future. I would like to take this opportunity to discuss my views on the administration by the Chief Executive in the past seven years.

During the seven year from the publication of the first Policy Address entitled "Strong Governance for the People" when the Chief Executive Donald TSANG took office in 2005 to the publication of his last Policy Address entitled "From Strength to Strength" today, the focus of the policy objectives of the Chief Executive and the SAR Government has also shifted from promoting Hong Kong's economic development and coping with the impact of the external economic environment on Hong Kong to the recent emphasis on improving people's livelihood and answering people's aspirations for home ownership and enhancing the living standards of the elderly and the grassroots. Overall, the concept and direction of administration do meet the changes of Hong Kong society as a whole. In his seven-year tenure, the Chief Executive has successfully led Hong Kong to overcome the impact of the financial tsunami and implement the Pre-primary Education Voucher Scheme and 12-year free education in a comprehensive manner, in addition to the successful enactment of the minimum wage legislation with a view to enhancing the income and the livelihood of the grassroots. These are the Chief Executive's achievements during his term of office.

Nevertheless, the popularity of the Chief Executive and his governing team seems to be deteriorating over the past seven years. The popularity rating of the Chief Executive, which stood at 72.3 when he first took office in 2005, has now dropped to 50.6 and even 45.6 once. There are comments that the Chief Executive and his governing team have failed to effectively and fully grasp the change in public sentiments and opinions in formulating and implementing policies, thus leading to a gap between policy initiatives and the people's aspirations.

In reviewing the policy addresses over the past few years, it is not difficult to find that many policies, which should have brought benefits to the public, have been reduced to thankless tasks and even disservices out of good intentions because the Chief Executive and the SAR Government have failed to effectively gauge the changes in public opinion.

Firstly, in the 2008 Policy Address, the Chief Executive proposed to increase the OAA, which is commonly known as "fruit grant", to \$1,000. But he also proposed the introduction of a means test. It came across as a complete negligence of the general public's aspiration and wish to repay the elderly for their past contribution and instantly aroused strong reactions from various sectors of society. Owing to such a strong public reaction, the Chief Executive withdrew the proposal of introducing a means test for "fruit grant". But the incident had damaged the prestige of the SAR and the Chief Executive in governance.

In the 2009 Policy Address, the Chief Executive, as a token for promoting environmental protection, encouraged people to replace incandescent light bulbs with compact fluorescent lamps (CFLs), which are more durable and energy efficient. He therefore put forth a proposal to be run jointly by the two power companies under which each household in Hong Kong would receive a \$100 cash coupon for CFLs. Despite the good policy intent, the \$240 million expenditure involved in the cash coupon giveaway would in fact be covered by increased electricity tariff, thus arousing strong criticisms by various parties and groupings, environmental groups and the public before the proposal was finally aborted.

Although the terms of the Chief Executive and the current Government are coming to an end, the Chief Executive and the SAR Government should, in our opinion, try to rectify the shortcoming of failing to fully grasp the public sentiments and opinions. The most effective way of remedying such a demerit is for the Chief Executive and the SAR Government to enhance the interaction with various political parties/groups and organizations in the Legislative Council when formulating and implementing various policies and measures with a view to enabling the Chief Executive and the SAR Government to better answer public aspirations and opinions and meet the people's needs in the whole process. Thank you, President.

MR ALBERT HO (in Cantonese): President, about this Policy Address delivered by the Chief Executive, the first impression the people got is that it is not too bad. But after learning more about it all through these two weeks and listening to discussions in society, we can find from the opinion polls that the popularity ratings for the Policy Address have dropped sharply. The reason is rather obvious. First, the people are most concerned about problems like the

worsening of the wealth gap and the impoverishment of the grassroots. But the Chief Executive has not shown any intention to make any vigorous improvement. I believe this will bring far-reaching and negative effects to the long-term development of Hong Kong.

Two policies have directly caused discontent in the people. Originally, they are supposed to be positive initiatives that would result in more popular support for the Government. The first one is the new policy for resumption of the HOS. On a closer look, this new HOS has introduced some new measures which will enable buyers of HOS flats to enjoy some concessions in premium payment. It is true that this move will bring some hope to those who can buy HOS flats in future. But that also causes instant division in society. Now there are tens of thousands of inhabitants in existing HOS flats who are dissatisfied. They even think that they have been treated unfairly. This is the first cause of discontent in the people.

The second is the transport concessions for the elderly and people with disabilities which should be very popular with the people, especially the elderly. This initiative is obviously meant to answer the aspirations of the community and many political parties. But what is most disappointing is that for a simple policy like this, it will only come into effect more than a year from now. And it has to depend on the next Chief Executive who will not make any decision against the will of the people. When such a policy of this small scale cannot be put into practice within the term of the incumbent Chief Executive, is this Government really so incompetent? Moreover, many people who have been advocating the introduction of this policy think that had the Government vigorously promoted the policy two or three years ago and discussed with the related transport service providers, it could have obviated the need for the Government to make any full subsidy. In other words, the Government may really have been able to convince these transport service providers to subsidize the costs in part and the Government can therefore make a partial subsidy instead of in full.

I therefore think that although the policy is a good one, the Government has not done any good planning and lobbying so that these transport service providers can bear part of the social responsibility. And as we all know, in many advanced countries such service providers are willing to bear this social responsibility and pay from their pockets to subsidize the elderly and persons with disabilities. So unfortunately this policy which should have been a very

good one is now seen as the Government using taxpayers' money to finance the giant consortia and provide concessions to the elderly and persons with disabilities. It makes people think that even though the policy intent is good, it is fraught with shortcomings. So in the end these two policies will not add to the Government's popularity. The policy on transport concessions has even caused the greatest discontent because it can be put into practice only when the new Chief Executive assumes office next year.

It is strange that the Chief Executive now proposes solutions to everything, including the housing issue, and then the stage is left to the two likely candidates for the Chief Executive race to make clear their positions later in an election debate. It is not known who will be elected, but the successor is expected to foot the bill. This kind of practice really runs counter to the practice in modern politics. This is because the incumbent Chief Executive should undertake the planning within his term of office and he can never make any pledge which people would think will certainly be honoured. Now we can only pin our hopes on the next Chief Executive and see how he would respond to the aspirations of the people.

President, another grave problem lies in the macro economic situation faced by Hong Kong. It is a cause of grave concern for the entire society, especially those in business. I am talking about the Euro debt crisis and the impact on the United States because the backlash of the financial tsunami has not yet subsided. The problem we face in future is the restrictions imposed by the linked exchange rate on the local fiscal policy, obliging Hong Kong to face two great problems like other countries. The first is worsening inflation. The second is recession, which is inevitable. In other words, inflation and recession may happen at the same time.

Besides, many causes of inflation are related to imports, that is, the so-called imported inflation. Food by which Hong Kong or any society sustains itself will be affected by rises in prices. This imposes a heavier burden on the people in living. How should we solve this problem? The Government has introduced measures like food coupons, food banks and such like relief measures. But these are no more than stopgap measures. Of course, this is better than nothing and I would not oppose them. But in the final analysis, there are many intrinsic and structural factors which account for inflation. Many experts have singled out one factor, namely the "three-high" policy upheld in Hong Kong all

along. This refers to high land premium, high property prices and high rents which combined has led to a constant price rise in many goods and services.

In the face of sharp rises in property prices, the people are seeing their dream of home ownership dashed. How should this be addressed? On this occasion the Chief Executive has proposed to increase land supply, resume the production of HOS flats and increase the production of public housing flats. But are these measures sufficient? Have they come too late? I am sure many Honourable Members would give a detailed analysis of the picture later. As for me, these measures have indeed come too late and too few in number. They are not strong enough.

I wish to point out in particular that the people of Hong Kong have to face another serious problem and that is, in many districts in Hong Kong, due to certain policy blunders in the past and some unfair measures as a result of what we see as collusion and favouritism towards certain giant property developers, the people in these districts are feeling the heavy blow dealt to them by inflation. They are leading a life in abject poverty.

Tin Shui Wai is a district that I have to mention in particular. As we know, the development of Tin Shui Wai is almost monopolized by two players, and the two largest stakeholders are Cheung Kong Holdings and the Government. The Housing Authority which is under the Government sold the facilities in that district to The Link REIT Management Co. Ltd. So these two groups have in effect monopolized all retail facilities in the Tin Shui Wai district. The Link REIT in particular has almost monopolized all shopping malls there. The result is that after The Link REIT has introduced consortium-styled operation in all the shopping malls which it has given a facelift, the people are denied choices and they have no alternative but to buy expensive commodities. The prices of goods sold in the retail markets in Tin Shui Wai are even more expensive than those in the urban areas, causing great discontent among the residents there.

In such a district where the poverty situation is most appalling, these business groups are exhausting all means to fleece the people of the small amount of money left in their pockets. This makes us feel very angry indeed. The Government should undertake a review of this and in districts like Tin Shui Wai or other districts, set aside land for the construction of municipal markets and bargain shopping malls once this kind of serious monopolization is detected so

that the people can have a choice. I hope that the Government can study this seriously.

The second problem is about our trade with China. From the macro perspective, all along we have held that we cannot avoid engaging in economic integration with the Mainland. This would bring some advantages. But we must never develop a dependence on the Mainland. It would be extremely sad if Hong Kong can survive only by depending on the Mainland. We think that our relationship with China should be one of mutual co-operation and complementarity. For over a century in the past and ever since the reunification, Hong Kong has managed to maintain its unique edges. Now even when the Mainland has opened up to the world for 30 years, it cannot compete on the same terms as Hong Kong. This is due to our tradition, the freedom of information and the rule of law. They have enabled our financial industry and the business enterprises to continue playing a unique role and even as the platform for financing Mainland enterprises. Now more than half of the companies listed in our stock market are Mainland enterprises, as obvious to all.

So we should make full use of this edge to safeguard our rule of law, the freedom of information and the freedom of speech. All these are not only extremely important to our core values but also indispensable to our sustainable development and future economic growth. I therefore hope that Members can bear this in mind. I will talk about the threat to our core values and the challenges to them.

A number of funds are in place here to assist the creative and innovative industries. This is a right measure. As to the question of whether they are sufficient, discussions can certainly be made on that. But, unfortunately, quite a number of these funds have not been fully utilized. Many people who have made applications to these funds and sought assistance have complained that the greatest obstacle they face is the bureaucratic attitude displayed by officials in vetting their applications. This is because officials are afraid of making mistakes and so they would avoid making a wrong judgment. They would only choose those applicants whom they think stand a 90% or 100% chance of success. As for those applicants with innovative ideas but whose plans may carry some risk, the officials would be unfriendly and reject the applications. This kind of practice and attitude will not help promote the development of Hong Kong,

especially in helping people with innovative ideas, people who want to explore new horizons for Hong Kong and turn innovative ideas into reality.

In addition, insofar as many other policies such as those on the six industries where Hong Kong enjoys clear advantages are concerned, we would not oppose them. Some people may doubt whether the choice of these six industries is correct, but we think that the point is not here. It is because when the Government devises some friendly policies to help these industries, some order of priority in assistance should be accorded. However, I have to stress once again that any friendly policy or even a policy of limited financial assistance must be based on the principle of fairness, impartiality, transparency and tolerance of competition. We can never accept anything like the Cyberport in the past where the project is in reality channelling interest to a certain giant property developer handpicked by the Government. This cannot be said to be assistance, but a transfer of interest to the property developer.

President, the competition law is a vital legislative task and if it can be enacted during the term of office of Donald TSANG, it can be seen as his achievement. Now we are facing tremendous pressure from the business sector, but still we have to fight for the early enactment of the competition law. We all know that the authorities have proposed some amendments and these amendments will to a certain degree undermine the strength of some regulatory measures under the competition law, however, I think that in general, even if these amendments are made, and given that the Consumer Council has stated that it can accept them with reluctance, we should support the early passage of this law. And this law should be passed within this Legislative Session too. After that, we hope that a review can be undertaken within three years. Then the question of restoring certain mechanisms which have been removed during the legislative process should be revisited. But we must remain open about this, put the law into practice, and then undertake a review after gaining some experience.

As for the third runway, we think that one issue has been tackled after the first round of consultation headed by the Airport Authority (AA). But nothing is done in respect of the environmental protection considerations. This is because not much or no information has been provided by the authorities for public discussion. So we have no basis on which to assess the possible environmental impact that this may cause. For this reason, the Government's appeal to the people to state whether they can accept and support the relevant proposal from

the environmental protection perspective is largely unrealistic and impractical. The only certainty is that the project proponent seems to have presented certain data which show that if Hong Kong is to keep its leading position as an air service centre, there has to be development and to this end, we have to make some judgment and adopt a progressive attitude. I would think that this point appears to be justified, but it has to be substantiated by facts.

The greatest problem is that there must be a second round of consultation and a practical review to look into two questions, namely, the environmental impact of the works project, on issues from noise level to the conservation of the habitat of white dolphins in the surrounding waters. All these are very important. And currently, the views expressed so far do not have any data support, nor are they backed up by enough information. So they are not desirable. The next thing is cost control and the management style of the AA, which is also an important issue. It is because many people think that the cost suggested is too expensive. As to the question of whether there is a need to carry out the works project in such a costly manner, this is a serious concern in any consultation to be taken. I think that when the second-round consultation is to be conducted, the Government is duty-bound to launch the consultation exercise and have it spearheaded by an interdepartmental working group.

President, with respect to finance matters, we think that what is mentioned in the 12th Five-Year Plan, that is, to turn Hong Kong into an offshore Renminbi centre, is very important. But we must bear in mind that Hong Kong is not a beneficiary of the Central Authorities but it should play an important role to turn Renminbi into a globally convertible currency in an indirect manner. To a certain extent, the linked exchange rate system as practiced here can help the exchange rate of Renminbi reach a stable level. So these are some important matters. But at the same time, we are concerned about the fact that there are more and more foreign companies coming to Hong Kong to seek listings.

My worry lies in the regulatory regime in Hong Kong, as I am concerned if it is powerful and effective enough to make companies listed here disclose their information truthfully. Another worry relates to whether the integrity assessment measures in practice can cope with the situation so that the kind of regulatory effect displayed can produce some extraterritorial effect. An example is the question of confidentiality and prohibition of the disclosure of sensitive information, for it is really unknown how the authorities can effect regulation.

Suppose people in the management of a company are all on the Mainland and there are markets there, then once they have made some insider dealing, how can we prevent, regulate and pursue responsibility in these connection? We do not know anything about the details of the many memoranda in place, and I can see that effective co-operation has been lacking between the two places in the past to protect the rights of consumers here in Hong Kong. I do not want to see another incident like Enron happen again, resulting in great losses to many people, or the Lehmann Brothers incident where thousands of people had to take to the streets. All these are definitely not the kind of things we wish to see. I hope the Secretary can give a satisfactory response to that later.

The last point I wish to talk about is transport. Within my part, I am not the Member given special charge of transport matters and I think Mr WONG Sing-chi will discuss that in much greater detail later on. However, I wish to point out that the management of the three harbour crossings now cannot achieve the effect of traffic diversion. The result is that the Western Harbour Crossing has got a low utilization rate and become a cross-harbour tunnel for the rich. And the serious congestion at the Cross-Harbour Tunnel in Hung Hom makes people truly nervous. I think this will not just hurt our economy but, as we know, it also involves the question of social costs, that is, the health of motorists. If motorists are subject to the same problem every day, the nervousness they experience will even affect their life expectancy. I think the Government has the responsibility to look for solutions and I am sure a consensus can be reached in this Council. No matter how wide the gap of political differences between Members is, they should pause and think about whether the Government has studied this problem seriously. Why can a study not be done on setting up a tunnel authority to buy back the franchise of the Western Harbour Crossing in a fair manner expeditiously and make some efforts in effective traffic management? Only in this way can the expectations of the people be answered.

I will speak on core values, poverty alleviation and governance in the second session. Thank you, President.

DR DAVID LI: President, I found the Policy Address delivered by our Chief Executive this year to be one of the clearest, most forceful and comprehensive statements of the Government's policies that I have witnessed in this Council.

The Address linked past policy initiatives to the present, and to the future. It met the main issues before us, head on. It showed how the Government is responding to the people's concerns. It gave precise and rational reasons for the choices that the Government has made.

Governance is about choice. It is about making wise decisions to lead our community forward. I am significantly more confident in our future, with this Policy Address as our guide.

The Chief Executive rightly gave priority to housing and livelihood issues. The Finance Constituency fully supports the new policies in these areas.

My Constituency welcomes the Chief Executive's statement that the Government will take a long-term view on land supply, and will continue to create new land, even when demand for land declines. Thus, in future, the Government will be better prepared to meet the needs of the market.

Maintaining stability in the property market will minimize the credit risks faced by the banking industry. This, in turn, will ensure that banks continue to perform their key role providing credit to support economic growth. We need only look overseas to see the disastrous consequences of a weak banking sector.

My Constituency also welcomes the Chief Executive's commitment to deepen the local market for Renminbi business, and actively promote Hong Kong as an offshore Renminbi centre.

We must not relax our efforts. Other centres are looking for any opportunity to divert this business their way. Hong Kong needs to further cement its role as the offshore Renminbi centre by aligning its development plan with the Mainland's 12th Five-Year Plan. In particular, Hong Kong should leverage its status as a testing ground to lobby for new pilot programmes.

This will not only assist the Mainland to further expand the international role of the Renminbi, but also allow Hong Kong to develop further collaboration with Mainland financial centres. Thus, we will achieve a win-win outcome for all parties concerned.

I was very pleased to note that the Chief Executive has placed a high priority on signing Supplement Eight to CEPA by the end of this year, and that he

underlined this commitment by putting our Financial Secretary in charge of the work. CEPA has been an important vehicle for achieving co-operation in the financial services with the Mainland, in particular with Guangdong province.

The banking industry also looks forward to early implementation of the initiatives announced by Vice-Premier LI Keqiang during his visit to Hong Kong in August. In particular, we look forward to progress on the regime allowing the Mainland subsidiaries of Hong Kong banks to engage in mutual fund business, and the launch of Exchange Traded Funds constituted by Hong Kong-listed stocks.

We also urge the Administration to place high priority on finalizing a streamlined system for allowing Hong Kong enterprises to invest on the Mainland in Renminbi, in order to make productive use of the Renminbi deposits in Hong Kong.

Today, Renminbi deposits — which account for over 10% of total deposits in Hong Kong — represent wasted opportunity. We must put these funds to use supporting local business.

I further noted that the Policy Address showed how the Government's initiatives on the Six Industries are moving forward. The Government has clearly put a great deal of effort into creating a well-supported platform on which private industry can build.

Taken together with the Chief Executive's renewed commitment to support the Small and Medium Enterprise sector in any economic downturn, entrepreneurs will have confidence to invest and create new opportunities and new jobs.

The proposal to develop East Kowloon as a central business district is a far-sighted initiative. Several local banks have relocated many of their departments to this area in recent years, and have found the area to be both convenient and cost-effective.

East Kowloon is an excellent area for business. The proposal for a new business district in East Kowloon will ensure that Hong Kong is able to provide a

wide range of high-class and high-efficiency office space for local, Mainland and global business well into the future.

The financial sector has traditionally been a strong supporter of Clean Air and Clean Water initiatives. Ours is a highly competitive industry. As I highlighted earlier, many other cities in this region are looking to attract business away from Hong Kong.

In our industry, international connectivity is important. Critical mass is important. People are the most important. To survive and grow, we must be able to attract top talent from around the globe and keep that talent happy. Clean Air and Clean Water are vital elements in our race to become China's financial centre.

We cannot delude ourselves by thinking that other cities have worse records. While we have made important strides in recent years, we must do much more.

I have been very disappointed at the controversy in recent days surrounding the adoption of new air quality objectives. We cannot afford to delay. We cannot afford to send mixed messages. We can afford to do more to improve Hong Kong's air and water quality.

And lastly, members of my Constituency have asked me to remind the Chief Executive that he campaigned for office on the promise of a reduction in the corporate tax rate. Today, Hong Kong is facing challenges from other financial centres that have lowered their effective tax rates. With financial institutions facing new regulatory controls, they will be increasingly sensitive to tax measures. In this regard, the Finance Constituency looks forward to good news from the Budget to be presented by the Financial Secretary early next year.

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

MS AUDREY EU (in Cantonese): In this last Policy Address delivered during his term of office, Donald TSANG has set out in his self-made report card 104 achievements covering a wide range of areas including people's livelihood, the

environment, the economy, the constitutional system, and so on, considering that he has overachieved.

Let us look at his Policy Address entitled "From Strength to Strength", which reminds us of the slogan adopted by him soon after he had taken office — "Strong Governance". Although "Strong Governance" actually had something to do with strength, it was, unfortunately, not from strength to strength, but from strength to weakness, as it is evident to all that his popularity rating has been declining actually. This last Policy Address has also demonstrated poor results despite high expectations. When Mr TAM Yiu-chung, Chairman of the DAB, delivered his speech just now, he said that 80% to 90% of the content of the Policy Address comes from the DAB's political platform. I wonder if the public ratings reflect the people's views on the DAB's political platform, too.

In the beginning, the opinion poll result demonstrated 47% satisfaction and a mere 18% dissatisfaction with this Policy Address. However, after two weeks, the satisfaction rating had fallen to 33% while dissatisfaction had risen to 32%. In other words, satisfaction had dropped by 14% and dissatisfaction had risen by 15% in two weeks. This also reflects that many people are outraged by the Policy Address after gaining a better understanding of it.

Now we are to decide on how to vote on this Motion of Thanks. Even if we put aside all the other areas and focus on the most important issue, that is, whether or not the two focuses of the Policy Address have scored a passing grade actually, many people said some time ago that the two focuses of this Policy Address were the wealth gap and housing. Insofar as the wealth gap is concerned, I see that various parties and groupings — not only the Civic Party — have commented that little mention has been made of it. In essence, he said that everything about education had been settled and that he would talk about housing, a much-anticipated topic, but not the wealth gap. Now, we have finally seen the Policy Address propose resuming the construction of HOS flats, which has been widely discussed for a long time.

But how should we assess the resumption of the construction of HOS flats? To start with, President, it has, of course, come too late. Although we have pressed the Government for an answer for so many years, why did it not put forward a proposal like this until this very last Policy Address, and why was its proposal not discussed at great lengths? If we look in retrospect at the

construction of HOS flats in the past, 12 000 to 24 000 HOS flats would actually be put on sale annually. Insofar as the last decade is concerned, that is, discounting the period during which the construction of HOS was suspended, an average of 15 000 HOS flats were put on sale annually. However, according to the Government's current proposal, 2 500 HOS flats will be launched in the first year, to be followed by an annual average of 5 000 HOS flats. Adding up the figures for four years, there will be a mere 17 000 HOS flats in total. Furthermore, the Government has even come up with a new method for land premium payment, causing many people to question whether or not the Government is using public money to subsidize the public in engaging in property speculation. This is because, according to the new method, if property prices do not rise, the public can continue to live in their flats. However, once property prices rise, they can sell their units in property speculation, and the owners can also pocket the profit thus reaped because premium payment will be made in the form of loans. It is precisely for this reason that many people waiting for HOS flats are extremely furious.

Why did our Chief Executive have to do things in this manner? Despite the unanimous call for the resumption of HOS, he was still reluctant to heed it. Upon the instruction of WANG Guangya, Director of the Hong Kong and Macao Affairs Office, and Vice-Premier LI Keqiang, however, he changed his tune, saying the construction of HOS flats would be resumed. But then, he still wished to gild the lily with some smart ideas to make himself stand out from the crowd. Our Chief Executive is a person of such eccentricities — he would stubbornly come up with ideas considered by him to be good but no one would ever think of. However, everyone would immediately find his ideas problematic. Hence, I hope the Government can refrain from pushing through the new premium payment method. In fact, more than 200 000 HOS owners in Hong Kong have not yet paid premium for their flats. The new premium payment method will only make them jealous. Why does the Chief Executive have to use some methods that will upset everyone to do things?

President, a consensus has actually been reached in this Council that more public rental housing (PRH) units should be built. However, this idea has been rejected by the Chief Executive in this Policy Address. He has even emphasized that an annual supply of 15 000 units can already achieve the objective of three-year waiting time for PRH allocation. However, if we review the situation as of March 2011, we will find that 152 400 applicants are on the Waiting List.

With an annual supply of 15 000 units, it is simply impossible for PRH applicants to be allocated flats within three years. The Government's current calculation method has discounted some applicants. What is more, the two intervals before and after the first-time applicants are invited to select flats, regardless of whether or not they accept the allocated flats, are factored into the calculation of the three-year waiting period. This is one of the manipulative methods frequently adopted by the Government. Nevertheless, many clear-headed people know that the Government can simply not meet the demands in Hong Kong.

Even if we merely look at the real estate or property market, we will find that many people consider the long-awaited solution currently proposed by the Government disappointing and that the Government has failed in this aspect. The surging property market is related to the overall political structure. The collusion between business and the Government, an issue frequently mentioned by this Council and the community, is precisely the reason for the Government's failure to do a better job in land development and reserves over the years and for the situation today. As a result, we can hear such expressions as "sub-divided units", "coffin-sized units", "mortgage slaves", "snail homes", and so on. Even if ordinary people have the opportunity to purchase their own homes, they will still become "mortgage slaves", as most of their income will be used to service their mortgages. Although it is the hope of the public that this Policy Address will bring them good news, it has actually made them even more furious.

President, from this aspect alone, we consider this Policy Address a failure. I shall stop here in this session. Thank you, President.

MR JEFFREY LAM (in Cantonese): President, just as the saying goes, "A good horse will stand up to comparison, but not bad assessment by a bad spotter.". Ever since the Chief Executive, Mr Donald TSANG, took office in 2005, he has delivered seven policy addresses. I think the Policy Address this year is realistic, to which the responses of the public are positive and the evaluations of it quite good.

According to a public opinion survey conducted by the University of Hong Kong, the immediate score given by the public to the Policy Address this year is 59.1 and the satisfaction rate is 47%, one of the highest in rating, coming next only to the policy addresses delivered by the Chief Executive after he had taken

office in 2005 and after he had won a second term in 2007. In a follow-up survey, the satisfaction rate of the public with the Policy Address this year is 43.1%, the second highest of all seven policy addresses and coming second only to the first policy address delivered by him after he had won a second term in 2007, which stood at 43.5%.

Judging purely from the figures, it can be said that the Chief Executive has made a good start and come to a satisfactory close in doing his several assignments in the present term. In this period, due to the complicated international economic situation and changes in the local situation, Hong Kong society has gone through a lot of ups and downs and the public has also made different evaluations of the Government's administration. Whether this year's Policy Address can bring the tenure of the Chief Executive and the Government of the present term to a satisfactory close will depend on how the SAR Government implements its policies in the next eight months. Some long-term or cross-sector policies, such as the policy initiatives on housing, education and those complementing the National 12th Five-year Plan, also need the next Chief Executive to take over with a steady hand and carry them through.

President, I believe the people of Hong Kong also hope that some policy initiatives beneficial to the public will continue, rather than letting someone who "talks as if he is invincible, but does not possess any actual capability" take over the work. Recently, some suspected candidates have voiced views frequently on the Government's Policy Address, for example, on how many public housing units should be built each year, but we do not know what their justifications are.

President, coming back to this Policy Address, the Government has accepted quite a number of proposals from the Economic Synergy, which are also the views collected by us in society. As I said in a press conference soon after the delivery of the Policy Address, the general direction of the Policy Address this year is correct. In such areas as helping the public buy their own properties, taking care of the elderly, narrowing the wealth gap and promoting economic development, it has answered the aspirations of the public and society. We think this is the most comprehensive and feasible policy address delivered by the Chief Executive, Mr Donald TSANG, throughout the years.

However, as the saying goes, "Gold can't be pure and man can't be perfect". Although the Policy Address has responded to some of the public's demands

relating to people's livelihood by making the such relevant policies as those on housing, the elderly and helping the grassroots, the focus of the Policy Address this year, little mention is made of economic development. On seizing the opportunities presented by the National 12th Five-year Plan (FYP) and the development of Hong Kong's local industries, the Policy Address lacks sufficient forward-looking policies, so this point is a cause for concern.

I am very pleased to find that the Chief Executive has accepted the proposal of the Economic Synergy on allocating \$1 billion for the establishment of a dedicated fund to finance small and medium enterprises (SMEs) in promoting brand names and expanding into the Mainland market. Since last year, the Economic Synergy has been advocating the establishment of a \$2 billion "strategic fund for domestic sale of Hong Kong brands". Although the allocation is now \$1 billion short, at least, the concept is the same and a solid first step has been taken. If the fund is effective, the Government should do a better job in promotion and increase the sum.

President, after the global financial tsunami in 2008, the world economy has seen a lot of upheavals and the European and American economies are overshadowed by huge debts. Looking around the world, Hong Kong is unique in being able to tide over the financial tsunami steadily and maintaining economic growth. Its employment rate (*sic*) has also remained at the lowest level in recent years. To a large extent, we owe this to the support from the State and the strategic adjustments made by Hong Kong companies in adopting expansion into emerging markets and the Mainland market as their new direction, thus reducing the impact of the economic downturn in Europe and the United States on us.

The Policy Address has proposed targeted measures to strengthen trade and investment co-operation with emerging markets, expand into the Mainland market, step up the promotion of trade in services on the Mainland, as well as strengthening and deepening multi-faceted co-operation with the Chengdu-Chongqing area and Fujian by setting up dedicated liaison units in Chongqing and Fujian. We agree with these policy directions and hope that with the discussions on and signing of more free trade agreements with emerging markets and the signing of the Supplement VIII to CEPA this year, more initiatives in regional co-operation conducive to making investments and the business environment in Hong Kong can be implemented.

The National 12th FYP states clearly that Hong Kong's status as an international financial, trade and shipping centre will be reinforced and enhanced. It is certainly important to reinforce and actively enhance the competitiveness of the financial industry in Hong Kong, so that the goal of becoming the global financial centre of our country can be attained. Moreover, by strengthening the regional co-operation mentioned by me earlier on and attaching greater weight to the trading, shipping and service industries, the risks borne by the financial industry in Hong Kong can also be reduced, so that the downturn in the global investment market will not undermine the economic strength of Hong Kong.

In view of the actual situation now and the turbulent outlook of European and the United States economies, it seems the second wave of the financial tsunami is coming. Banks in Hong Kong are facing the pressure of credit crunch and many SMEs are facing difficulties in taking out loans and obtaining financing. I hope the Government will monitor the situation closely and consider reintroducing the Special Loan Guarantee Scheme proposed by the Economic Synergy during the financial tsunami and the enhanced SME Financing Guarantee Scheme of the Hong Kong Mortgage Corporation, so that SMEs can find enough ammunition to cope with future challenges. This is because loans and financing are just like oxygen. If the oxygen for the survival of SMEs is not provided now, or if it is provided only after their death, no matter what is given to them, it would all be useless by then.

Given the uncertainties in the world economic outlook, apart from monitoring the situation closely, it is critically important to sustain Hong Kong's long-term economic competitiveness to attract investors from outside Hong Kong. In his election pledges, the Chief Executive, Mr Donald TSANG, promised that the profits tax rate in Hong Kong would be reduced to 15%, but it seems I cannot see the likelihood of this pledge being honoured in his term of office. At present, compared with other East Asian economies, the effective profits tax rate of Hong Kong is still on the high side, so on this issue, the Hong Kong General Chamber of Commerce has proposed to the Government a number of times that such measures as "group loss relief" and "loss carry-back arrangements" should be introduced to preserve the competitiveness of Hong Kong's tax regime.

President, all along, the Government has adhered to the core principle of "big market, small government", so that Hong Kong can have a free and liberal

investment environment and conditions favourable to business operation, with the Government's complementary measures and guidance playing only a secondary role. The Chief Executive said in the Policy Address that this concept of administration is being challenged because the wealth gap has given rise to the demand for income redistribution and become a structural cause of social tension.

I believe it is a correct belief of the Government to care about the grassroots and help people in genuine need, so that the public can share the fruits of economic progress. This is also conducive to the goal of social harmony and stability. However, it does not mean that the Government has to enact legislation to introduce policies that restrict economic development, curtail freedom and impose self-constraints in order to achieve the goal of redistribution. Any attempt to achieve the sharing fruits of success and bring about a sound welfare system must necessarily be based on economic development and revenues. In the last two years, with the legislation on minimum wage and the scrutiny of the competition law, and the study on standard working hours in the future, the business sector is feeling increasingly uneasy about the constraints in the business environment and the business policy. Hong Kong is only a very small place well-known for being the frontrunner in economic freedom. Desirable business policies are certainly worthy of our support, but when it comes to some restrictive provisions, should we keep up with the Joneses?

During the scrutiny of the Competition Bill (the Bill), representatives of SMEs and various major business associations all took great pains to reflect their views to the Government, demanding that the relevant provisions be made clear and suited to the reality in Hong Kong, so as to dispel the concerns of SMEs. It was only after maintaining communication for a year that the Government made limited amendments recently.

We believe that the aim of a competition law is to ensure fair competition in the market rather than imposing stringent regulation on the operation of companies, still less strangling the business sector, in particular, the operation of SMEs. The amendments proposed recently by the Administration have enabled the bill to strike a better balance between ensuring competition and maintaining the business environment, thereby making it better suited to the actual situation in Hong Kong. However, one fly in the ointment is that the "de minimis" threshold in the calculation of the "de minimis" approach for companies is still too low. As a result, only companies with an annual turnover of less than \$11 million are

considered "micro enterprises", so the majority of SMEs cannot be benefited in any way. I believe the authorities should consider the introduction of a "dual-track approach". Apart from raising the current turnover ceiling for the purpose of exemptions, it can also consider the "de minimis" approach adopted in the European Union and Singapore, where the criterion of market share is also adopted, and use the amount that is higher, so that more SMEs can be exempted. Concerning such vague key terms as "competition" and "abuse of market power", the Government should clarify them as soon as possible. The Government has also stressed all along that SMEs are not the target of the competition law, so we hope the Government can abide by this principle, so as to make SMEs feel more at ease.

President, concerning the problem of the overheated property market, which has aroused great public concern, the Policy Address has proposed some targeted measures and introduced a series of housing and land policies to help the sandwich class to acquire home ownership, including introducing the new HOS and enhancing the My Home Purchase Plan (MHPP) by offering the "buy-or-rent" option and introducing a ceiling price. These were also the proposals put forward by us to the Government prior to the delivery of the Policy Address. I approve of the Government's approach of handling the supply of new HOS flats with flexibility and caution, so that the Government can adjust the production volume in view of fluctuations in the property market. This arrangement is the result of learning from the experience of the policy of building 85 000 flats a year back then and will ensure that the HOS will not create panic in the property market. I hope the Government can make flexible arrangements in the calculation of premium, so as to invigorate the HOS Secondary Market and enable more members of the public aspiring to home ownership to benefit from the new policy on HOS.

However, it will take several years to implement the new HOS and the MHPP, so the Government should work out the details of this policy as soon as possible, such that the new housing construction programme can be launched at an early date and members of the public wishing to buy their first homes can make plans early. At the same time, it is also necessary to watch the effects of the new measures on the property market closely, so that both the public and private sectors can be kept on the right track. The next Government also needs to remain committed to this task to ensure that this policy is carried through and the public can benefit from it.

President, I am also pleased to find that the Chief Executive has taken on board the proposals of the Economic Synergy on converting vacant industrial land into land for housing and adopting more flexible and creative approaches in land development, including using government land that is vacant or in disuse, green belt areas or agricultural land for housing purposes. At the same time, the policy of revitalizing industrial buildings will continue and be extended to align with the long-term demand for land.

In sum, the various policies and long-term directions proposed in the policy address in response to the housing problem, which the public are very concerned about, are in my view practicable and deserve our approval.

Finally, on infrastructure development, I hope the Government can speed up the pace of such construction and the public and politicians must bring the overall economic goals of Hong Kong into their ultimate consideration, rather than using underhand tactics to impede Hong Kong's infrastructure and economic development.

President, I so submit.

MR WONG KWOK-HING (in Cantonese): President, as usual, I attach great importance to whether or not this Policy Address of the Chief Executive can honour his promises made to the voters. I have, therefore, attended the question and briefing sessions on various policy areas of the 18 panels, and asked 39 questions in total. I have compiled some statistics on the responses given by various Directors of Bureaux and Secretaries of Department and found that they have positively responded to 24 questions, whereas their answers to 15 questions are not considered satisfactory by me. That said, questions with positive answers are still in the majority. Since I have raised many relevant questions in the panels concerned, the theme of my speech today will revolve around my hope that the Government can "begin well and end well" and help relieve the public of their difficulties in a responsive and flexible manner.

My colleagues and I have made a wish card which is now placed before all Directors of Bureaux and Secretaries of Departments. This card, which expresses the wish of the people, has a theme. Knowing that the Chief Executive was born in the Year of Monkey, I have used the "Monkey King" as

the theme of this card. This summer I was on a five-day trip visiting Mount Emei. I found that on Mount Emei, the monkeys have a head and a tail, unlike the Gibraltar monkeys that have a head but not a tail, as I spoke of last year.

In upgrading the monkeys on Mount Emei to the level of the "Money King", I wish to express an aspiration. Chief Executive, Secretaries of Departments and Directors of Bureaux, we hope that the Government can have a "good beginning and a good end", that it can "begin well and end well", that it will make adjustments flexibly, and that it will exert its utmost to alleviate the plights of the people. This is the theme of my speech. I hope that in the last year of its term, the Government can work like the "Monkey King" in its administration by adjusting its policies responsively and flexibly and exerting its utmost to provide relief measures to the people, just like SUN Wukong (the Monkey King) helping Buddhist monk Tang Xuan Zang in his journey to the West to obtain the sacred scrolls and persistently working from the beginning till the end and ultimately accomplishing the task. This is the wish of the people and also their biggest aspiration.

President, I am going to speak on several major areas as follows: First, land and housing. In respect of land and housing, how can the Government make flexible adjustments to alleviate the difficulties faced by the people? I think it is very important to improve the land and housing policies and also the mobility ladder to help the public resolve their difficulties in housing as well as rationalize the problems. First, on the land issue, at a meeting of the Panel on Development I expressed the concern that this is like the case of baking bread. It takes flour to make bread and if there is a constant shortage of flour or when its price fluctuates all the time, it will not only affect the sale price of bread but also its supply. If the Government can draw up a complete strategy and sound measures in respect of the raw sites and formed sites, it can prevent the developers from monopolizing the land, manipulating the market and driving up the land price, which will cause property prices to soar to a prohibitive level beyond the purchasing power of the people.

Therefore, this fundamental problem, that is, the supply of "flour", is very important. I was glad to hear Secretary Carrie LAM mention the decisions made by the Government in 2002 and 2003. A committee chaired by the Financial Secretary specifically set up to monitor land development has commenced its work and made plans in the short, medium and long terms for carrying out

monitoring work on a five-year cycle. The Secretary has undertaken that the development and supply of land by the Government will not be affected by the economic cycles.

I think Secretary Carrie LAM has given a very positive response. I hope that the Government can start by tackling the fundamental problem. What we are now facing is a fundamental problem, and if it can be addressed properly, the problems of high land price and high rental will naturally be mitigated, and there can be a stable supply in the private sector or the public sector. I further hope that the Government will conduct a comprehensive review afresh of the Application List policy and bring flexibility into regular land auctions, rather than adopting a broad-brush approach. Can we draw up a contingency plan for alleviating the difficulties of the people in the light of needs in the market? This is the first point.

Second, we hope that the Government can increase the provision of public rental housing (PRH). Regrettably, the Policy Address did not mention that consideration would be given to providing more PRH flats. However, Secretary Eva CHENG said that this is no hard and fast quota. She said that consideration would be given to the proposal of providing 15 000 flats flexibly. We hope that the Government, like SUN Wukong, can make flexible arrangements in the light of the needs of the people.

In the written proposal put forward by the Federation of Trade Unions (FTU) to the Government, we expressed the aspiration for the provision of 33 000 PRH units annually, because there are over 150 000 applicants on the Waiting List, with many of them being the grassroots. We consider an annual production of 33 000 units appropriate. Why are there so many people on the Waiting List? This is actually related to the Government's abolition of the Tenants Purchase Scheme (TPS), the ever increasing rental in recent years, the lifting of rent control, forced eviction of many people living in private properties, especially in old buildings, and many people not being able to buy their own properties due to soaring prices.

As a result, these people have no alternatives but to apply for PRH. We can see that the existing demand for PRH is the result of all of these problems. So, I think the Government should consider the FTU's proposal of providing 33 000 units annually and this aside, the FTU also has several other proposals.

We hope that the Government will increase the supply of flats for singletons. We hope that the Government will take this into serious consideration and review the asset and income limits on applications for PRH, because the current limits are too low. A review is particularly warranted after the taking effect of the minimum wage.

Besides, the FTU strongly calls on the Government to provide rental flats for the sandwich class to serve a similar function as those provided by the Hong Kong Housing Society before. The fact is that some people are unable to apply for PRH because of the income and asset limits, but they also do not have the means to buy their own properties and therefore, they are heavily burdened by the high rental. In this connection, we hope that the Government can reconsider the provision of public rental flats for the sandwich class.

Moreover, if the Government cannot provide public rental flats for the sandwich class on a timely basis and if an applicant can meet the eligibility criteria, can consideration be given to FTU's proposal of providing a rent subsidy to applicants who are eligible for PRH, in order to help them meet the expensive rental? Can consideration be given to this measure?

Furthermore, for those people who are not property owners and who live in rented flats in the private sector, can some assistance be provided to them in taxation? It is best that the Financial Secretary is in the Chamber now. We hope that the Financial Secretary can consider providing a tax allowance for rental of private residential flats to people who do not own properties and who live in rented flats in the private sector. This is broadly the same as the existing tax reduction for home loan interest.

Why did I bring these proposals of the FTU to the attention of the Government? I meant to point out that in order to help the grassroots tackle the difficulties they face in housing and in meeting the expensive rental, there are actually a lot more measures that can be taken apart from increasing the provision of PRH.

Next, I wish to discuss the new Home Ownership Scheme (HOS) policy. I welcome the Chief Executive finally accepting this view and introducing in this Policy Address the new HOS while enhancing My Home Purchase Plan to provide the "buy-or-rent" arrangement. That said, I hope that the Government

can seriously flesh out various proposals of the new HOS policy and consult the public and the Legislative Council. It must not turn a good thing into a bad thing, and it must learn a lesson. Because under the new HOS policy introduced by the Government, the arrangement for premium payment has been questioned by many stakeholders. For instance, what about the existing owners of HOS flats? What do other people think? Is it that a person is like winning the Mark Six lottery when his lot is drawn for acquiring a new HOS flat? Will there be a case of double benefits? In fact, I think the Government should consider and look into the details carefully. We do not wish that after our views are taken into consideration and our proposal accepted and the HOS resumed, another problem would nevertheless be created, in which case a good initiative would turn out to be the stimulus of new conflicts and new contentions. That would be most undesirable.

The fourth point is about the Government's refusal to resume the TPS. When it comes to the TPS, the Government actually does not have any plan at all. In its written reply to a Member's question, the Government only said that the home ownership rate was no longer adopted as a target and hence, there was no ground for the reintroduction of the TPS. I am greatly disappointed with the Government's response. The FTU considers that the Government should rationalize the housing mobility ladder, so that the public will have the conditions to better their living environment when their income has improved.

The TPS is proven. In the 39 housing estates under the TPS, 67% of the flats, or a total of some 118 000 flats, were sold after the launch of the scheme. We can see that in these housing estates, the tenants are more at ease; the community is more harmonious; the elderly people who live in these housing estates are taken care of by the young people; and these estates fare better than others in terms of community integration and harmony. This is originally a good thing but much to our regret, the Government introduced the "SUEN's nine strokes" in 2002 or 2003 without any consultation and axed this very good initiative of the TPS. We think that the Government should review this unreasonable measure because after the termination of the TPS, the flats in those estates originally intended for sale by the Government can no longer be put up for sale. The tenants, therefore, considered that the Government had gone back on its words. They considered that the Government had reneged on its promise and cheated them into moving into these estates. Take Fu Tai Estate in Tuen Mun as an example. The tenants feel that they have been cheated by the Government

and as a result, they have to pay for the expensive rent now. They originally hoped to buy their flats in future but there is now no chance for them to do so. I think it is unreasonable of the Government to go back on its words in this way.

Moreover, while the Government ceased the TPS on the one hand, it has required PRH tenants to take the means test regularly on the other. As their children grow up, their income has certainly increased but it is for this reason that the PRH tenants are forced to pay double or three times of the standard rent or even pay rent at the market rate. If this is allowed to go on, they will only be forced to leave and to prevent this from happening, the tenants can only remove their young working family members from the tenancy. As a result, these housing estates are left only with elderly people who are taken care of by nobody and hence, these estates have become estates for the elderly. This is so unreasonable. These young family members, who do not have the means to rent a flat after moving out of their PRH flats, can only apply for PRH. This will create an additional pool of PRH applicants, thus making upward mobility impossible for these tenants, while their quality of living has dropped as a result of this erroneous policy. Therefore, I hope that the Government will re-examine the TPS and I call on the Government not to lose tabs on the public pulse and the people's opinions. The last point that I wish to add is that there are 118 000 owners under the TPS. Can assistance be also provided to promote their upward mobility? If owners who have purchased these flats have grown old, will they be allowed to join the reverse mortgage scheme? If, for instance, they wish to trade in their flats, what are the ways to enable them to move up the ladder, rather than forever remaining *in-situ*? Indeed, the Government has a lot of measures for recovering these flats. Can the Government take this into consideration?

I have spent over 10 minutes on land and housing. Land and housing relate to the most direct well-being of Hong Kong people. If the Government can handle them well, its popularity rating will rise. If these issues can be dealt with effectively, the community will benefit from greater harmony and stability, and if there is stability in the community, it means that there is stability in society as a whole. So, I hope that the Government can really be like "SUN, the Monkey King" that I have mentioned by thinking about ways and acting a bit more flexibly, rather than strictly sticking to the old rut.

Land and housing aside, I also wish to talk about 15-year free education. As I pointed out to the Government at a meeting of the Panel on Education, the

public very much hope that 15-year free education will be implemented, particularly at the level of pre-primary education because the burden is very heavy. I was glad to hear the Government say that an education voucher scheme is in force and that it is more or less the same as free education. I am very happy about this piece of good news. Since they are more or less the same, and according to the relevant reports, it costs \$2.2 billion to implement the existing education voucher scheme for kindergartens, if

PRESIDENT (in Cantonese): Mr WONG, do you know that matters relating to education will be discussed only in the fourth debate session?

MR WONG KWOK-HING (in Cantonese): Yes, President. I wish to talk about "SUN, the Monkey King" without a break. Please allow me to go on, for I will use all my 30 minutes of speaking time.

In this connection, since there is only a difference of several hundred million dollars in the expenditure required for implementing 15-year free education and as they are, in Secretary Michael SUEN's words, more or less the same, why does the Government not implement the scheme earlier to make everyone happy? The Government said that some specific details would have to be considered, such as whether the school premises are self-owned properties or whether the payment of rent is necessary, or the question of teachers' qualifications. In fact, can the Government take this scheme forward not in a broad-brush manner, resolve the simple issues before the difficult ones and draw up a timetable for implementation, and even involve the education sector in setting up a working group to specifically study ways to implement the scheme effectively? I hope that the Government can step up its efforts in the provision of 15-year free education.

Next, the third major issue that I wish to talk about is paternity leave. This year, the Chief Executive proposed in the Policy Address the provision of paid paternity leave, adding that this practice will be introduced in the Civil Service initially. This, I very much welcome. We in the FTU have been fighting for it since 2006 and through repeated rallies, petitions, signature campaigns, meetings, and so on, we have called on the Government to legislate for paid paternity leave. Now the Government has finally agreed to its

implementation and will take the lead to implement it in the Civil Service as a start. However, the Government said that it can be implemented only in around mid-2012, or in the first half or the second half of the year. In view of this, should the Government not learn from the spirit of "Money King" and handle this issue with flexibility?

President, next year is the Year of the Dragon. I think many "dragon boys" and "dragon girls" will be born in the Year of the Dragon. According to the Government's statistics, 88 000 children were born last year and I think the number of births next year will be close to 100 000. Under the circumstances, since the Government has stated its intention to initially adopt this practice in the Civil Service, can it expedite the internal administrative work, so that the implementation of this measure can start first in the Civil Service on 1 January next year? There is also room for its implementation in other aspects, as the Government has yet mentioned the social welfare organizations and government-funded bodies which do have the conditions to adopt this practice in parallel with the Civil Service. I, therefore, very much hope that the Government can vigorously promote this practice, and I am grateful to Secretary Matthew CHEUNG for undertaking to write to these organizations.

As a related issue, I hope that the President can enable the Legislative Council Secretariat to take the lead to adopt this practice — the Secretary General who is in this Chamber should hear this too — of providing paid paternity leave to its male employees, hence pioneering its implementation. The Offices of Members of the Legislative Council in the FTU have long adopted this practice. Here, I call on the 60 Members to take the lead to adopt this practice in their offices. As regards the enactment of legislation, I very much hope that the Government will speed up the pace of its work. While the Government has raised some relevant issues which seem to be in need of and worthy of studies, since this is such an empathetic, human labour holiday which, in fact, will not incur too much additional costs to employers, can the pace of legislation be quickened as well? In this connection, let me take this opportunity to urge the Labour and Welfare Bureau to expedite the progress of legislation and launch consultations on this policy to facilitate the early implementation of paid paternity leave in Hong Kong across the board.

Then, I wish to talk about the Guangdong Scheme mentioned in the Policy Address which enables the elderly to spend their old age in their hometowns.

We welcome the Government finally taking on board the views of the grassroots, especially the elderly. We hope that this Scheme can be implemented as soon as possible with no delay.

Having said that, we still consider this inadequate. Although the Government said that many elderly people now live in Guangdong and that the Guangdong-Hong Kong scheme can facilitate its implementation, I wish to point out that apart from Guangdong Province, the neighbouring Fujian Province is also the hometown where many elderly people wish to return to spend their old age. The Fujianese associations have all along stated that there are as many as 1 million Fujianese in Hong Kong. In other words, many elderly Fujianese can also meet the eligibility criteria. I hope that after the implementation of the Guangdong Scheme, the Government will expeditiously extend it to Fujian Province because there are many exchanges on various fronts ranging from trade and commerce to social welfare between Fujian and Hong Kong. I hope that the Government can introduce a Fujian Scheme as the next step.

Next, President, I also wish to talk about a new initiative introduced by the Chief Executive in the Policy Address and that is, the proposal to enable elderly people to travel on public transport at a fare of \$2 a trip with no restriction on the date and time. I think the Chief Executive has heeded public views and recognized the needs of the elderly. This is a good thing which we very much welcome. We also hope that it can be implemented expeditiously with no delay. The timetable proposed by the Government is, in our view, too slow. Can it be implemented earlier? I hope the Government can seriously consider this.

However, insofar as the "\$2 scheme" is concerned, persons with disabilities feel most dissatisfied that persons with disability in one limb cannot enjoy this concession. Disability in one limb means the loss of one leg or one hand and under the existing policy on applications for the Disability Allowance (DA), persons with disabilities who do not have 100% disability are not eligible to receive the DA and cannot be issued with a certificate of disability for purposes of enjoying the half-fare concession provided by the MTR Corporation Limited. Similarly, they will not be eligible for the concessionary fare under the "\$2 scheme". If the Government does not allow flexibility in providing the \$2 fare concession to the elderly and persons with disabilities, I would consider it grossly regrettable. The Government does not have to wait for an amendment to be made to the definition of DA. Instead, if, in introducing this new concessionary

fare of \$2, the Government can make it clear that persons with disability in one of the limbs are eligible under the scheme, would this not be more reasonable and sensible? So, flexibility is actually the kernel of keeping tabs on the public sentiments in administration. This is why I have repeatedly made great efforts to write this wish card to highlight the concept of flexibility and responsiveness as the theme, the thinking and the core of administration. Otherwise, the Government would only run into troubles on all issues. I earnestly hope that the Government will seriously consider the proposals that I have made on the \$2 fare concession.

Lastly, President, I have to talk about the issue of the right of abode (ROA) for foreign domestic helpers (FDHs). The ROA issue of FDHs has indeed aroused concern among all the people of Hong Kong. Just this morning the Government lost again in the hearing of its application for suspending the processing of ROA applications from FDHs in the High Court. This has aroused grave public concern. Hong Kong people are very worried and particularly, the "wage earners" all over Hong Kong are gravely worried. Although a debate was held on a Members' motion opposing FDHs' enjoyment of the ROA in Hong Kong in this Council last Wednesday, regrettably, the pan-democratic camp unanimously abstained in the vote. As a result, the motion on opposing FDHs' enjoyment of the ROA in Hong Kong and protecting local employees' right to priority employment was negated. This is most regrettable, because abstention means opposition — in votings in this Council, abstention means opposition — and this is indeed a great disappointment to us.

Therefore, on this wish card I borrowed the following lines from MAO Zedong's poem, "Beating the white-bone demon thrice": "The Golden Monkey wrathfully swung his massive cudgel; And the jade-like firmament was cleared of dust; Today, a miasmal mist once more rising; We call on Sun Wu-kung, the wonder-worker."¹ I have changed the original word "hail" to "call on" because I do not think there is anything worthy of "hailing". Rather, we have to "call on" Chief Executive Donald TANG and the SAR Government under his leadership to make the utmost effort and exhaust all possible means to help the public and all "wage earners" in Hong Kong in opposing FDHs' enjoyment of the ROA in Hong Kong through existing legal channels. Because this is the way to protect local

¹ <<http://www.marxists.org/reference/archive/mao/selected-works/poems/poems31.htm>>

employees' right to priority employment and protect the lawful and reasonable rights of local citizens. This is a most important task to complete.

I hope that all Directors of Bureaux and Secretaries of Departments can seriously consider their policies and how assistance can be provided to the people in accordance with the theme, the thoughts and the views as expressed on the wish card.

Lastly, President, I thank you for allowing me to spend all my 30 minutes of speaking time on making this speech in one breath to express my views on the Policy Address. Thank you.

PRESIDENT (in Cantonese): I have to remind Members once again that this debate will be conducted in five sessions, which is an arrangement endorsed by the House Committee. If all Members engaging in the debate do not do so in accordance with this arrangement, it would be rendered virtually useless.

MR CHIM PUI-CHUNG (in Cantonese): President, the Chief Executive used two hours to read out the Policy Address which has got 210 paragraphs. There are 52 paragraphs devoted to housing policy, and for topics like population ageing, social problems, public healthcare, education, quality life, the economy, constitutional affairs, future development, and so on, there are some 20 paragraphs to each one. I speak in support of the motion. Why? If Members do not agree to the Policy Address, they may vote against the motion. But proposing an amendment will not change the administration by the Chief Executive. Hence, I think that it does not make too much sense.

President, I wanted originally to use up all of the 30 minutes for speaking. But now I am dividing my speech into two parts. The first part will be on policies covered in the first session, while the second part will be on constitutional matters in the fifth session.

On commerce and industry, Hong Kong is a commercial society and in the 1950s, the manufacturing industries started to develop here. And commerce and industry, economic and financial services all have a part to play in the overall development of Hong Kong society. However, with the changes in recent years

to the environment, developments on the Mainland as well as high land prices and salary in Hong Kong, the manufacturing sector is no longer an important part of commerce and industry in Hong Kong.

As for service industries, as I have said in this Council, Hong Kong people are rather short-sighted when it comes to the service industries. Doubtless the service industries have become very important in recent years. Apart from the financial industry, even tourism and telecommunications can be regarded as service industries. Yet, as I have said, the efforts made by Hong Kong people on the recognition and other aspects of the service industries are not enough. Moreover, I do not think the Government has done enough in achieving a balanced development in society. Luckily, Hong Kong people have a strong adaptability — that is because they have got to survive — even in the absence of any formal guidance, they can still make do and adapt.

Meanwhile, we can now see that many shops are used as retail points for jewellery and expensive exotic goods while many shops are vacant. Why has this situation arisen? It is because rentals are too high, so high that ordinary trades cannot possibly do business. This is a problem which Hong Kong society, and in particular the SAR Government, should think about. If this trend goes on, the economic development of Hong Kong will take on an abnormal shape.

We know that Hong Kong is a very special city but in any case, the development of any society as a whole still needs support and guidance from its government in a suitable way. The policy of our Government is positive non-intervention. But that does not mean allowing a free rein in everything and condoning irregularities in development. So with respect to the question of building another runway at our airport, I would think that not just a third runway should be built, but it is also important to undertake studies on a fourth one. Such studies cannot be expected to finish overnight, or even three or four years from now. It is likely that they will span two or three terms of government. But we should know that as Hong Kong is an entity, everything concerning commercial and industrial development is not transient and it will not necessarily be completed within one term of office of the Chief Executive.

The Chief Executive was full of confidence after winning the by-election. He talked about enhancing governance. Some Honourable colleagues said it showed that he was full of confidence in Hong Kong at the beginning and he

thought that since he had been a civil servant for a very long time, this goal could be easily achieved. Unfortunately, however, due to some external factors and restraints imposed on him by some actual conditions, this goal is not achieved during the some six years of his tenure. But we have to admit that during his tenure, at least he has done two things. First, the constitutional reform package was finally passed last year, and its significance lies in that there is support for the implementation of the Basic Law. This is a very important point. Second, the Legislative Council Complex can be completed. His name is engraved here at last. In retrospect, we can see that despite the long period of some seven years when TUNG Chee-hwa was the Chief Executive, I cannot see his name inscribed in any place. I am not making any criticism of him, but the point I wish to make is that Mr Donald TSANG has been wholehearted in doing well what he sets out to do.

But apart from the influence of external factors mentioned just now, his objectives are actually wrong right from the time he launched his work. I have criticized him repeatedly in this Council that despite his wish to get the job done, the more he wants to get it done the farther away is he from getting it done, because it is not really a job, but a public office. And for other Secretaries of Departments and Directors of Bureaux, once they have accepted the appointment by the People's Republic of China, they should similarly be committed, with a sense of mission, responsibility and honour. But if they do not have this feeling and if they only treat it as a job, I would suggest that they might as well step down and go to the private sector. In other words, they may go to the private commercial firms and make "real bucks", so to speak. The most important thing is that public officers, as long as they can be wholehearted and sincere in serving the people of Hong Kong, they will certainly command public recognition.

President, the first session today is about financial matters. In addition to working as a Member of this Council since 1991, I have been involved in financial activities in Hong Kong since the year 1970, that is, in securities matters. Afterwards, I changed from securities to running listed companies.

President, in 1964 the Hang Seng Index was 100 points and now it has grown to some 18 000 points. It can be said that it has grown by 180 times. That is really amazing. In retrospect, in recent years, in both stocks and finance, Hong Kong has been under the impact of large funds from all over the world. We can see from the developments in relation to the shares of listed companies

that, most of the investors in Hong Kong in the past were unlike those from other places of the world. In other places, especially the United States, funds are basically the major force driving trading activities. But in Hong Kong, the investment and speculation decisions of the local stockbrokers and investors are their own decisions, unlike investors in other places and cities who entrust their money to the funds to trade on their behalf.

In any case, the development of the financial industry in Hong Kong can be considered well-balanced and it is regarded as one of the four pillars of our economy. This accounts for the introduction of government policies aiming at making the financial industry thrive. But in recent years, funds from other places, especially those Jewish funds from the United States, are making use of the opportunities available to fleece the investors and speculators. Since 1987, 1997 and even 2008, these funds have been avidly snatching our investors' money on a smaller scale every three years and on a larger scale in every 10 years. These funds have caused our investors to suffer enormous losses. This is a kind of four-in-one approach of undisguised plundering made possible by the use of their huge funds, talents, equipment and advanced technology.

Hong Kong is a self-styled financial hub but actually it is only some sort of an accomplice. In 1986, the Hong Kong Stock Exchange (HKSE) became the only authorized trading agency. It has developed well on account of the liberalization policy of the Mainland. But in other parts of the world, hedge funds have taken over the place of traditional funds and caused an impact on local individual investors. And inevitably this includes also those local stockbrokers from small brokerages. The HKSE has conducted many rounds of consultation in the name of adapting itself to other investors, in particular, those global investors. The results of such consultations made of course in the hope of adapting to the international hedge funds have enabled the latter to control the financial markets here in either a direct or indirect way.

I have reminded and informed the SAR Government repeatedly of that. But unfortunately, the relevant Secretary of Departments and Directors of Bureaux may think that I am out of sync with the times. They think that I am lagging behind the pace of the modern age. But I can only say that since I represent the sector, I am only using my wisdom and knowledge to tender reminders and advice out of good intentions. I am making suggestions for the

good of the financial industry of Hong Kong. I am doing this to say what I know, and say it from the bottom of my heart.

President, the Securities and Futures Commission has recently appointed an expatriate as its CEO. I have to make it clear that I am not practising any discrimination. I do not have the right to discriminate against anyone. Nor am I envying other people. This is because even if I do, I cannot take up that post. But when this CEO goes to the Mainland on behalf of the financial industry here and talks with the relevant finance departments, not only is that person not doing as well as he should in terms of language — despite the help of interpreters — but a more important point is how should the Chinese officials look at him — as someone who loves China and Hong Kong, or what kind of mentality should they hold when they exchange views with him? At times, financial matters will involve state secrets, but does he love China and Hong Kong? I firmly believe what he loves best is his fat pay. In such circumstances, it will really cause a negative impact on the future development of the financial industry in Hong Kong. I do not actually oppose such an arrangement made because I am indeed not qualified to do so. I am merely giving an example.

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

As regards the macro scene, Deputy President, Hong Kong has to peg its dollar with the United States dollar owing to the circumstances. But as we know, compared to Euro or even Renminbi or Japanese Yen, the United States dollar has in the last decade or so depreciated quite a lot. Its value has gone down by an average of more than 30%, or even as much as 50% or 60%. Hong Kong stresses that it has to peg its currency with the greenback. Last Friday, I talked with the Chief Executive before the reception and I said to him that the linked exchange rate was a policy of the SAR Government and it was useless for me to oppose it. But I wished he would realize that as Hong Kong does not have any natural resources and all the food provisions and other major commodities have to be imported from places like China, Japan, Europe and North America, the value of those currencies has appreciated quite a bit against Hong Kong dollar. It is an indisputable fact that this has exerted pressure on the ordinary masses.

On that occasion, I expressed the hope that the SAR Government could consider raising the linked exchange rate of Hong Kong dollar to the United States dollar from \$7.8 to \$7, that is, raising the currency value by at least 10% in order to reduce the impact on the price of goods and hence ease the hardship of the people. I was only making this request for the Chief Executive's consideration, but he flatly rejected it at once. He said that if this exchange rate were changed, no one would have any confidence in Hong Kong. I do not agree to this idea at all. It is because the world does not necessarily have confidence in the value of Hong Kong dollar. We have to know this, would people have any confidence in Hong Kong if we do not have such a huge amount of reserves in the Exchange Fund? I think a responsible government has to deal with problems in finance or other matters in a flexible way and in the interest of the people.

Deputy President, the policy areas to be covered today also include transport. As we all know, transport is one of the four major necessities of life besides clothing, food and accommodation. We always ask the Government to tackle the issue of the Western Harbour Crossing. I have said in this Council that we have waited for three years and three years after one and other. It is now four months and 14 years since the reunification, more than the four three years or 12 years which I have just said. I hope the SAR Government can give this some thoughts. Even if it is not going to buy back the Western Harbour Crossing, can a tunnel be built linking up Aberdeen? After all, this is not something done for one or two years, but an arrangement for the permanent future. We have got to consider the needs of our next generation. On the other hand, I agree that a travel allowance should be paid out to encourage employment. This allowance should not carry other terms and conditions and provided that people earning less than \$5,000 or \$6,000 would need it, the Government should take actions immediately and encourage them to look for work.

Deputy President, I would also like to talk about the housing problem mentioned in the Policy Address. As the Chief Executive said, the "85 000 units housing production target" served to cast a lingering shadow on the SAR Government and any move could cause an incessant depreciation in property prices, rendering the people negative equity asset owners. But we can also see that given such sharp rises in property prices have caused an impact on the development of business and all sorts of economic activities, the problem is now

not as simple as a housing problem. We also know that there was rent control before the SARS outbreak, but it was lifted by the Government subsequently. Meanwhile, almost at all times, the commercial buildings in Hong Kong fetch the highest rents in the world. If the Government can listen to views expressed by all quarters about its housing policy and make changes, it should merit our recognition. But I have heard some Director of Bureau say that Hong Kong would never sell land at dirt cheap prices. Well, what are dirt cheap prices? If you do not sell land cheap, then you are selling it at high prices, and that translates into the high land premium policy. As some Members say, the problem of high land premium policy is like bread and flour. Since there is the high land premium policy, land prices will remain at a high level and that will have an impact on society.

In my opinion, there is an abundant reserve of land in the Government and that can balance development in all aspects. It is true that land is expensive in Hong Kong because we have no resources other than a small amount of land. Besides, the Government should fully understand the Application List system in its land policy. I have said to other people that insofar as the Application List system is concerned, the developer who triggers a lot should make the first bid and it should have other people assisting it in making the application. Costs are involved here. In such circumstances, why does the Government not consider letting the applicant have 1% as consideration and the developer who wins the land lot in the end should also pay a small fee to the applicant? This will encourage people to inject their funds and talent to help the Government in such work. There is no free lunch in this world. And likewise, we should not ask people who have given their help in the Government's land policy to toil for no reward. So, in the context of long-term planning and implementation of government policies, the Government should in any case think up some good solutions.

Deputy President, the broadcasting policy in the area of information technology also touches on the media in Hong Kong. I personally think that Hong Kong is a land endowed with blessings and all through these many years with the exception of the SARS outbreak, Hong Kong has fared much better than many other places or countries. This achievement is commendable. Unfortunately, however, our society is dominated by two or three leading newspapers. Some people seek to stir up troubles here and they are confusing the people with their claims of democracy and human rights. I think the

Government should analyse the problems within the realm of the freedom of the press. The Government should give as much help as possible to the relevant organ undertaking a review in line with the actual circumstances and forge meaningful dialogues. We have to uphold the freedom of speech here, but we should also prevent some comments from affecting the mindset of the people. We are not at the end of the world and we need to strive for a better future together. Any attempt at exaggeration will only undermine people's confidence. People will thus lose hope in everything and only drown themselves in deep despair. This must never be allowed.

Deputy President, I will try to leave seven minutes so that I can speak later in the last session on constitutional affairs. In any case, I support this Policy Address.

MR LEE CHEUK-YAN (in Cantonese): I recalled that when Chris PATTEN, the last British Governor of Hong Kong, left Hong Kong, I raised on behalf of Hong Kong Confederation of Trade Unions (HKCTU) the "Seven Gnawing Regrets" with a view to summing up his years of administration. As Donald TSANG is entering the last leg of his term of office, I can only say that his contribution is nothing but "bringing calamity to Hong Kong and the people in his seven years of governance". I was talking about "Seven Gnawing Regrets" at that time; I now have to talk about the "Seven Calamities" arising from Donald TSANG's seven years of governance.

The first calamity is that he has fattened up the real estate hegemonists, steering Hong Kong's overall economic development into the one-way journey of monopolization by conglomerates and real estate hegemonists. How did the Government fatten up the real estate hegemony? Obviously, Donald TSANG has been sitting idle. He has only dealt symbolically with the land and housing problems until they all came to a point of "explosion". But the problems have "exploded"! Sitting on the problems have fattened up the real estate hegemonists. The most obvious example is his rejection of our proposal to resume the Home Ownership Scheme (HOS). The issue has dragged on for years. Let us open our eyes to see how high property prices have been during these few years. Take the resumption of land sales as another example. The Government had been reluctant to resume land sales until last year. It was also a procrastination to reduce land supply, allowing developers to continuously reap

excessive profits. Regarding "inflated flats", we have been discussing the problem for many years. We often raise one question: Vendors in the market violating the Weights and Measures Ordinance are subject to criminal prosecution, but why are property developers selling "inflated flats" not bound by the law? The Government is using the same stalling tactic. What are the consequences of such procrastination? More people are victimized, the real estate hegemonists are getting fatter and property prices are skyrocketing beyond people's reach.

I remembered the Financial Secretary once mentioned a figure, stating that the mortgage-to-income ratio of mortgage applicants was about over 30%. It has now reached 48%! Or nearly 50%! Will the percentage continue to rise? The general public's housing burden has become increasingly heavy. Where have the profits gone? All to the real estate hegemonists. The policy of Donald TSANG's administration is to stall, making the monopolization grow even larger. Besides high flat prices, Donald TSANG's administration has lifted rent control, forcing many young tenants to move every year. Rent increases by 20% to 30% each year, which is way beyond their affordability. Their only option is to move to a smaller flat. The fattening up of the real estate hegemonists has rendered the people of Hong Kong "mortgage slaves". The middle class as well as the grassroots in Hong Kong have all become "mortgage slaves".

Donald TSANG has done another ridiculous thing, that is, the listing of The Link REIT. As a result, shopping centres are monopolized and prices have gone up. The most ridiculous point is that the consumer prices are the highest in Tin Shui Wai, a place where the poorest people live. It is because there is only one shopping centre run by Cheung Kong and another one operated by The Link REIT. The Link REIT introduced big consortiums into the shopping centre and it is, therefore, natural for commodity prices to go up because of the skyrocketing rental of shopping centres. The rents for restaurants and shops have gone up 100% and even 200%. Only the big consortiums can cope with this huge increase in rents to ultimately monopolize all economic lifelines of Hong Kong.

The fattening up of the real estate hegemony and financial hegemony is not only harmful to the property market. It is most lamentable that Hong Kong's overall economic development is on a path of no return. What is this one-way journey? Any development of industries will be very difficult, not to mention

the development of the six priority industries. It is because all industries face the same problem — rents for shops and offices are very expensive. In the final analysis, it is an issue of the real estate hegemony. If the Government does not resolve the problem of the real estate hegemony, any discussion on the development of other industries is no different from empty talk because the crowding-out effect has made it impossible for Hong Kong to diversify its industrial structure. This is the biggest calamity.

Hong Kong is left with the high value-added financial and real estate sectors. This is a very serious problem because these industries are functioning in an enclosed environment, profiting from the sweat and toil of the general public. They are unable to earn any foreign exchange. As they cannot bring further economic development to Hong Kong through creativity and innovation, the existence of monopolization has sown the seeds for all our misfortunes in the future. It will be very hard for us to untie the tight knot in future. Hence, the first calamity comes from the fattening up of the real estate hegemony.

At present, a number of organizations all over the world have joined the "Occupy Wall Street" campaign. We have an "Occupy Central" protest in Hong Kong. The demonstrators actually share the same feeling. Why did the countries worldwide, including Hong Kong, have fatten up the real estate hegemony and the financial hegemony? Why did they rescue the market but not the people? Why are there only small bunches of people who live in luxury while the majority have to struggle for survival? This happens not only in Hong Kong. It happens worldwide. Everybody in the world is talking about how to restrain the financial hegemony or put financial transactions under control. The Financial Transaction Tax, or now termed as the "Robin Hood Tax", is hence proposed against the backdrop of applying such resources to finance the United Nations' global poverty alleviation programmes. The HKCTU and Labour Coordinating Committee fully support this proposal. Instead of a local issue, the financial hegemony is now a global phenomenon. Although it is an international risk for capitalism, Hong Kong still has to face it.

The second calamity that Donald TSANG always avoids to address is the growing disparity between the rich and the poor. Donald TSANG said that wealth gap happens in every capitalistic society, which proves that he is ignorant. Undeniably, inequality of wealth exists globally. However, all governments

have their own methods to narrow the wealth gap and are willing to dedicate themselves to resolving the problem. Unfortunately, Donald TSANG gave his cold shoulder, creating an increasingly fragmentation among Hong Kong communities due to the wealth gap. Sitting on the Exchange Fund totalling over \$1,000 billion in addition to budget surpluses amounting to \$500 billion to \$600 billion, the irony of the current Administration is that it is capable of narrowing the wealth gap. It is most lamentable that, with so much money on hand, the Government could have done a lot of things to narrow the gap, but it chooses to do nothing. The third calamity, which is one of the Government's omissions, is the reluctance to introduce universal retirement protection. Rejecting the universal retirement protection proposal is not helpful to solving the problem of ageing population. As the population ages, the elderly will become poorer. This is like a time bomb, which will explode sooner or later. But Donald TSANG has simply refused the introduction of universal retirement protection. As a matter of fact, universal retirement protection is one of the solutions to alleviate elderly poverty and the wealth gap. This is a simple method and we have provided a number of studies and proposals for the Government to consider. I am not going to say too much here, as I will go into the details later when it comes to the session on welfare issues. All in all, the denial of universal retirement protection is the third calamity.

The fourth calamity is egotism in TSANG's administration. His indifference to public opinion has sabotaged on many occasions the relations between the executive and the legislature. One of the repercussions under TSANG's leadership is the increasingly tense relations between the executive and the legislature. What is the final outcome? The Government actually knows it well — a complete loss of trust by the people. When the people do not trust the Government anymore, it will be extremely difficult to mend the broken relationship. Another example of Donald TSANG's egotism is his insistence on establishing posts for Under Secretaries and Political Assistants. It aroused public indignation. Why did he insist on his own way and turn a deaf ear to public opinion?

The fifth calamity is the ruining of "one country, two systems", giving up our high degree of autonomy. Donald TSANG gives us an impression that things are done only upon the Central Government's consent, seemingly losing the high degree of autonomy. With regard to the constitutional reform package, this impression is even more obvious. It seems Donald TSANG has washed his

hands off any involvement and undertaking, giving the Central Government a free hand to interfere. Where has "one country, two systems" gone? We are driving backward under his leadership. Some people said that there was a second power centre. In fact, the second power centre has come on stage, no use crying over spilled milk.

The sixth calamity is to indulgently allow the police to abuse their power to suppress the freedom of speech. One of the most obvious examples of recent high-profile actions to suppress demonstrations and rallies is the turning of the whole of Hong Kong into tiny places under curfew during LI Keqiang's visit. Wherever LI Keqiang went, he could hardly see any demonstration or hear any protest. Where was Hong Kong people's freedom of speech? Even the wearing of T-shirts imprinted with "4 June" was not permitted. Why did we wear T-shirts imprinted with "4 June" the day when we had a group photo with the Chief Executive? That was a tinge of regret, perplexed as to why Hong Kong has fallen back to such a predicament that even wearing "4 June" T-shirts was an arrestable offence. Why has Hong Kong come to this pass, must I ask?

Besides taking away the Goddess of Democracy replica from the Hong Kong Alliance in Support of Patriotic Democratic Movements of China by force last year, the police also, without any justification, restricted that those who wanted to join the "4 June Candlelight Vigil" to queue up in order to enter the venue via the swimming pool. The police were using it as a means to repress participation. We can see the sixth calamity in the administration, namely, an encroachment on the freedom of Hong Kong people.

The seventh calamity, of course, is the unjustified delay of universal suffrage. I can clearly remember that Donald TSANG had stated the need to thoroughly resolve the issue of universal suffrage when he first took office. How thorough is it? What has been resolved? In fact, universal suffrage is the most crucial issue for Hong Kong.

Let us take a look at the performances of Henry TANG and LEUNG Chun-ying, the widely expected candidates in the forthcoming Chief Executive election, when they met with the electors. As we can see, first of all, both of them have evaded the sensitive issue of the 4 June incident, which is an obvious instance of flattery to the Central Government. They just dance to the tune of the Communist Party of China. Secondly, they give benefits to the Election

Committee (EC) members. I can see that their performances were most unsightly when they went to visit the Heung Yee Kuk. We can see that they had little regard for public interest. Henry TANG said that the problem of New Territories small houses was easy to solve, that is, allowing them to build a little higher. Do we have to relax the height restriction? Will the problem be solved by allowing them to build a bit higher? Should the entitlement to small houses be everlasting? Both of them somehow said it should be forever. Where was the public interest? Land is the most important resource. Where is the interest of the general public? It is gone!

I then put a watchful eye on Donald TSANG whether he would give any advantage to Tommy CHEUNG. On the EC platform of Tommy CHEUNG, he suggested "not to legislate for standard working hours". That was an apparent "no". Henry TANG since they are people of an exclusive circle. The EC has the right to vote. Does it mean that you have to transfer benefits to them and then tell all employees in Hong Kong that there will be no legislation for standard working hours? You can see the evil of coterie election. This evil will prevail as long as universal suffrage is not in sight. Judging from the recent shows by Henry TANG and LEUNG Chun-ying, we can see that they care only about the small-circle EC members' interests. So, where is your interest? Where are the interests of the people? Where is the long-term interest of Hong Kong? What about the public interest? You will not see it.

Therefore, the seventh calamity is Donald TSANG's delay of universal suffrage. This is also the reason why Hong Kong will be facing many problems that it can hardly resolve. Thank you, Deputy President.

MR RONNY TONG (in Cantonese): This is the first Policy Address debated in this new Legislative Council Complex as well as the last Policy Address delivered by Chief Executive Donald TSANG. Deputy President, many Hong Kong people expect us to sum up the era of Donald TSANG. What exactly did the past seven years represent?

Deputy President, after the delivery of the Policy Address, some kaifongs told me during my district visits that maybe "one would speak from his heart when he was near death", though I found such remarks a bit mean. Some people also asked me whether the Chief Executive was coming back like a prodigal son.

Deputy President, I find these remarks a bit exaggerated, too. Having said that, if I am to sum up his era or his administration, I only have two points to make. First, he plays his role faithfully in his post, for he will not introduce policies beneficial to the public unless he is compelled to do so. Second, he applies affinity differentiation.

Deputy President, I would like to leave this point about his affinity differentiation to the debate session on governance. Today, I would like to discuss how Chief Executive Donald TSANG plays his role faithfully in his post. Deputy President, his role is not to bring benefits to the people, but to make life difficult for us. Looking back, we find that nearly every so-called beneficent initiative or major policy change was compelled by Hong Kong people. If we say that we have to thank the Chief Executive today, should we actually thank Hong Kong people for working relentlessly to compel the Chief Executive to do some good deeds?

Deputy President, in retrospect, let us say a few words about the "fruit grant"! Perhaps you may still remember that, after overcoming a lot of difficulties, we managed to compel the Chief Executive to raise the "fruit grant". But surprisingly, he proposed that a means test be introduced, thereby causing an uproar in almost every corner of the territory. Even though the entire Legislative Council opposed his proposal, and even Mr TAM Yiu-chung had to rise here and point out categorically that he was engaging in perverse acts, he remained adamant. What made him changed in the end? He stubbornly gave Mr WONG Yuk-man an opportunity to "change the outcome by hurling a banana".

Deputy President, I have no intention to speak against Mr WONG's behaviour, though I always disapprove of such behaviour and condemn violence. But what is the origin of the violence culture in this Council? Chief Executive Donald TSANG is the culprit, why? At least, he cannot refute the remark made by Members with violent behaviour that "the oppressive government has driven the people to revolt". Deputy President, as our Chief Executive, what can he say? Why would he not "make a U-turn" unless someone "hurled a banana"? Why did he stubbornly refuse to introduce measures beneficial to the public when Members requested him to change?

Deputy President, let us say a few words about the Interception of Communications and Surveillance Ordinance (the Ordinance)! The Chief Executive insisted that he was right, saying that the matter had to be dealt with by way of an administrative order. In the end, the Government's appeal was rejected by the Court of Final Appeal, and the bill had to be passed in this Council within three months. Deputy President, this did not matter. The Ordinance does not seek to protect the privacy of Hong Kong people. Instead of protecting the privacy of communications of Hong Kong people, the Ordinance serves to give the police some sort of protection, or an excuse to intercept the communications of Hong Kong people.

Let us say a few words about the constitutional reform! Is it really so important? Forget about the concepts of democracy! At the end of the day, he still insisted on the appointment system and not to budge an inch on the two constitutional reform packages. But why was the constitutional reform package passed last year? That had nothing to do with Donald TSANG's strength. In the final week, he still said to me, "Ronny TONG, do not indulge in wishful thinking." If not for Beijing's change of mind, he would not have given his consent. Deputy President, I will not describe him as a "dog at the door"; I would rather describe him as an "official at the door". He would not have made a U-turn if not for the master living inside told him to do so. He still dared say that the constitutional reform was his beneficent measure?

Deputy President, let us talk about the minimum wage! How many years had passed since we started talking about the minimum wage? It was not until he sought another term and there was no way he could retreat that he talked about stipulating a minimum wage. But do you remember that, immediately after he was elected, he acted evasively and launched a wage protection campaign before agreeing to enact legislation after a two-year delay?

Another pledge is the competition law. Is it what he really wants? We have talked about it for nearly a decade. What was his attitude when the business community raised opposition in chorus by the time legislation was to be enacted and tabled to this Council for discussion? He appeared before this Council and said to Mrs Regina IP, to this effect, "I cannot help even if you object to my proposal." Deputy President, let me compare him with Barack OBAMA. When President OBAMA prepared to promote a policy, he would vigorously promote his policy by really appearing before the Congress to appeal for support.

If the Congress disapproved of his policy, he would make use of public opinion. In comparison, Chief Executive Donald TSANG and President OBAMA are as different as night and day. Deputy President, this is probably the difference between a statesman and a politico. Perhaps Donald TSANG personally did not believe in this at all, and he was merely pacifying others. Hence, he was unconcerned no matter what difficulties were encountered when the legislation was tabled before this Council or unable to be passed.

Deputy President, let me turn to the replacement mechanism. It did not matter even though he adamantly proposed a replacement mechanism, but on what grounds could he justify his refusal to consult the public, hence compelling 100 000 people to take to the streets, before he agreed to conduct a consultation? Was it true that he would not change his mind unless he was driven into a corner?

Let me say a few words again on the "\$6,000 scheme"! Actually, nobody requested him to hand out \$6,000, only that he came up with some intolerable policies. Initially, he proposed that the handout be deposited into Mandatory Provident Fund accounts to be collected by the account holders when they reach the age of 65. But how can such a scheme alleviate the hardship of the people? When the whole city became exasperated over the scheme, the governing team suddenly changed its mind and handed out \$6,000 to everyone, including people living abroad and paying tax to the governments of overseas countries. Though the handout totalling more than \$1 billion is only small change to the Government, it nonetheless took compulsion to see its fruition.

Deputy President, I would like to say a few words about the two so-called beneficent initiatives proposed in this year's Policy Address. How many years have passed since the issue of transport concessions for the elderly and people with disabilities was first raised here in this Council? Mr LEUNG Yiu-chung is not present at the moment. As far as I can remember, he has proposed motions on this subject matter for at least nine years. Deputy President, over the past nine years, a similar motion was debated immediately after the beginning of each Legislative Session. Not only was the motion passed every time it was put to the vote during these nine years, a consensus had long been reached in the community. We had to wait until the final year of the Chief Executive's term to its implementation, as if it was an act of imperial benevolence. According to the Chief Executive, this is a beneficent initiative. It is, of course, a beneficent

initiative. However, I do not believe he will implement this measure unless he is near the end and wants to have a good ending.

Deputy President, as the offer of concessions to the elderly and people with disabilities is a welfare rather than a transport issue, I will not discuss this issue in this debate session. Simply put, even if this proposal is raised now, it differs greatly from the proposal proposed by us in the Legislative Council. Some people also question whether public money is used to benefit transport operators. Perhaps I will discuss this issue again in the debate session on welfare.

Deputy President, another so-called beneficent initiative is, of course, the measure to tackle the housing problems, again because of compulsion. Deputy President, over the past couple of years, however strong the voices and however great the consensus reached in this Council, the Chief Executive has postponed the implementation of the measure time after time, from the beginning of a year to the middle of a year and then to the delivery of his Policy Address. Even after the Policy Address was unveiled, only some frail policies were introduced. Deputy President, the biggest question is: Do we actually have a housing policy? Perhaps we should ask the Government this question clearly: What is the goal of our housing policy? I hope the Secretary can give a reply later as to what the Government's goal is. Is its goal meant to silence the public temporarily or really help people without the means to purchase their own homes?

Deputy President, this is a key issue because if this is the Government's goal, it is duty-bound to help this group of people to break away from the "public housing" masses rather than withdrawing the subsidy they used to receive when they intend to break away from the masses. Given that the Government has already put aside this sum of subsidy, it should continue to subsidize the next group or the next generation of people in need of housing assistance. If the Government has such a clear goal, it would not have come up with the so-called new HOS policy, whereby the market price will be used as the basis when purchases are made, and any profits will go to the pockets of HOS flat owners. This approach is infeasible because doing so is tantamount to diverting public housing to the private market. Be it in the form of financial assistance or concessions, the benefit will continue to be reaped by residents of HOS flats. Hence, a system with continuity cannot be maintained to help another group of people.

Such being the case, Deputy President, this approach should not be adopted for the sales of HOS flats, if resumed. Instead, HOS flats should be sold to white form and green form applicants only. The payments of premium should also be consistent — the Government should not allow this group of people to make a fortune while making it difficult for former purchasers of HOS flats to sell their flats. How can these people afford to buy private homes if they have to pay back the Government \$800,000 in premium in order to sell a \$2 million flat? Such an approach simply will not work.

Deputy President, according to the Government's figures, the number of households with a monthly family income below \$30,000 has reached 100 000. Under the new HOS proposed by Chief Executive Donald TSANG, which will be implemented on a trial basis over a period of four years, 4 000 flats will be built annually, bringing the total to 17 000. In other words, less than 20% of the HOS applicants will thus be benefited, so what is the point of implementing the HOS?

Deputy President, it is also frustrating that, despite the great social consensus that the SAR Government should increase public housing construction, the Chief Executive has indicated that there is no need to do so because the waiting period is only three years. Deputy President, this is actually an endless dispute. Why would the SAR Government never admit that this is a lie, an ugly lie?

Deputy President, the figures are simple. According to the figures provided by the Government in response to one of my questions last year, the number of households on the Waiting List has reached 89 000. Even if 18 000 units are made available per annum, that is, 15 000 units plus 5 000 units and adding to this 2 000 units allocated to singletons, 35 000 households will still not be allocated a unit within three years. Why does the Government have to hold on to the figure of providing 15 000 units per annum? Why does it still insist that the three-year waiting period is correct and true?

All in all, Deputy President, our biggest problem lies in our lack of a housing policy with political vision. Deputy President, it is actually not worthwhile for us to thank the Chief Executive for this so-called beneficent initiative. Thank you, Deputy President.

DR PHILIP WONG (in Cantonese): Deputy President, on behalf of the Hong Kong Chinese General Chamber of Commerce (CGCC), I speak in support of the Chief Executive's Policy Address entitled "From Strength to Strength". In my opinion, the Policy Address has responded actively to the views of various sectors in society. It focuses on issues of people's livelihood and the economy and is conducive to promoting the stable development of society.

I am very pleased to find that the SAR Government has adopted many of the proposals on the Policy Address put forward by the CGCC earlier on, such as adjusting its land and housing policy, strengthening the economic integration between Hong Kong and the Mainland, joining the economic co-operation arrangements in East Asia, enhancing our offshore Renminbi business platforms, optimizing various talent admission schemes, studying issues arising from Mainland pregnant women giving births in Hong Kong, caring for and looking after the elderly, helping young people in their development, speeding up the introduction of electric cars, and so on. I wish to put forward some further proposals on this basis.

1. Strengthening the economic integration between Hong Kong and the Mainland

The National 12th Five-Year Plan states that Hong Kong's status as an international centre for financial services, trading and shipping will be consolidated and enhanced. Mr LI Keqiang, Vice-Premier of the State Council, also announced during his visit to Hong Kong the "six strokes and 36 styles" to support Hong Kong. I hope the Government can build on past achievements and herald the future by making greater commitment to the long-term development of our country and Hong Kong. Various departments should work as a governing team, clearly define the division of work, take co-ordinated follow-up measures to provide actual assistance to various sectors in entering the Mainland market and strengthen co-operation with places like Guangdong. On helping the professional service sectors gain access to the Mainland market, we suggest that the Government set up a dedicated team to select domains of professional qualifications and negotiate with local professional groups and the relevant departments on the Mainland, so as to speed up the implementation of the mutual recognition of professional qualifications. I also hope that the Government can actively participate in the development of the boundary area by improving the transport links between Hong Kong and places like Nansha and transferring Hong

Kong's highly efficient, diversified and international mode of management to the Mainland, so as to fuse Hong Kong's edge in professional management with the market potentials of places like Guangdong.

2. *Promoting the long-term development of Hong Kong economy*

In order to maintain Hong Kong's global competitiveness, the SAR Government has the responsibility to formulate long-term development plans. In recent years, the Government has really made a lot of efforts to help the public and ease their hardship. The resources committed to such areas as education, healthcare and social welfare have been increasing year on year and this is evident to all. However, there are inadequacies in long-term planning. I suggest that the Government consider formulating a "Five-Year Strategic Development Framework" for Hong Kong to outline a blueprint for Hong Kong's future development. In order to enhance Hong Kong's status as an aviation hub, I hope the Government can construct a third runway and continue to lobby the Central Authorities for the allocation of more airspace, the establishment of a new civilian aviation route, greater co-operation between the Hong Kong International Airport and the Shenzhen and Macao airports, the establishment of a co-ordination centre among airports in the Pearl River Delta and standardization of air traffic control mechanisms. I hope that the Government can expedite the development of phase 3 of the Hong Kong Convention and Exhibition Centre and at the same time promote closer and more efficient connectivity between the exhibition and convention industries in Guangdong and Hong Kong, fully leverage on and combine the strengths of both sides by expanding their exchange programmes and enhance the training of talents to reinforce our position as a trade fair capital. I also hope that the Government can make greater efforts in the promotion of the six industries in which Hong Kong enjoys clear advantages by introducing more concessionary measures in such areas as human resources and financing, so as to elicit support from the entire community, thus creating a new impetus for economic development in Hong Kong.

3. *Promoting international and regional economic co-operation*

I think that Hong Kong can make use of its advantages in networking, capital, talents, and so on, in Southeast Asia to assist the Mainland in its co-operation with various Southeast Asian countries in such areas as finance, trade and economic issues. The business sector of Hong Kong can also form

bilateral or multilateral committees with the South Asian business community in Hong Kong to strengthen mutual liaison and communication. The CGCC raised this idea and secured the highly positive response of the Vice-Premier LI Keqiang during his visit to Hong Kong, who announced that Hong Kong's participation in international and regional economic co-operation would be promoted. The Policy Address this time around proposes that multi-faceted regional co-operation with the Chengdu-Chongqing area, Fujian and Taiwan will be strengthened and deepened, and the possibility of joining the economic co-operation arrangements among East Asian economies will be actively explored. I feel gratified and encouraged by this. I propose that the Government consider modelling on such relevant agreements as CEPA and ECFA to take forward the signing of a "trade and investment facilitation agreement" between Hong Kong and Taiwan, then renew the agreement or include supplements when the actual need arises, so as to expand the scope of co-operation between Hong Kong and Taiwan and the specific areas of co-operation.

4. *Reviewing the long-term population policy*

Economic development is closely related to population policy. With more than \$1,700 billion in the Exchange Fund and more than \$600 billion in the fiscal reserves, Hong Kong is well positioned to solve the problem of an ageing population. I believe that the Government should launch a survey of the future population trends in Hong Kong as soon as possible, so as to formulate a scientific and long-term population policy for Hong Kong and cope with such problems as an ageing population and rising healthcare and welfare expenditures pragmatically. The survey should cover the establishment of a universal retirement protection mechanism, so that the elderly can meet their basic needs and live in dignity. At present, the corporate demand for talents is ever increasing but in recruiting talents, companies encounter quite a lot of difficulties, in particular, in the application for the entry of Mainland professionals or returned overseas Chinese. The threshold for them is higher compared to European and American professionals and the procedures are cumbersome. And applications for the entry of Mainland employees on exchanges in Hong Kong is no easy task either. I propose that the Government review the Quality Migrant Admission Scheme and the Admission Scheme for Mainland Talents and Professionals, relax the restrictions on the job categories open for application, assign quotas for the admission of professionals to companies that hire a certain number of local employees and relax the procedures for companies applying for the entry of

overseas or Mainland employees for business purposes. I know that the professional standard of some renowned overseas doctors is very high but if they want to come to Hong Kong for practice, they have to clear various hurdles, including passing very stringent examinations. Are these protectionist restrictions? I think the Government should consider linking the medical services in Hong Kong to its population policy and review its policies in areas ranging from the training of local healthcare workers to the admission of overseas healthcare workers. Can consideration be given to making some special arrangements, so that healthcare workers who are permanent Hong Kong residents can benefit from them if they return to Hong Kong for practice?

5. *Assisting SMEs in tiding over difficulties*

Recently, the financial market in the United States is in chaos, the debt crisis in Europe is escalating and global trade has slowed down. I agree wholeheartedly with the Chief Executive's view that the Hong Kong economy may face downside risks at any time and hope that the Government can pay particular attention to the various difficulties facing SMEs. I suggest that the Financial Secretary meet with the representatives of major business associations regularly, closely monitor the changes in the economy and the business environment and introduce counter-measures in a timely manner. To provide against the impacts of fluctuations in the international market on SMEs, I believe the Government should continue with the existing support measures for SMEs and reorganize the various funds and schemes for supporting SMEs by establishing an "SME Support Fund". Although it is no easy task for SMEs in Hong Kong to secure loans, as far as I know, some banks in Hong Kong, operating on commercial principles, are more willing to extend loans to Mainland enterprises because these enterprises are willing to pay the higher interest rates set by banks, in full knowledge that the Hong Kong dollar will devalue. As a result, some of the capital that could have been lent to local SMEs was absorbed by Mainland enterprises. Does such a situation not warrant our attention? I believe the Government should also consider easing the difficulties of Hong Kong companies on the Mainland in financing and obtaining credit by establishing a risk assessment institute recognized by Mainland banks and expanding the coverage of the export credit guarantee. A minimum wage was introduced in Hong Kong not long ago and its effects on society as a whole have not yet fully surfaced. It is not preferable for the Government to propose a bill on "standard working hours" immediately, rather, it must conduct a serious study

and a comprehensive assessment to weigh up the factors in various areas and minimize the impact.

6. *Promoting harmonious social development*

I agree with such measures in the Policy Address as resuming the Home Ownership Scheme (HOS), enhancing the My Home Purchase Plan and offering public transport concessions to the elderly and people with disabilities. I believe that the Government should formulate a long-term policy on land and housing, so that the public can have sufficient knowledge of and confidence in the future housing supply and direction of development. On the arrangements for payment of premium under the new HOS, since subsidization with public funds and social harmony are involved, I hope the Housing Authority (HA) can continue to examine this matter in depth and consider the effective distribution of public resources fully. I support the Government in developing East Kowloon into a new business district and hope that the Government can consider developing a similar core business district in New Territories North to increase employment opportunities and meet the keen demand for industrial and commercial land, as well as attracting more Mainland visitors to do shopping and spend their leisure here. In order to give elderly people peace of mind in living for extended periods on the Mainland, the Government can consider expanding the "Guangdong Scheme" to such places as Fujian, as well as providing Elderly Health Care Vouchers to or taking out insurance policies for elderly people living on the Mainland, so that they can seek treatment at designated hospitals on the Mainland or Hong Kong-style medical clinics. The Government should increase resources to give students more opportunities of participation in learning and exchange activities on the Mainland, as well as providing vigorous support to voluntary organizations offering such activities, so that young people can gain an in-depth and first-hand understanding of the latest development of the country. Regarding students opting to study in Mainland universities, consideration can also be given to offering them the same terms of employment as those who pursue their studies locally. In addition, such schemes as volunteer work and the training of guides for young people can also be introduced to help them gain work exposure.

In sum, the Policy Address has proposed such major initiatives as the resumption of the HOS and kick-starting the development of East Kowloon. All this indicates that the Government has begun to adjust Hong Kong's land and

housing policy. I hope that the next Chief Executive will face up bravely to the various deep-rooted conflicts in finance, trade, politics and society and is competent in leading Hong Kong to accomplish this new historical transition after its reunification with the Motherland.

I so submit.

MR LEE WING-TAT (in Cantonese): Deputy President, my speech in this debate will focus on the session on land and housing, discussing mainly these two topics.

Deputy President, there are many novel ideas in the land and housing policies this year. I would think that the work done by the Government this time has responded to the demands of the people. But it is too little, too late. In terms of land, I once said in a seminar that during these five or six years past, the deficiencies in land supply policy had caused a cumulative effect. As we all know, land supply is not like baking bread, that is, land will not appear tomorrow if we have flour today, and houses can be built on it the day after. It could take as long as some 10 years the longest and seven to eight years the shortest from land planning to the production of land, and finally to the building of houses. This is the so-called turning "disposed sites" to "potential sites".

In 2003 and 2004, the Government changed its land and housing policy and then made another change in 2011. The deficiencies that have accumulated during these eight years, or the so-called "cumulative shortfall", cannot be solved within a couple of years as the Secretary or Director of Bureau has told me. This will not happen. Even if we make a correction now and adopt some measures within a short time, the effect can only be seen in the medium range, and the problem can only be eased in the long run, that is, in eight to 10 years' time. I am an optimistic person and, seeing that the Government has made some changes, then I think we should work together to get the job done.

First, now that the Financial Secretary is in attendance, I hope he can discuss in public what he has considered with respect to the work in the Steering Committee on Housing Land Supply. I know that he has done some work. However, as the Chairman of the Legislative Council Panel on Housing, I do not know very well what he has been doing. I know that meetings are held and land

is put up for sale. But as this is an internal committee, the public must be able to understand Now some people say that land is urgently needed. In the long run, the Secretary has always talked about rock caverns and reclamation. I always say that such things will not appear even by the time I retire. This is because land will not be produced from rock caverns or land reclamation in at least eight to 10 years.

If this is the real situation, then what has the Financial Secretary to offer in the medium range? Will factory buildings be turned into residential sites? Can the Town Planning Board (TPB) procedure be speeded up? Or can the TPB procedure be expedited with respect to vacant land so that it can be turned into residential sites? Now there are some most novel ideas about increasing the plot ratio of the lots allocated to the Housing Authority (HA) or on the Application List so that every plot of land can be used to build slightly more flats. I think public participation in the discussion of such matters can be enabled, and I hope the Financial Secretary will not think that the ordinary people are all ignorant and will not take part in such discussions. I hope the Financial Secretary can consider handing over matters related to the work of that internal committee for public discussion. This can enable the Legislative Council, or if he thinks fit, joint discussions by the Panel on Development and the Panel on Housing. This is the first point I wish to make.

Second, on the question of how much land should be supplied each year, I would think that there is no definite answer yet. Now the baseline used by the Government in the debate on this issue is 20 000 private residential units, 15 000 public rental housing (PRH) units, 5 000 Home Ownership Scheme (HOS) units and 1 000 My Home Purchase Plan (MHPP) flats each year. The sum of all these kind of housing units would be 41 000 units. Actually, one might challenge how this sum of 41 000 units is worked out and whether this should be the number.

The Government's assumptions are not without grounds. The number is worked out from average numbers from the past. But I do not think these average numbers from the past are scientific. I remember that when I used to work in the HA, that was more than 10 years ago, in 1987, we formulated the Long Term Housing Strategy (LTHS) for the first time. I have not mispronounced the name this time round. So we had a housing strategy in place actually. But more than 10 years after its introduction, the strategy ceased.

The strategy is based on the discussions and the housing demand model. If this figure of 41 000 which is derived by adding up the private units, PRH units, HOS units and MHPP units is not necessarily correct, We can take a look at the situation of newly completed flats on sale. There was a news report yesterday which pointed out that of the newly completed flats sold, about 30% to 40% of them went to Mainlander purchasers. This is called investment demand or demand from places other than Hong Kong. When I worked out this figure more than 10 years ago, the number of people from outside Hong Kong, that is, from the Mainland, who came here to buy flats only took up 10% of the flats sold. Now the demand for many new housing projects does not come from local people. So has this demand been included in the 20 000 units in the private sector? This we do not know.

Well, when we discuss whether the number of 15 000 PRH flats is enough, we need to look at how the Government formulates its public housing policy. If the Government has not included singleton applicants in its pledge of allocating a unit within three years, then it is suppressing the demand. But if it says that the aim is not to allocate a unit to each applicant within three years but two years instead, or if it enables families to purchase HOS flats and also enables single persons to purchase HOS flats, then we need more than 15 000 PRH units and 5 000 HOS flats.

So we have got to engage in some thorough discussion and see what kind of goals should our LTHS fulfil and what the strategies and demand arising from these goals are. Only then can we compute the number of units required. Of course, I am a bit shocked by the numbers proposed by the two potential Chief Executive candidates. A gentleman said that he wanted to produce 35 000 PRH units a year. But my experience of working in the HA during that many years tells me that the HA has never produced this large number of 35 000 PRH units, at most it is some 20 000 and close to 30 000. I hope that this number of 35 000 units includes the number of HOS flats. I do not hope that people would make out post-dated cheques for purposes of running in the Chief Executive race. Nor should anyone make out such post-dated cheques recklessly which cannot match land production in the short term or medium range.

Deputy President, in the so-called new housing policy this time, the issue that has attracted the greatest debate is the HOS. The Democratic Party has proposed that the production of HOS flats be resumed and many Honourable

colleagues have made the same suggestion. The suggestion was passed in a debate in this Council. In our opinion, the average production target should be 5 000 units a year. But the number for the first year is in fact too small. The Secretary has said that land is not enough and despite our pressure, she could not possibly squeeze out 2 500 units more. I have actually asked Secretary Carrie LAM about this, but she has not given me any reply. If there is a chance for doing that later, I hope she can give me a reply in public.

I placed a bet with the Secretary earlier this year, actually that was with the Secretary of Department. I said if 40 000 private residential units could be provided this year, LEE Wing-tat would resign. During the summer recess this year, the Secretary had whispered to me, "Ah Tat, you had better watch out. I can offer 35 000 units soon and you will have to resign in no time." But in the end, she did not make me resign, because she can only offer 35 000 units this year.

Deputy President, actually, there will not be 35 000 units for sale this year. On the Application List, and the Secretary has said firmly and clearly, there are 35 000 units. If there will not be 35 000 units for sale — let me put aside the luxury flats and expensive sites on Hong Kong Island — there are a number of lots in Tseung Kwan O (I remember they are lots 56A, B and C). They are very large in size, measuring 4 hectares to 5 hectares. These sites can be used to build HOS flats. The Application List for this year is ready. She does not plan to sell all of these lots. Since these lots will not necessarily be put on sale, why does she not set aside one lot and build 2 500 units? Then there will be more than 2 500 units for the first year and also, this will add up to 5 000. Why does the Government not do it? As a matter of fact, I have raised this point many times, but no one has given me a reply. Unless the lots of 56A, B and C in Tseung Kwan O do not exist — Deputy President, I have checked and really found these lots on the Application List, and they are no tiny sites but large ones. They measure a few hectares. Unless the Secretary says that these sites will be sold in the first quarter next year, but there are some other lots on the Application List. Why do we not use them? If the policy is so good, then why does the Government have to do certain things to invite criticisms from the public? Sometimes I fail to see why the Government likes to do things this way. I support such policies, but why can a better job not be done? Obviously, it would be very good to have 5 000 units. But the Government is bent on saying that it will only build 2 500 units, and so the people condemn it. Also, the

concessionary fare of \$2 is obviously a good thing, but the Government insists that it be implemented for just a year and a half. So it is inviting criticisms from people. It beats me. I will let the Secretary answer this question.

Second, the method of premium payment for these new HOS flats also provokes much debate. But I do not think that this method is entirely not justified. I have put forward my view on that before, pointing out that only some 50 000 to 60 000 units of the 300 000-odd old HOS units have paid the premium. The old method of premium payment has resulted in a very low circulation of HOS flats. I have asked the Secretary to consider using some flexible methods to improve the premium payment method for old HOS flats. The current method in use is too rigid because when someone wants to pay the premium, he has to pay it in full. If I am a wage earner and I have got a bonus of \$100,000 this year, can I only pay a small part of the premium instead of the full amount? The method suggested by the Government now is to work out the part subsidized by the Government like a loan, instead of using the premium payment method. I would not say that this is definitely wrong. From the perspective of turnover of HOS flats, this method would speed up the turnover. But the question is, as people think, this would make owners of new HOS flats reap more advantage. Then can some social factors be factored into this so that such greater advantage can be changed into social benefits?

I have discussed this with friends in the Democratic Party. We came to the view that for these owners of new HOS flats or old HOS flats, if they are to sell their flats, they must sell the flats to people with a household income below \$30,000. Then it is not possible for them to engage in any speculation. Please do not think that all the white form applicants with an income below \$30,000 can get a new HOS flat. Just do some simple maths, if 2 500 to 3 000 HOS flats are offered, the probability of getting the right to buy a HOS flat would be only 5%. If these white form applicants say to HOS flat owners that they want to buy their flats, even if they do not get the right to buy a new HOS flat through drawing the lots, they would stand a higher chance. There would not be so much harsh criticisms if you consider this social factor, that is, social objective. This is not about any speculator who buys four or five of these HOS flats for speculation. There is a social objective attached to HOS flats and they must be sold to people with an income below \$30,000. The income fits what we consider to be the income of those in most need of help. I therefore hope the Secretary can give serious consideration to that.

As regards the housing policy in this Policy Address, the point which I am most unhappy about is the number of PRH units to be produced. This average number of 15 000 a year is simply not enough. I have said many times that if it is said that this number is enough, then it is merely tampering with the numbers. If it is said that 15 000 units are enough, it means they can only meet the need of those who apply as a family. For those singleton applicants, they will have to wait more than 10 years. Yesterday, the Secretary said in a youth programme that we should not request that university graduates be enabled to enter this safety net so soon. It is right, and I think university graduates should work hard for a few years, get promoted, earn some money, then rent a flat and save up for the down payment. Then they can buy an old flat in the New Territories. This is movement in social mobility, and I approve of it. As I have said to the Secretary many times, however, there are indeed some young people — we have seen these people when we met with those complainants referred by the SOCO — they were in their twenties, having work odd jobs for some five to six years, and they had very low academic qualifications. They made \$6,000 when they lodged the complaints. Now when they have changed to another job, they are making \$6,200 to \$6,300. They have been waiting for PRH units for singletons for four or five years but have yet to be allocated one. I think the existing policy constitutes serious discrimination against these people.

Recently, I read about the views expressed by Prof LAU Kwok-yu of the City University of Hong Kong and I think they merit consideration. I cannot say that another factor has to be added, such that applicants who are university graduates will be considered under a points system; and those who are not university graduates will not have be considered under that system. This would be very difficult and it cannot be done in our society. But you can refrain from applying the age specified in the points system to everyone. Prof LAU suggests the points system should be applied to those below the age of 30. For single persons aged below 30, they are no different from those who apply for PRH as a family. I think that this idea will work because I believe very few university graduates would still get a salary of \$6,000 after working for 10 years. If this is the case, they have my sympathy and they should be given a PRH unit. Right? But those young men and women who work odd jobs and some low positions there are really such people around. They need to rent a flat so that they do not have to live in a cubicle or a "caged home". I hope the Under Secretary can think about whether this idea will work. Otherwise, you will still be under attack and people will ask why certain people who are very poor still have to face

the points system and wait for more than 10 years and live in a cubicle. This is a kind of discrimination.

Deputy President, another problem which I have thought much about is the sale of PRH flats. I used to debate with the Secretary on this issue. She said, "Ah Tat, please do not talk about it so often. I do not have enough PRH units and I have to set aside some units for allocation to the applicants." Now apart from the 15 000 new flats to be produced each year, another 15 000 comes from old units recovered, that is, old units vacated by some people who have bought flats in the private market or the surplus flats of the HOS. I think the Under Secretary can make some calculations and let us do it in a scientific way. Actually, about 2.5% of the units in every housing estate are left vacant because of recovery due to these reasons every year. So the Secretary should not exaggerate the overall effect of this kind of units recovered every year. In my opinion, if the number of units produced every year can reach about 20 000 to 25 000, I do not think you really need to solve this problem by relying on these recovered flats resumed. Then you can relaunch the sale of PRH units scheme. This is actually a policy that can bring great benefits to society.

I would meet the kaifongs very often and in their view, even if those living in interim housing units want to buy a HOS flat, the chances of them getting their lots drawn are very slim. If we launched a scheme as we did about 10 years ago, like the sale of PRH flats scheme seven or eight years ago, such that units were sold at a very low price, what problems could we solve for these people? The problem of most tenants is that, after living in the current units for 10 years, they will have to pass a means test. That is a kind of checking which causes most social discord. Of course, the Government may say, now that the children of these people have grown up and they have an income, it is only right that they pay 1.5 times or double the normal rent. But our society should provide these people with an outlet, and one of these outlets is to let them buy a HOS flat after their financial situation has become stable. But the Secretary should remember what I have said before and that is, even if 5 000 HOS flats were produced every year, the chances of their lots being drawn would still be less than 5%. Ninety-five per cent of the applicants will not be successful in the lottery. The situation for green form applicants is somewhat better. But the chances of white form applicants in being successful in the lot drawing are very low. If they are living in a PRH unit, and if they can be allowed to buy it with a few hundred thousand dollars, then they will not have to face the means test. This policy was

actually devised by the HA in the mid-1990s and it was put into practice in TUNG Chee-hwa's era. It was a policy well received by PRH tenants. I think it should not have been stopped. Of course, I agree that more PRH units should be produced before consideration is given to this policy.

Deputy President, lastly, as Secretary Carrie LAM is here also, I would like to talk about the issues of inspection of old buildings and sub-divided units. Deputy President, with respect to the quality of housing in our society, I dare say that apart from a small percentage of people, I do not think there is any improvement in the quality of housing in society. I do not know the exact percentage and I have not compiled any statistics. Maybe some 10% to 20% of the people of Hong Kong have seen some improvement in the quality of their housing during the past 10 years whereas the quality of housing for the majority of people here has declined. I feel concerned that this drop in the quality of housing in society would cause some intense developments in social conflicts.

I have met with the young people more recently and every time when I met them, I would ask them a question. I said, "Young men, what do you plan to do after graduation? Will you rent a flat first, or how many years after that do you think you can buy a flat?" They said, "Mr LEE, I will most likely live with my parents first, then see how much my girlfriend can make from her job and whether we have any savings before thinking about drawing lots for a HOS flat or what we will do next." I think this question of social mobility, especially at this time when the problem of housing is so acute, will only serve to intensify conflicts. What we are talking about, that is, the times back in the 1950s, 1960s I still remember that when I used to live in a squatter's hut I knew that I could move to a PRH flat soon. I knew that I had hope. And this applied especially when I had the chance to study in a university, knowing that I need not worry about not being able to buy a flat after graduation. And soon after graduation and in five or six years' time, provided that I did not squander, I did not have to worry that I could not make enough savings to buy a flat.

I asked the young people whom I met recently — not those who talked with Secretary Eva CHENG on the radio but those young people in the communities — not a single one of them said to me that they could buy a flat in 10 years' time. None of them had ever said this to me. I told them not to consider Hong Kong Island or those new flats, just think about whether they could buy an old flat in Yuen Long in 10 years' time. Secretary, sorry, I have to

say that none of the some 20 young people I met said to me that they could buy an old flat in Yuen Long in 10 years' time. How tragic this society has become.

An old flat in Yuen Long will cost only \$2 million at the cheapest. It is true. And it is a flat of some 400 sq ft. But they could not cherish any extravagant hope. So they have to live with their parents. If some of them want to get married, they A gentleman told me that he had gotten registered first when he wanted to get married. That was because he had to apply for a HOS flat. His girlfriend lived with her mother for the time being and he lived with his father. In this way, the couple did not live together. I hope that the Government can really think about this situation.

In 1993, I went to Singapore for a study visit together with Sir David AKER-JONES. I have mentioned this example many times already. At that time, private flats in Hong Kong were about 500 sq ft in area while in Singapore, it was 600 sq ft to 700 sq ft. Now a family in Singapore lives in a flat of 1 000 sq ft or more. And how large is the flat we live? It is still 500 sq ft to 600 sq ft. I can say that the quality of living and our housing have declined.

More than a decade ago when in 1991 I was returned as a Member of this Council, I had asked why the children living in PRH flats or private residential buildings did not have their own rooms. Why did a 13-year-old girl have to share a room with her 12-year-old younger brother or why did a 15-year-old boy have to live with his 13-year-old younger sister? And they had to sleep in the top or bottom deck of a double-decker bed. And there was only a curtain dividing them. Now the situation has not changed. Secretary, it has been 20 years and things are still what they used to be. What is more, the young people these days plan to live in a sub-divided unit or a cubicle. More and more people from the grassroots are doing that. But these units are not cheap at all. They cost some \$2,000 to \$3,000 in rent. And there is a kind of unit called "coffin" which is found in Sham Shui Po, which is so small that one has to turn sideways to get in, and it costs a rent of \$1,200. This is really pathetic.

Dear Directors of Bureaux, I know that you might be like me when you were young and had lived in a squatter's hut, but you have left this environment long since. Although there are many Directors of Bureaux and officials around, apart from those potential candidates for the Chief Executive race who would visit those people living in "caged homes", most other people do not have this

kind of experience. They are very much detached from the social reality. As a professor in the University of Hong Kong has said, your friends, your circle and what you eat and drink, have become worlds apart from them. They will never see these things and they can never feel such matters. They cannot sense the simple and humble wish of the grassroots. They can never feel the miseries these people have to endure when they have to wait for years and are still not allocated a PRH flat.

Deputy President, I believe these sub-divided units, cubicles and "coffin" rooms will not disappear in Hong Kong in the next five to 10 years. Irrespective of what we will do, I am still pessimistic about it and I do not think they will disappear. This is because property prices and rents are too high. The safety of these places will become a very great concern. I have not asked the Secretary to get rid of these. They cannot be eliminated anyhow. But I hope very much that she can instruct the Director of Buildings to take positive and resolute actions to deal with any potential risks in these places. I once made a criticism that even in that block of building in To Kwa Wan in which some people were burnt to death in a blaze, it was only one month after people had made criticisms that law enforcement action was taken. In that block where some people were burnt to death, there are sub-divided units and other hazards. The backstairs are sealed. Why does the Director not take immediate enforcement action and clear them? The owners can be required to pay for the fees after demolition. If it is said that this kind of action is too high-handed, then give them one week's notice. Why is one month's notice given? I am really baffled. He has the society's support when he carries out enforcement action. It is because there are dangers and people have been burnt to death. But even if this is the case, he does not want to take any action. Deputy President, I hope the Secretary can talk with the Director, for if not, should this kind of thing happens again, it would be very difficult for us to give an explanation to the public.

Thank you, Deputy President.

MS LI FUNG-YING (in Cantonese): Deputy President, the Chief Executive has delivered the last Policy Address in his term of office. I will not deny that this Policy Address contains some good policies which have answered public aspirations, such as resuming the HOS, increasing land supply, providing transport subsidies to the elderly, introducing the Guangdong Scheme to enable

eligible elderly people to receive their Old Age Allowance without having to return to Hong Kong, and so on. Having said that, these good measures are actually nothing new. They are the aspirations expressed by members of the community over the years. If these measures are not introduced only in the last Policy Address of the Chief Executive but in the early years after the Chief Executive took office, I believe they would win the applause of the community more easily. But for many years during his term of office, the Chief Executive had long ignored the voices in the community, and it is only when the handover of power is about to take place that he rolled out grand plans to implement good policies extensively. Judging from the perspective of political ethics mentioned in the last parts of the Policy Address, he is, to say the least, doing a disservice to morality.

This Policy Address entitled "From Strength to Strength" of the Chief Executive mainly deals with three major areas, namely housing, ageing population and the wealth gap. In this session, I will focus on expressing my views on the housing policy. The blunders in the housing policy are one of the sources of escalating social grievances. The Chief Executive said in the Policy Address, "Over the past year or so, the property market has been exceptionally vibrant because of the relatively small supply of private residential flats, abundant liquidity and persistently ultra-low interest rates. This is the root of people's difficulty in purchasing a home." But this is not true in reality. Let me quote the views of the Financial Secretary on the exuberant property market that he expressed in delivering the 2010 Budget. He said, "The inflow of funds has fuelled an increase in the prices of luxury flats, which to some extent has affected the prices of small and medium-sized flats. This, together with a relatively low supply of flats in the past two years, has led some people to worry that their plans to buy a home may be frustrated." (end of quote) Therefore, the low supply of residential properties in Hong Kong did not just happen in the past year or so, but it has existed for four to five years, according to what the official line. If the Chief Executive was not trying to gloss over the blunders in the housing policy, he must have got the answer wrong in doing even the simplest sums.

The Chief Executive has highlighted in the Policy Address the basic principles of the Government's housing policy. But we only have to compare these principles with the three principles on which the Government's housing policy was premised as mentioned in last year's Policy Address, we will find that the principles of the Government's housing policy are not highlighted but are

changed in principle. In this year's Policy Address, the Chief Executive said that the first principle of the housing policy is to ensure that all Hong Kong people have a home. But in last year's Policy Address, the Chief Executive, in mentioning the three major principles of the housing policy, said that apart from public rental housing (PRH), the major role of the Government is to supply land, and that the Government should refrain from participating in subsidized housing schemes by all means, and minimize intervention in the property market. This year, according to the Chief Executive, the second principle of the housing policy is that the Government is duty-bound to supply sufficient land for the private sector to build a mix of residential units. Last year, the Chief Executive said that the Government would ensure sufficient land supply and provide quality infrastructure to maintain a fair and stable environment for the healthy and sustainable development of the property market. It did not mention anything about ensuring a mix of residential units in the market. Even in respect of PRH, the Chief Executive said this year that the Government would provide public housing for low-income people who could not afford private rental accommodation but last year, he said that the Government would PRH to the low-income group who could not afford private rental accommodation, stressing the rental nature of public housing.

Deputy President, unlike the way that the Chief Executive causally put it, the housing policy was not "highlighted" in the Policy Address. Rather, it pointed to a complete change of stance. I believe the community welcomes this change of the SAR Government but, regrettably, the Chief Executive still has to surreptitiously cover up the change in stance, failing to explain in his last policy address the merits and demerits of the housing policy in his term of office and the reasons for taking steps to set things right, so as to enable society to conduct in-depth discussions and learn a lesson.

The relationship between demand and supply is the chief principle determining the market prices of goods but when increasing supply cannot meet the demand in the market, it means that this would not help the downward adjustment of prices of goods. It has become a trend for people from the Mainland to buy residential properties in Hong Kong. In the past, the Government could still say that the Mainlanders came to Hong Kong to buy luxury flats and so, this would have nothing to do with the market of middle-to-lower-priced properties. However, there have been great changes in the development of the property market. On the one hand, money-minded

property developers have packaged the middle-to-lower-priced properties as luxury flats and sold them at the prices of luxury flats. On the other hand, the trend of Mainlanders buying properties in Hong Kong shows a tendency to spread to middle-to-lower-priced properties. When members of the general public are complaining about difficulties in buying their own homes, a research report recently pointed out that of all the first-hand property transactions recorded in the last quarter, properties purchased by Mainland buyers accounted for over 40% and even more than half of the total amount of transactions.

In order for the development of housing in Hong Kong to meet the needs of Hong Kong people as a matter of priority, the emphasis on increasing land supply and even the principles of the housing policy of the Chief Executive are not the solution. I propose that the Government impose an additional tax on the purchase of middle-to-lower-priced properties by non-Hong Kong residents to discourage Mainlanders from buying middle-to-lower-priced flats in Hong Kong as a means to stabilize the property market.

Deputy President, I would like to talk about the resumption of the HOS. This is a consensus long reached in the community, and a policy introduced only after a much exasperated and prolonged wait. The biggest difference between the new and old HOS policies is the method for calculating premium payment. Under the old HOS, a flat can be sold only after paying the premium at market value of the flat, whereas the new HOS requires the payment of premium based on the purchasing price of the flat. The change in the calculation of premium payment has, in effect, changed the way how HOS flats are subsidized. Under the old HOS, eligible buyers of HOS flats can actually take up 70% of the ownership whereas the remaining 30% belongs to the HA. This is why that 30% of the flat ownership has to be bought back from the HA based on the market value upon sale. But under the new HOS policy, buyers of HOS flats will have full ownership of the flat, and the HA provides assistance for buyers to buy their own properties only in the form of loans. For this reason, owners of HOS flats need only repay the loan amount when they sell their flats. Having said that, I think it is not easy to draw a comparison between the new and the old schemes. When property prices rise, owners with full ownership of their flats can reap greater gains but on the contrary, a drop in property prices will be less favourable to them. But I think even though subsidies are provided in the form of loans to the public in buying HOS flats, it should still be a reasonable arrangement to require the payment of interest for the loan.

The My Home Purchase Plan (MHPP) was originally meant to replace the HOS. After the resumption of the HOS, the problem that both schemes benefit the same stratum of people will actually remain, despite some fine-tuning of the MHPP in the Policy Address. Under the proposal made in the Policy Address, the monthly household income ceiling for HOS applications will be \$30,000 and \$40,000 for the MHPP. There is just a difference of \$10,000 in the income eligibility between the two schemes which actually target the same stratum of people with the same financial means. After the resumption of the HOS by the Government, the MHPP will need to be adjusted not purely in respect of the technical details, but also the target beneficiaries. Can the Government consider extending the scope of the MHPP to benefit more households by, for instance, raising the income limit to \$50,000?

Deputy President, I support in principle the development direction of the housing policy proposed in the Policy Address. But this is absolutely not considered as "a magnificent sunset which makes it unnecessary for us to feel distressed about the nearing dusk". Society as a whole has already paid a dear price for this long overdue housing policy which is just slightly closer to the public aspiration. The track record of the Chief Executive in ruling Hong Kong over the last seven years is far from magnificent. The livelihood policies in Hong Kong are still plagued with problems. The Chief Executive has still reacted slowly to the distress felt by the people and worse still, he has refused to react to it even though he is aware of it. Thank you, Deputy President.

MR WONG TING-KWONG (in Cantonese): Deputy President, the Chief Executive delivered his Policy Address for the year 2011-2012 which is entitled "From Strength to Strength". The Policy Address focuses on the people's livelihood, improving the housing conditions of the people, and raising the quality of life of the elderly. It responds to some of the aspirations of the community and it can be said that the starting point is right and it should be welcomed. This Policy Address, which is one of seven such, has been given the highest rating. However, only 24 of the 210 paragraphs are related to economic development. And only paragraph 171 deals with assistance to the small and medium enterprises (SMEs), in obvious neglect of the needs of the SMEs. I think this is a deficiency when compared to the emphasis that should be placed on the economic development of Hong Kong.

According to information published by the Census and Statistics Department (C&SD), the year-on-year rise in the Composite Consumer Price Index for September 2011 is 6.4%. That means the underlying inflation rate is 6.4%. Financial Secretary John TSANG predicted earlier that the inflation rate for the year would be 5.5%. The figures show that prices have risen and that applies to prices of all kinds of commodities and resources. People are paying more in clothing, food, housing and transport. As the cost of living rises, people are finding less money in their pockets. People from all sectors across society including the old and the young are suffering.

The children and adolescents find that they have to face rising tuition fees, expenses on books and stationery, transport costs and all kinds of miscellaneous expenses. Most of their parents have to lead a frugal life and economize. Only by doing so can they hope to meet the needs of their children in learning and catching up with the pace of a knowledge-based society. Children from grass-roots families are more unfortunate because the financial situation of their families is tight and if the income of their parents lags behind inflation, this will make things even worse. With the devastating effects of inflation, the poor will only get poorer and for the young people, their conditions for learning are severely restrained and often they find themselves lagging behind other people at the starting point in the race of life. This is terribly unfortunate.

Wage earners also suffer from the effects of inflation. According to figures released by the C&SD on 26 September this year, the findings of surveys on all major categories of selected trades show that in terms of the nominal wage index, the average wage in June 2011 has risen by 8% when compared with the same period last year. It appears to be good news for it means that the toil by wage earners is rewarded. But under the impact of inflation, this rise in wages is forced to engage in a race with soaring prices. Although the wage earners get a pay rise, the increase is offset by inflation. It turns out that their toil is all in vain.

Retirees are certainly finding themselves hard to cope with the menace of inflation. They have no income and they have to live on their savings. With inflation and soaring prices, plus the fact that the interest rate for deposits in the banks is close to zero, it is hard for them to avoid spending more than they can save. As their savings deplete fast, their retirement life left dangling in pitiful uncertainty, the toil they made during their working life leaves them in a situation

where they can only wait until their savings are all used up. This is simply a pathetic situation.

All these evils brought about by inflation will cause an adverse impact on society. Although these problems are severe, they are very much obvious, easy for everyone to notice and to arouse concern. And they are widely reported in the media. Under the lingering spectre of inflation, there is a group of people who are silently bearing the pain. These silent victims are not given enough attention in society and in this Policy Address, they are not given enough assistance and their hardship is simply neglected. These victims are the SMEs in Hong Kong.

The year past has seen a drastic rise in business costs thanks to the pounding effects of inflation in soaring prices and sharp increases in raw materials, office rentals, factory rentals, equipment outlay, labour costs and such like costs of production. Adding to this the appreciation of the Renminbi, Hong Kong enterprises not only have to face rising costs but also exchange rate volatility. Their marginal profits are eroded from all sides and it can be said that these SMEs are finding survival very difficult.

These SMEs find their profit margin being eroded by fierce inflation and they have to face a business environment in which dangers lurk everywhere and a thorny path ahead of them. Despite Hong Kong's claim to being an international financial centre, its powers are severely restrained by the setup of the international economy. A tiny place like Hong Kong is readily susceptible to changes in the external economy and there is very little it can do. It can be said that, to a very large extent, the external economic factors dictate our economic outlook.

Talking about the external economic factors, it is apparent that the global economy is engulfed in a crisis. Europe is beset with the debt problem and the five countries in Europe severely hit in the crisis are stuck in a financial quagmire and they are battered. Greece is on the verge of collapse. The European economy is languid and enervated. The United States does not fare any better. It is infested with the debt problem and its government is heavily in the red. There is even a risk of double-dip recession. This economic crisis in Europe and North America has caused an impact on the economic situation worldwide. Our confidence in capitalism is shaken and even China which has seen rapid growth

in recent years cannot stay immune, with its pace of economic development having slackened. So in this kind of harsh external economic situation, there are trying tests lying ahead of our economy and for the SMEs, their business environment is fraught with problems.

(THE PRESIDENT resumed the Chair)

Figures from the C&SD show that in August 2011, as compared to August 2010, the volume of re-export trade in Hong Kong has declined by 1.4%. There is also a marked drop in the export of locally manufactured goods by 24.9%. Taking the two together, the total export volume has fallen by 1.9%. It is evident that companies in Hong Kong are dealt a severe blow by unfavourable factors in the external economy, where the drop in demand overseas has led to a fall in our exports. This is only the beginning as there is often a time lag in economic data compiled. The phenomenon as reflected often lags behind the real situation. Our economy is placed therefore in the final hours of the onslaught of a devastating crisis and it is certain that different challenges will come one after the other. The Hong Kong Government should make efforts now to give positive support to the SMEs so that they can tide over the rough times. Consideration should also be given to some long-term development strategies so that Hong Kong enterprises can find room for sustainable development.

It is due to all of these reasons that the banks are tightening their credit. People from the business sector say that they come across difficulties in financing. They hope that the SAR Government can reconsider launching a scheme similar to the Special Credit Guarantee Scheme launched in the financial tsunami. This will hopefully help the SMEs solve the problem of cash flow so that they can weather the crisis. At the end of 2008 at the height of the financial tsunami, the Government introduced a Special Credit Guarantee Scheme (SCGS). As at end 2010, the default rate was only 0.24%. The SCGS which was well-received had expired at the end of last year and it was replaced by the SME Financing Guarantee Scheme operated by the Hong Kong Mortgage Corporation Limited under the Hong Kong Monetary Authority. The shortcomings of the latter Scheme are numerous: the premium payable is high, and approval requires the banks to submit detailed records on transactions with their clients. Given the cumbersome procedures and additional costs incurred, many banks are put off by

the trouble. Now that the external economic reality is harsh and the local business outlook remains uncertain, the Government should reconsider giving assistance to the SMEs such as by relaunching measures like the SCGS to help the SMEs tide over this crisis.

Apart from that, the business sector should be given assistance in market development. The Policy Address proposes to set up a dedicated fund worth \$1 billion to encourage local enterprises to move in the high value-added direction, utilizing the local edge in design in brand development and helping local enterprises venture into the Mainland market. Now Hong Kong goods face tremendous difficulties if they want to venture into the Mainland domestic market. It is believed that these new measures would be welcomed by the business sector. But the effectiveness of these measures on the enterprises will have to depend on the amount of financial assistance given, and factors like time and other constraints involved. I hope the application details can be released soon and the measures introduced.

The Policy Address mentions that preparations are being made for the establishment of the Hong Kong Economic, Trade and Cultural Office in Taiwan and to set up dedicated liaison units in Chongqing and Fujian. We hold a very keen interest in the composition and nature of work of these agencies, particularly on the question of how best assistance can be provided to Hong Kong businessmen in opening up more business opportunities. Later on the Hong Kong Economic, Trade and Cultural Office in Taiwan will seek funding approval from this Council, and with respect to the staff establishment of that Office, approval was given this morning to create some posts. It is expected that the Office will commence operation at the end of this year. Besides, when Hong Kong SMEs come across problems on the Mainland, the kind of assistance rendered by the Liaison Office of the Hong Kong Government on the Mainland is not enough. The Government should consider setting up a complaints unit for Hong Kong businessmen dedicated to the follow-up of related matters and offering various kinds of support such as that in law.

Demand for offices in the commercial areas is keen. A survey conducted the other day shows that the average rental of Grade A office buildings is US\$213.7 per sq ft and that translates into HK\$1,666.8. This tops office rentals in the world. The Policy Address proposes to develop another core business district in East Kowloon. It is expected that an additional office floor area of

4 million sq m can be provided, thus relieving the heavy demand on office buildings. It is also proposed that the measure to revitalize factory buildings should be extended by three years. I fully support such measures. Under the relevant zoning plan, the Government Offices Building in Wan Chai, the Revenue Tower, the Immigration Tower and such like 11 departments will be relocated to East Kowloon in 2014. The first berth of the Kai Tak Cruise Terminal will be completed in 2013. By then major commercial complexes and residential projects in Tseung Kwan O and Yau Tong will be completed one after another. This would create tremendous pressure on traffic in the East Kowloon area and also inconvenience to residents, business and professionals, as well as travellers. This situation will hamper development and waste our efforts in infrastructure construction. I therefore hope that planning can be soon undertaken to build a trunk road joining Hong Kong Island and the eastern and western parts of Kowloon in order to minimize the traffic burden in the Kai Tak Development Area in East Kowloon. This can hopefully ease the traffic problem there in future.

Thanks to the vibrant development in tourism, inbound travellers have increased year after year. These travellers, coming mainly from the Mainland, have led to buoyancy in the retail trades. But this has also caused rentals for shops to hit new heights. As the saying goes, even when in the absence of long-term worries, one has to think of the present problems. People from the retail sector have told me that even if the retail business is strong, revenue from sales is all offset by rentals. There is also a possibility that relevant policies on the Mainland may change gradually and it is expected that the Mainland will relax the relevant duties, by then the attractiveness of goods offered here will be greatly reduced. So the impact could be significant. They hope that the authorities can pay attention to this situation and in order to ensure the sustainable development of the local tourism industry, efforts should be made to open up more sources of visitors to the territory.

With respect to innovative technology, the Policy Address proposes to review the Small Entrepreneur Research Assistance Programme to better support the research and development (R&D) efforts of SMEs. However, many SMEs do not understand the contents and details of the Programme and so they are not able to use it fully. The Government should therefore enhance its publicity efforts in this respect. Moreover, it is also suggested that the coverage of the Programme should be extended to include the commercialization of products.

The Chief Executive proposed in last year's policy address to develop the six industries where Hong Kong enjoys clear advantages, namely the education industry, the healthcare industry, the testing and certification industry, the green industry, the innovative technology industry and the cultural and creative industry. I hope that after the blueprint for development is formulated, the Government can make efforts to boost the development of these priority industries, devise matching policies and provide concrete research data for reference by the industries concerned.

On the education industry, now that hostel places in the education institutions are short in supply and if this problem of shortage is not solved, the institutions cannot admit more foreign students, let alone talking about the industrialization of education services. Therefore, the Government should strive for greater efficiency and speed up the vetting and approval procedures so that private education institutions can build hostels on the existing sites. This will attract students from nearby places to come here for studies, create business opportunities and boost employment.

In the past, many companies adopted the approach of processing with raw materials imported. They sent the raw materials to the Mainland for processing. The finished goods were then exported overseas. As it is hard to tell how many work procedures were carried out on the Mainland, and with the consent of the Inland Revenue Department (IRD) of Hong Kong, most of these companies could have 50% of their income classified as originating from places other than Hong Kong and hence exempted from profits tax. This practice of paying half of the Mainland tax and half of the Hong Kong tax came to be called "half and half" in short. This arrangement has all along been well-received by Hong Kong businessmen. However, the Hong Kong IRD tightened its control over these companies which processed imported raw materials on the Mainland, such that all of the profits generated would have to pay profits tax in Hong Kong. In recent years, and especially in Guangdong Province, there have been policy adjustments for the upgrading of industries and so enterprises which used only to pay the processing fees tax had ceased to exist. These companies used to operate on the modes of processing with imported raw materials and the "three-plus-one" trading mix (custom manufacturing with materials, designs or samples supplied and compensation trade). As a general rule, nowadays Hong Kong enterprises cannot hope to enjoy such a "half and half" tax concession through the abovementioned modes of operation. Certainly, these processing firms would

like to transform and engage in sales business in the domestic market on the Mainland. But they have met all sorts of difficulties. In order to ensure the survival of these SMEs, can the Government consider resuming the provision of this "half and half" tax concession to these Hong Kong-owned companies?

Now Hong Kong has not set up any original grant patent system which engages in direct approval locally. If this system is set up, it will help the development of trades related to patents. It can also promote more innovative inventions here, and provide more career opportunities to local science and engineering graduates. This would be of great help to the development of the local testing and certification industry, the innovative technology industry and such like industries where Hong Kong enjoys clear advantages. The Government should draw reference from the experience of nearby places like Singapore and Macao and set up an original grant patent system and patent approval specialists should be introduced from the Mainland at the start-up stage. It should set up a regulatory regime for the professional qualifications of patent attorneys and patent agents and train up local patent attorneys. With respect to regulation, as a start, efforts can be made to liaise with the four major relevant professional bodies, namely The Law Society of Hong Kong, the Hong Kong Bar Association, the Hong Kong Institute of Patent Attorneys Limited and The Hong Kong Institute of Patent Practitioners. It is hoped that the relevant system can be improved over time.

In addition, in order to culture Hong Kong brands and help our enterprises develop in the high value-added direction, the Government should set up a brand authority in Hong Kong. This agency will spearhead the cultivation, grading, promotion and protection efforts. It should set up dedicated funds for brand building, offer matching funds, low-interest loans, and so on, to finance SMEs in their development of brands and products. Hong Kong should set up a mutual recognition mechanism with the Mainland on patent registration, strive to obtain official recognition from the Mainland authorities for outstanding Hong Kong brands, and hence put into practice the registration of brands recognized both in Hong Kong and on the Mainland. The Hong Kong Government should also set up some permanent exhibition venues at the border to display Hong Kong products.

The SAR Government should undertake a review of all laws and administrative measures which are unfavourable to the business environment. It

should carry out comprehensive assessments and conduct extensive consultations. All these should aim at precluding any adverse effect on the business environment of SMEs. If the costs of operation of SMEs increase drastically and if they go beyond the affordability of SMEs, this will greatly undermine the competitiveness of Hong Kong enterprises and hence detrimental to the overall economic development of Hong Kong.

We hope that the SAR Government can enhance its communication and co-operation with all levels of governments on the Mainland, urge the Mainland governments to enhance the legal environment, increase the strength of law enforcement and the transparency of government policies. All these will provide a freer, more open and efficient environment where Hong Kong businessmen can compete with their Mainland counterparts. Apart from forging closer dialogue with the Mainland governments, the SAR Government should strive to for a reduction of the *ad valorem* duty rate on Hong Kong goods entering the Mainland market. Or it can fight for a change in the methods of tax collection, in order to reduce the unfavourable effect of the *ad valorem* duty on Hong Kong enterprises. An example is to fight for the after sale payment of duty. This can increase the cash flow of the enterprises.

Also, the SAR Government can forge closer co-operation with Guangdong Province and provide full-scale upgrading and transformation services for Hong Kong-owned enterprises operating in the Pearl River Delta (PRD). The SAR Government can work through official, quasi-official and civilian organizations like the Hong Kong Economic and Trade Office (Guangzhou), the Hong Kong Trade Development Council, the Hong Kong Productivity Council, the Vocational Training Council and all sorts of non-official chambers of commerce and SME associations. A one-stop transformation services centre for Hong Kong-owned SMEs can be set up in the PRD to provide one-stop services in upgrading and transformation for Hong Kong-owned SMEs. This centre can also provide support and guidance to Hong Kong-owned enterprises in their migration to those emerging industries which are considered as key industries in the Outline of the 12th Five-Year Plan.

With respect to the establishment of innovation centres in co-operation with Shenzhen, the Hong Kong Government should seize the opportunity of industry upgrading in Shenzhen and promote the development of high-technology industries. It should join hands with the Shenzhen authorities in attracting

multinational technology companies to set up their branches there. It should make an effort to bring the advantage of Hong Kong as an international city into full play so that Hong Kong can be turned into a R&D base for multinational technology companies. Then Shenzhen should be developed into a manufacturing base. Co-operation between Hong Kong and Shenzhen should be promoted so as to boost the development of industries of innovative technology.

Hong Kong is a relatively affluent city and, compared with other places in the world, our economic situation is not as unpredictable as other places in Europe and North America which are hit badly by the economic downturn. Despite this, the Hong Kong Government should not be slack in its efforts, nor should it neglect the importance of economic policies and the needs of SMEs. Evidently, in view of the influence of negative factors in the external economy, the economic outlook of Hong Kong would be subject to all kinds of challenges and the SMEs will have to face many difficulties and tests. In the Policy Address this year, the Chief Executive has proposed many measures in relation to the people's livelihood to relieve their hardship. This stems from his good intention and hence should be recognized. However, attention should also be paid to Hong Kong's economic development and the provision of timely help to the SMEs because they are caught in a distressful situation. I hope the Chief Executive can exert his utmost in the remaining part of his term in dealing with the economic risks faced by Hong Kong. He should pay attention to the interests of people from all sectors across the community and strive to make contribution to Hong Kong in all areas of society, the economy and people's living. He should give serious thoughts before launching any policy so as to avoid division in society and rendering his policies impracticable. This is like the many examples in the past where policies had to be revised beyond recognition owing to severe criticisms levelled against them.

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

MR ANDREW LEUNG (in Cantonese): President, this year's Policy Address covers policies on many fronts and different areas and responds with pragmatic policies and measures. The public in general are satisfied with it.

Although policies concerning people's livelihood, such as housing, the elderly and assistance to the grassroots, are highlighted in the Policy Address,

relatively little is mentioned of the economy. Nevertheless, the Government has adopted a number of proposals put forward by the Economic Synergy and the Federation of Hong Kong Industries (FHKI):

- (i) On economic policies, the Government has accepted our proposal of setting up a dedicated fund of \$1 billion for the development of local brands in order to encourage enterprises to develop in the direction of moving up the value chain, local design and brand-building.
- (ii) On the environmental protection front, the Government has also heeded our advice and allocated funding for the testing of electric buses and provision of subsidy for the retrofitting of catalytic converters on public light buses and taxis.
- (iii) On education, as Chairman of the Vocational Training Council, I welcome the Government's decision to set up the International Cuisine College in 2014 to provide another pathway for young people.
- (iv) On the housing front, the Government has taken on board our proposal of resuming the construction of an appropriate number of Home Ownership Scheme (HOS) flats and setting the initial market selling price of My Home Purchase Plan (MHPP) flats as their ceiling price.
- (v) On the people's livelihood, the Government will relax restrictions on the elderly to receive welfare benefits, so that elderly people living in Guangdong will no longer need to return to Hong Kong to be eligible for the "fruit grant". Furthermore, we propose that the Government pay rent for public housing tenants and provide an extra allowance to Comprehensive Social Security Assistance (CSSA) and "fruit grant" recipients. All these have been accepted by the Chief Executive.

This year's Policy Address has put forward a number of long-term plans. Although the current Government has less than a year left in its term, I believe the relevant policies can undergo a smooth transition, provided that the Government can lay a good foundation for the major policies set out in the Policy Address,

perform its role properly and make good preparations for the convergence with the next Government. This is not only conducive to Hong Kong continuously expanding its scope of economy, it can also create more job opportunities for different sectors of society, thus benefiting the public at large.

Next, President, I will express my views on several major aspects of government policy, including housing and people's livelihood, which are also the concern of the industrial sector.

First, on the economic front, I would like to begin with the plights faced by SMEs. Currently, the European and United States markets, being the major markets for Hong Kong exports, are facing a severe test, with their markets experiencing substantial fluctuations. Economists have already warned of not at all optimistic economic prospects in the next 12 months. In addition, under a low-interest environment, the Hong Kong dollar has weakened due to its peg with the United States dollar, thereby resulting in high inflation. Coupled with the fact that Hong Kong banks not only serve local enterprises but also assist Mainland enterprises in financing, capital will become even tighter than before. In the event of a substantial economic downturn, the Government must be mindful of whether or not SMEs have sufficient capital to meet their daily operation expenses. A couple of years ago, the Government took on board our view and launched a \$100 billion loan guarantee scheme. I hope the Government can take immediate action when it sees something wrong by giving policy support, because only in doing so can it really achieve the objective of "supporting enterprises and preserving employment".

The property market is currently facing a declining trend and shrinking transactions. If the European and United States economies slip further, the situation might become even tougher than it was during the financial turmoil, and the negative asset problems might recur, too. Should that happen, I hope the Government can come up with immediate measures to help the public tackle the various livelihood problems confronting them during the economic slowdown and high inflation.

In the National 12th Five-Year Plan (12th FYP), the development of western China, the Chengdu-Chongqing Economic Zone and the Economic Zone on the West Coast of the Taiwan Strait have been made key strategies of regional development. Capitalizing on the opportunities in these areas, the Policy

Address strives to strengthen and deepen multi-faceted co-operation between Hong Kong and the Chengdu-Chongqing area and Fujian. Looking towards the huge Mainland markets with increasingly high spending power has already become one of the major business strategies of Hong Kong businesses in recent years as well as one of the key ways out for the future development of Hong Kong economy.

I am pleased to learn that the Government has taken on board the proposal of setting up a "strategic fund for domestic sale of Hong Kong brands", which we have all along advocated, in order to complement the two focal points in the 12th FYP, namely "changes in economic development" and "expanding domestic consumption". As we have mentioned to colleagues repeatedly in this Chamber, Mainland consumers have always had an affection for Hong Kong brands. In recent years, a number of enterprises in Hong Kong have been keen to develop in the direction of moving up the value chain, local design and brand-building as well as exploring the domestic market. Unfortunately, due to inadequate resources and poor networks, SMEs often do not know how to go about exploring the domestic market for their brands or end up getting half the results with double the effort.

Our proposed "strategic fund for domestic sale of Hong Kong brands" precisely seeks to introduce local brands and professional services into major Mainland cities through departments or organizations which have already established networks in the Mainland, such as the Hong Kong Trade Development Council, the four major chambers of commerce, and trade associations, and assist Hong Kong-financed enterprises, especially SMEs, in entering the second- or third-line Mainland markets with the collective brand "Hong Kong Create" as an attraction to host flagship events such as the "Style Hong Kong Show" and the "Brand Hong Kong Round the World", in order to vigorously promote Hong Kong brands and products to Mainland consumers, and the retail and wholesale sectors including supermarkets, department stores, and so on.

Brand promotion is a high value-added industry. We should capitalize on our abundant design human resources, attract young people to enter the design profession and provide opportunities and room for their development. Although the Government has only allocated \$1 billion, only half of the \$2.5 billion requested by us, to support enterprises exploring the domestic market this time

around, such a timely measure can still help Hong Kong businessmen who are making an effort to explore the domestic market, given that the conventional European and United States markets have been shrinking since Hong Kong was hit by the global financial tsunami in 2008. Last week, Secretary Gregory SO mentioned in the Panel on Commerce and Industry that he would open communication with the relevant trade and industrial organizations and professional bodies over this five-year \$1 billion dedicated fund in the next few months, with a view to expeditiously finalizing the details for the promotion of the fund. Timing is key to brand promotion in the Mainland. Hong Kong businessmen have already commenced preparations for the launch of their promotion programmes in the Mainland next year. I hope the Government can expedite its study to enable Hong Kong businessmen to receive timely support. I also hope the authorities can listen carefully to the views of the trade and, by all means, heed our feasible suggestions as well as vigorously supporting the efforts of Hong Kong-financed enterprises in the Mainland.

In addition to exploring the domestic market, Hong Kong businessmen are also making vigorous efforts to explore the business opportunities in overseas emerging markets. We also hope that the Government can make good progress in conducting negotiations with the emerging markets, especially the Association of South East Asian Nations (ASEAN), over trade agreements and economic co-operation, as the ASEAN is going to be the region that offers the most potential for Hong Kong businessmen to expand their business.

During his visit to Hong Kong, Vice-Premier LI Keqiang emphasized that support would be given to Hong Kong's participation in global and regional economic co-operation, especially co-operation with East Asia, in order to explore new room for development for Hong Kong. In the past, goods imported from the ASEAN into Hong Kong were all tariff-free, but goods exported from Hong Kong to the ASEAN required import licenses and tariff payment. These restraints would stifle the development of Hong Kong businesses. The policy announced by the Vice-Premier this time can open up the way for co-operation between Hong Kong and the ASEAN. Hong Kong will play the role of a bridge between the ASEAN and global trade and business and lay a strong and firm foundation for the territory's long-term economic development.

President, given that the global economy might see a double-dip recession in the future, Hong Kong businesses should develop in the high value-added

direction, and the sector should be encouraged to make more effort in scientific research and incorporate design into the development of new products. Both the FHKI and I welcome the Government's decision to inject additional resources into the research and development (R&D) efforts of tertiary institutions and inject \$5 billion into their research fund. This is because applying the research output of academic institutions to industries can not only upgrade productivity efficiency, but even bring new products, materials and technologies to the market.

I welcome the Government's review of the Research and Development Cash Rebate Scheme and the Small Entrepreneur Research Assistance Programme. Over the years, the FHKI has emphasized that while government funding is important to the development of innovation and technology in Hong Kong, the degree of dedication of enterprises is even more crucial. Hence, the Government must come up with ways to lure enterprises to invest on their own in R&D and give them incentives to incorporate high value-added elements, such as design, into their products. This is why we have all along advocated the introduction of triple tax deduction for R&D and design expenditure to give enterprises more incentives to invest funds in R&D and product design. I have, on numerous occasions, emphasized that only in doing so can we attract overseas professionals and enterprises to come to Hong Kong to produce a cluster effect, thus providing more opportunities for young people to join the industries and seek development.

The Government plans to designate 2012 as "Hong Kong Design Year". For industries, design is indispensable to the development of high value-added products. The Government's concrete action of giving the trade a clear message is an enormous encouragement to industries and the design sector. I believe "Hong Kong Design Year" can promote Hong Kong's further development in the realm of creative economy.

Many young people are interested in and aspire to joining the scientific research, design and creative industries. All our neighbouring countries and regions are striving to nurture talents in these realms to provide support for the industries. We in Hong Kong are also making an effort in tertiary education to nurture a young generation with creative mentality, design talent and scientific research minds. We must complement such efforts in the job market by enabling them to see prospects and creating more job opportunities and room for their development.

The industrial and commercial sectors welcome the Chief Executive's proposal to "kick-start the development of East Kowloon". Currently, Grades A and B offices are inadequate and conventional commercial building areas, such as Central, Admiralty and Wan Chai, are near capacity. It is thus essential to develop a new Central Business District to provide more commercial areas to meet demands. Meanwhile, with the eastward shift of the global economy and more and more overseas and Mainland enterprises preferring to come to Hong Kong for development and setting up offices, an increase in floor areas for commercial buildings will be conducive to the long-term and stable development of the local economy. A large number of job vacancies will also be created thanks to the availability of sufficient room for expansion for our services industries, such as the retail and catering trades.

Some SMEs have relayed to me as Chairman of the Bills Committee on Competition Bill their concern that, instead of hitting the "big tiger", the Bill will bite them. Some time ago, the Government introduced six major amendments to the Bill to clarify its ambiguities. However, there is still an enormous gap between some of the amendments and market operation. Some trade associations have expressed the hope that the "de minimis approach" can better meet the needs of actual operation. As regards the requirement for "substantial degree of market power", as specified in the second conduct rule, how can a company operating in Hong Kong with a turnover of a mere \$11 million enjoy market power? In our opinion, the Government may refer to the practice of the United Kingdom where the amount is set at £20 million in raising the amount to a reasonable level or the practice of Singapore where the market share is set at 20%, as one more exemption threshold, whichever is higher. The Bill must be amended appropriately before SMEs can have peace of mind.

In my opinion, the Administration should make it clear to the public that the legislation might not be able to combat oil companies' tactic of acting quick in raising oil prices and slow in reducing them and the sales methods adopted by supermarkets, which the public in general would like the Government to do. This is because these major enterprises have long been running their businesses all around the world and the teams of lawyers behind them already know how to comply with the regulation imposed by competition laws, despite the fact that the prices fixed by several oil companies are still very close and "shelving fees" are still charged by supermarkets. As a Member representing the industrial and

commercial sectors, I must listen to the voices and opinions of SMEs before deciding whether or not I should support enacting a competition law.

President, the Chief Executive has proposed a new idea this time around, namely the "Guangdong Scheme", to facilitate eligible elderly people who have already migrated to Guangdong in receiving the Old Age Allowance without the need to return to Hong Kong. This scheme of providing government financial assistance across the boundary is the first of its kind. We support this measure that seeks to enable the elderly to lead a quality retirement life. I hope the Government can also adopt this new mindset to cater for the business development of the industrial and commercial sectors and the professions in Guangdong and work out solutions to assist enterprises in services development and manpower training for purposes of upgrading and transformation. Only in this way can the services industries in Hong Kong be benefited.

With the increasing public awareness of environmental protection and popularity of low-carbon living, Hong Kong should conform to the global trend by vigorously developing a low-carbon economy. In the Policy Address, limited coverage is devoted to the environmental protection policy and development of environmental industries. This, coupled with the Mainland's growing attention to energy saving, emissions reduction and environmental industries as well as the fact that environmental protection laws and regulations in the Mainland have become more and more stringent, has brought abundant business opportunities to environmental industries in Hong Kong.

Heeding the advice of the Economic Synergy, the Government encourages franchised bus companies to use electric buses. We hope the Government can examine if there is a need to incorporate into franchises, when considering their renewal for bus companies in the future, the ratio of using electric buses, especially buses serving busy road sections, thereby encouraging bus companies to switch to more low-emission or even zero-emission vehicles.

The industrial sector supports the authorities' plan to expand the producer responsibility scheme for shopping bags and continue to implement the mandatory producer responsibility scheme for waste electrical equipment. Earlier, Secretary Edward YAU also proposed developing brands for environmental industries. Hence, we propose that, in addition to waste reduction and recycling, the Government should further promote a cycle economy

to support the development and upgrading of the local recycling industry by, for instance, producing biochemical diesel, pollutant-absorbing-bricks, and so on. A healthy cycle of "recovery, recycling and commercialization" will come into being subsequent to the implementation of procurement of green products by the Government and the industrial and commercial sectors. What is more, the Government can promote a regional cycle economy in collaboration with Guangdong to expand the scope for recovery, disposal and recycling.

The Government should take concrete actions by taking the lead in using low-carbon green products and inject additional resources into environmental industries, such as waste recovery, and appeal to the public to support green living to ensure a blue sky for the next generation.

President, although the environment and facilities of the new Legislative Council Complex are excellent, I am very worried its electricity tariff may be 10 times higher than that of the old Legislative Council Building. I wonder if we should invite some experts to examine if the facilities inside the new Legislative Council Complex meet the low-carbon standard, conduct carbon audits to ascertain, for instance, if the lighting is too bright, the air-conditioning is too strong and whether detectors can be installed in the rear staircases so that the air-conditioners there will operate only when someone passes by, with a view to examining if there is room for improvement. Given that Members in this Council often mention and support environmental protection, we must take concrete actions to set an example for the public.

I would also like to say a few words about standard working hours and paternity leave here. During the briefing for the Panel on Manpower on the relevant policy initiatives in connection with this year's Policy Address, the Secretary for Labour and Welfare emphasized that the issue of standard working hours was even more complicated than the issue of minimum wage and had to be handled more carefully. With the statutory minimum wage introduced into Hong Kong just half a year ago, introducing one more labour law will further raise operating costs, thereby dealing a blow to the development of Hong Kong's knowledge-based economy and services industries. The Government must consult the public in detail on all new measures and laws and refrain from blindly introducing copycat inappropriate measures.

The industrial and commercial sectors do not oppose protecting the benefits of employees. Rather, we hope to provide more benefits for the protection of employees in a systematical manner with adequate justifications and comprehensive studies. The industrial and commercial sectors do not wish to see the Government repeat the mistake made in implementing the minimum wage when introducing the standard working hours or paternity leave, whereby contrary to the Government's emphasis on calculating on the basis of objective data and working hours, the employers had no idea of the need to pay employees for meal breaks and rest days until the legislation was enacted.

Currently, the debt crises facing the European countries and the United States have yet to show signs of easing, and the global economy has once again plunged into uncertainties. With the economic performance of Hong Kong being less than promising for the coming six months, coupled with rising inflationary pressure, the introduction of standard working hours and paternity leave will only make things difficult for enterprises.

Hence, the authorities must carefully evaluate Hong Kong's actual situation in studying the formulation of standard working hours or enactment of legislation on the introduction of paternity leave. Although the industrial and commercial sectors welcome the Government taking the lead in introducing paternity leave, is there a need to enact legislation for it? When I was Chairman of the Hong Kong Productivity Council (HKPC) a couple of years ago, I took the lead to introduce paternity leave, and there was good response from the staff. Given that the HKPC had 600 employees, its staff members were able to co-ordinate and share their work. After all, there is a disparity between the industrial and commercial sectors, the Government and statutory bodies in terms of their scale and their system and mode of employment. While major enterprises can use paternity leave as a means to lure talents, but it will exert enormous pressure on SMEs. I think this matter should require co-ordination by both the employers and employees with a view to achieving a win-win situation.

In conclusion, over the past couple of years, Hong Kong has, on numerous occasions, been dragged down by external economic crises. Despite being caught in dire straits, Hong Kong managed to recover swiftly and fare even better than other regions on every occasion. After each crisis, Hong Kong people have been able to learn a lesson from it and improve our system to avoid repeating the mistakes. Although Hong Kong is still being overshadowed by the financial

tsunami, Hong Kong economy will definitely continue to prosper to allow different sectors of society to share the fruits of our success, so long as we do our part and grasp the opportunities.

President, I so submit.

MS STARRY LEE (in Cantonese): President, despite repeated external impacts since the reunification, Hong Kong has managed a smooth transition with its economy recording satisfactory growth, thanks to the national support. Having said that, Hong Kong must be vigilant in peacetime and prepare for danger and continue to expand its room of development, given its bid for economic transformation is still unsuccessful. The only path for Hong Kong is to leverage on the Motherland, have Asia in view and engage itself globally. Therefore, the SAR Government must capitalize on the favourable conditions offered by "one country, two systems" and boldly explore innovative models of co-operation between the two places, so as to identify greater opportunities and room for Hong Kong economy.

In China's Outline of its 12th FYP this year, Hong Kong and Macao have for the first time been included in an individual chapter. It is also specified to the effect that "the Central Authorities support consolidating and upgrading Hong Kong's status as a global financial, trade and shipping centre, especially in boosting the global influence of Hong Kong's financial centre, and through the development of Hong Kong into an offshore Renminbi (RMB) business centre and an asset management centre". I have often said that Hong Kong's status as a hub is not created out of nothing. It is the result of praises from others and the titles given by them to honour Hong Kong's achievements as a result of its hard work. I do not worry about Hong Kong's status as a financial hub in the short and medium terms. Given its inherent advantages, Hong Kong is highly qualified to be an offshore RMB centre and contribute to the country in promoting the globalization of RMB. What worries us is its development in other industries, including its core industries as well as other trades and industries where we enjoy competitive advantages. While the former have continued to fade, the latter offer little to write home about.

Let us examine Hong Kong's economic structure. As services industries account for more than 90% of Hong Kong economy, many people share the view

that Hong Kong's industries are hollow and dominated by the real estate sector. If not for the support by individual Mainland travellers for various trades and industries such as the retail and catering sectors, Hong Kong's existing economy can hardly support the employment of 3 million people. If we analyse carefully our various pillar industries, we will find that trade and services, which account for approximately 26% of our GDP, have a lot of hidden worries. The ratio of Hong Kong's total visible trade to its GDP, which is now 3:1, is very high. However, Hong Kong's total imports, exports and re-exports only account for 25% of the Mainland's total trade. Compared with the past when our relative share was 50%, the ratio has continued to fall. Despite the signing of CEPA between the Mainland and Hong Kong to implement zero tariff, Hong Kong's absolute net exports have continued to drop since 2004. This shows that although the Mainland market still accounts for a high rate of Hong Kong exports, with the Mainland economy continuing to develop and its total external trade expanding, the ratio of import and export trade between Hong Kong and the Mainland to the Mainland's total external trade will continue to fall year on year. As a result, Hong Kong might become increasingly less important to the Mainland. On the contrary, Hong Kong will rely more and more on the Mainland. Accounting for approximately half of Hong Kong's total trade, the Mainland is the territory's biggest partner.

All these figures tell us that one of Hong Kong's major industries, trade and services, have many hidden worries. However, the SAR Government has seldom mentioned this and proposed corresponding measures. Given Hong Kong's exorbitant rent and high operating costs, the room for development in the territory is actually shrinking. In this connection, I call on the SAR Government to make an effort to study how to capitalize on "one country, two systems" and the edge we enjoy under the "early and pilot implementation" system with a view to taking the initiative to break through the framework and creating a new model for co-operation between the two places, thereby finding new opportunities for Hong Kong industries. On the contrary, if we allow "the market to take the lead and the Government to make complementary efforts", Hong Kong might possibly miss the opportunities and really lose the status it should occupy in the national economy.

The three new development zones mentioned in the 12th FYP, namely the Qianhai zone in Shenzhen, Hengqin in Macao and Nansha in Guangzhou, can be described as "super special zones". Not only do they possess considerable

conditions for early and pilot implementation, they can also implement more preferential policies to provide Hong Kong industries with new room of development and enable Hong Kong enterprises to explore Mainland markets. The question of how best the Government can capitalize on the development opportunities brought about by these new zones to provide Hong Kong industries with strong support has therefore become most critical.

Let us examine how Macao participates in the development of these three "super special zones". The Macao Government is now participating in the two major projects to develop Hengqin and Nansha through the forming of the Macau Investment and Development Limited (the Company). The Company has also formed a joint company with Guangdong Province for the joint development of an industrial zone in Hengqin under the co-operation of Guangdong and Macao. As for Nansha, the Macao Government has also participated in the development of a cultural zone in Nansha under the co-operation of Guangzhou and Macao through the Company. Hong Kong can absolutely borrow the experience of the Macao Government and study the establishment of similar investment companies to participate in the development of Nansha, Hengqin and Qianhai. In particular, there is bigger room for co-operation between the two places as the development of Nansha is still at a preliminary stage. This can enable Hong Kong to gain a greater initiative and influence to highlight the advantages of its own systems and lobby the Central Authorities for the provision of favourable policies to assist Hong Kong professional services and enterprises in entering the Mainland for business development.

Of course, some people will ask whether encouraging Hong Kong enterprises and professionals to go to the Mainland for development will cause Hong Kong to repeat the mistake made years ago when the manufacturing industries relocated northward, thus hollowing out Hong Kong? Actually, under the territory-based principle of taxation, Hong Kong might not be able to enjoy the potential profits that can be reaped under such a model of co-operation.

Hence, how can Hong Kong make actual gains from participating in the development of these "super special zones"? President, I think it is unrealistic to alter Hong Kong's territory-based principle of taxation. Doing so will also deal a severe blow to Hong Kong's external competitiveness. However, we can boldly propose adopting a sharing option for these "super special zones". A couple of years ago, under a joint venture between Nanshan in Shenzhen and

Chaozhou Municipality to develop an industrial transfer park in Chaozhou, both parties adopted the practice of sharing tax revenue at a 6:4 ratio, in order to transfer some Shenzhen registered enterprises to Chaozhou. Of course, it is not at all simple and quite complicated for tax to be shared across the boundary between Hong Kong and the Mainland. However, human effort is the decisive factor. Hong Kong will miss the opportunities of development in these "super special zones" if it does not even dare to think about it or bring this up.

Secretary Raymond TAM, I remember I once asked you at a previous panel meeting about the "early and pilot implementation" policy in your mind. The reply given to me by the Secretary that day seemed to lack concrete ideas. Time is running out. We must bear in mind that the pace of development of these "super special zones" will definitely be quicker than that of Hong Kong and we can imagine. Although the term of this SAR Government has only a few months left, we must still grasp and seize this imperial sword of "early and pilot implementation" to take forward the role that can be played by the SAR Government in the development of these special zones. Should Hong Kong miss the opportunity again, it might continue to mark time and make no progress.

The DAB has, on numerous occasions, organized delegations to visit these special zones to find out more about their development. I remember during our last visit to Nansha, the officials there told us when they met us that the lukewarm response of the Hong Kong Government to the development of Nansha was in sharp contrast to the extremely enthusiastic attitude of the Macao Government. These words of the Nansha Government are precisely my concern. Hence, I hope the SAR Government, Secretaries of Departments and Bureau Directors can study how best the Government's participation in the development of these "super special zones" can be implemented and promoted. As for the model to be adopted, should the old model be used — to sit back after the signing of the co-operation agreement and let the business sector make the first move before the Government makes its complementary effort? Or should a daring and innovative approach be adopted by proposing a new form or grasp this imperial sword of "early and pilot implementation" to put forward some new concepts, including those mentioned by me just now, whereby consideration can be given to participation in the form of setting up investment companies or discussing with the governments in various places the feasibility of tax-sharing arrangements?

All these are bold proposals. I hope the SAR Government can demonstrate an innovative and courageous spirit in participating in the development of "super special zones". Funds are not what they want now. Hong Kong's existing advantage is its system. Various parties are still very much supportive of Hong Kong's participation. Should we miss these opportunities, I am worried Hong Kong will fail to share the fruits of success after those special zones are built.

President, in addition to this part concerning economic development, I would like to say a few words on the project of "kick-starting the development of East Kowloon". Another focus of this Policy Address is to "kick-start the development of East Kowloon". This project, abbreviated as CBD2, will induce dynastic changes in the Kai Tak Development Area, Kwun Tong and Kowloon Bay in the next decade or so. From the "point" to "line" and to "surface", developments which were originally fragmented will be consolidated and developed into a core commercial district outside Central. Meanwhile, a green monorail running through the newly developed district will be built to link up Mass Transit Railway (MTR) Kwun Tong line and Shatin to Central Link. Upon completion, the newly developed district is expected to provide an office floor area of 4 million sq m. It is believed this can, to a certain extent, perform the function of ameliorating the problem of Hong Kong charging the highest Grade A office rent in the world. Moreover, this can help improve the business environment and maintain Hong Kong's competitive edge.

In terms of the scope of planning and the population being affected, the CBD2 should be considered as a rare major plan for the SAR Government in recent years. President, the Government's CBD2 proposal this time around has positively responded to the views put forward by the DAB. We welcome the Secretary readily accepting good advice. However, we still hope that the Secretary can make more effort and take one more step by expanding the project on "kick-starting the development of East Kowloon" to "kick-starting the development of Central Kowloon", so as to benefit districts beyond Kowloon Bay and Kwun Tong and enable the Kowloon City and To Kwa Wan areas to develop, riding on the east wind coming off the development of the old Kai Tak Airport.

President, I have four main reasons for supporting the Government to expand the project on "kick-starting the development of East Kowloon" to

"kick-starting the development of Central Kowloon" and include Kowloon City and To Kwa Wan in the project.

The first one is a historical factor. This project seeks to propel the development of East Kowloon through developing the old Kai Tak Airport, which was originally considered part of the Kowloon City district. From the historical perspective, kick-starting the development of the old Kai Tak Airport without kick-starting the development of Kowloon City demonstrates a failure to take historical factors into consideration.

The second one concerns the integrity of development. As I mentioned just now, Kowloon City and To Kwa Wan were closely connected with the old Kai Tak Airport. We can see from the pictures about the CBD2 that the red frame actually includes some areas in Kowloon City and To Kwa Wan. In spite of this, there is no mention in the information of any development of Kowloon City or To Kwa Wan. Judging from the geography and integrity of the development, things can be done even better by jointly developing the bay area.

The third one is the meeting of public expectations. As I said in the first point, for historical reasons, the old Kai Tak Airport is considered part of the Kowloon City district. Whenever Kowloon City residents saw me, they would express their earnest hope for the development of the old Kai Tak Airport. As Kowloon City is now excluded from the project on "kicking-start the development of the old Kai Tak Airport", Secretary, you can imagine how disappointed they are!

The fourth one is compliance with the arrangements for new districts to propel the development of old districts. Secretary, you should be aware that Kowloon City is one of the few districts in Hong Kong where there is no MTR. According to the Government's plan, it will not be served by Light Transit Railway, either. Actually, residents living in old districts can hardly benefit from the development of new districts. You might not know that the first community hall in Kowloon City — I think other districts in the territory have already built many community halls — is still under construction. This shows that Kowloon City is a very old community, and its community facilities are, relatively speaking, inadequate. Members should recall that all building collapses and fire incidents took place in To Kwa Wan, Kowloon City. Hence, the residents in old districts earnestly hope the Government can kick-start the

development of their homes through the project on kick-starting the development of the old Kai Tak Airport. Insofar as the notion of new districts propelling the development of old districts is concerned, the Secretary can fully give play to this notion if he can expand the scope of development slightly.

President, in order to "kick-start the development of Central Kowloon", I have four proposals to add:

First, as I mentioned just now, in order to improve the external and internal links of old districts, namely Kowloon City and To Kwa Wan, the monorail mentioned by the Secretary should not exclude To Kwa Wan and link up with Kowloon Bay and Kwun Tong only.

Second, the current of the typhoon shelter off To Kwa Wan is extremely slow, resulting in accumulation of refuse and lots of hygiene problems. I hope the Bureau can implement the relocation of the typhoon shelter, through the commissioning of the cruise terminal and the construction of the Metro Park, in order to improve the current and jointly develop the bay area.

Third, the revitalization of the Kowloon City Pier. As the Pier is very much dilapidated, and its potential has not yet been fully developed, I propose that the revitalization project include the revitalization of the Kowloon City Pier.

Fourth, the construction of a new waterfront in Kowloon. Under a plan conceived by the Bureau, an 11-km harbourfront promenade will be built. I have all along advocated that the harbourfront promenade should run from Kwun Tong through the old Kai Tak Airport, To Kwa Wan and then Hung Hom to link up with Tsim Sha Tsui. Under the leadership of the Secretary, this plan has gradually materialized. Nevertheless, I hope this plan can also be embodied in the project to "kick-start the development of East Kowloon" — the harbourfront promenade will start from Kwun Tong and run through the old Kai Tak Airport, To Kwa Wan and then Hung Hom to link up with Tsim Sha Tsui.

Broadly speaking, President, I hope the Secretary can expand the scope of the project on "kick-starting the development of East Kowloon" to cover Kowloon City and even To Kwa Wan when considering the project and turn the project on "kick-starting the development of East Kowloon" into one

"kick-starting the development of Central Kowloon", for the benefit of more districts and people.

President, I so submit.

MR LAU WONG-FAT (in Cantonese): President, Chief Executive Donald TSANG stated with full confidence after delivering the last Policy Address during his term of office that the policies and measures proposed by him were all good and therefore he was not worried that the future SAR Government would not adopt them. It is obvious that this notion is felt throughout the Policy Address this year which is entitled "From Strength to Strength". This kind of confidence shown in the Chief Executive reminds me of the Chinese proverb "CAO follows the rules set by XIAO" — that is, following the established rules.

XIAO He was a famous courtier in the court of the founding emperor of the Han Dynasty. He was a remarkably intelligent man and as the chief minister of the country he had formulated rules and systems for the country. His successor CAO Shen thought that these rules and systems were sound enough and so he just followed them. He did not make any changes to them and they were all left unchanged. This approach as illustrated by the proverb "CAO follows the rules set by XIAO" is not necessarily undesirable. But the key is whether or not those rules set by XIAO are good. So as to the question of whether the policies and measures introduced by the Chief Executive would be used by the next SAR Government, in the final analysis we have to see whether these policies and measures are useful and whether the general public likes them.

The part in the Policy Address receiving most public attention is the new developments in the housing policy. The Government has listened to public opinion and decided to resume the production of HOS flats. Doubtless this is a major move well-received. This decision to resume the production of HOS flats should perhaps come a bit earlier, but it must be borne in mind that it has never been easy for the Government to make a major change to a policy which will have far-reaching implications.

The Chief Executive has pointed out clearly that the aim of the new HOS is to offer some sort of buffer when the local property market becomes unbalanced. The Government will take into account the situation in the property market and

will at most provide 5 000 new HOS flats a year. On the contrary, it can also go to the other extreme and stop the production of these flats or sell them. In this way the new HOS is characterized by flexibility and it can be changed in the light of the prevailing circumstances. The crux of the problem is how this buffer effect can be achieved. According to past experience, in many cases the Government would act only when the imbalance in housing supply and prices have reached distressful levels. The result is confusion and efforts made do not achieve the aims desired. In order to avoid a recurrence of this state of affairs, I suggest that a permanent mechanism be set up to assess the property market situation. This would help the Government make a good grasp of the timing and hence launch matching measures more effectively.

President, both the new HOS and My Home Purchase Plan (MHPP) are initiatives introduced by the Government to assist low-income people to purchase their homes. As the Chinese sage LAO Zi said, "The way of Heaven is to diminish superabundance and to supplement deficiency." It is right that the Government should use public money to ameliorate the housing problem faced by the people of Hong Kong and hence promote social harmony and stability. But there should be rules governing this kind of financial assistance and on top of that, due regard should be given to the principles of fairness and reasonableness. In this connection, the measures proposed by the Government to freeze the premium and set the ceiling price for MHPP flats are indeed open to question. In my opinion, it is only right that the Government should help the people get a place to live, but it does not have the responsibility to subsidize the people in profit-making activities without imposing any conditions on them. An approach which merits consideration as a compromise is the Government levying a progressive tax on owners of HOS or MHPP flats who have made a profit from resale of their flats. This would be fairer to those members of the public who cannot enjoy any kind of subsidized housing. The tax thus collected can be ploughed back into helping other people in need to buy their first homes.

President, the targets of the new HOS are families with a monthly income of not more than \$30,000 while those of the MHPP are families with a monthly income of about \$40,000 or below. But what about those families with an income of \$40,000, \$50,000, \$60,000 or even more? Apparently, on this question of housing, these families are left on their own and they can only pray for a better turn in life. Many of this kind of middle-class families have told me that after paying their salaries tax, mortgage payments or rents, medical expenses,

children's education expenses, and so on, the disposable income they have is very likely to be even less than those who live in PRH or HOS flats. All along the middle-class people have been paying the most while getting the least benefits. It may be due to the fact that their votes number far less than those from the lower-middle class, so there are few advocates for their cause. However, how can a government which claims to be for the people and people-oriented turn a blind eye to the problems faced by the middle class? This applies especially to the heavy financial burden they bear when it comes to buying a home and paying the rents. Of course, given the political and economic situation of Hong Kong nowadays, it would be unrealistic to ask the Government to provide subsidized housing to middle-class families. But the Government can do something in taxation. In my opinion, the Government can consider raising substantially the tax allowance for mortgage payments made by the middle class and providing a tax allowance for rent. This can at least serve to ease the burden of the middle-class people and reduce their grievances.

At the meeting debating the last budget, I called upon the authorities to pay due attention to the influence on the property market of the increasing number of Mainlanders who bought properties in Hong Kong. I suggested that certain appropriate measures should be introduced to restrict the purchase of properties by Mainlanders. This measure would be aimed at addressing the huge purchasing power of the Mainlanders who have become rich in the wake of the takeoff of the Mainland economy.

Now the Central Authorities have implemented credit tightening measures to address the problems of the overheated property market and inflation. This trend of Mainlanders snapping up Hong Kong properties would perhaps subside a little, but given the continuous rapid growth of the Mainland economy, the appreciation of Renminbi, the flocking of Mainland women here to give births, the popularity of individual visits, and the low interest rate in Hong Kong and such like factors, this wave of Mainlanders buying properties here will certainly return. By then the impact could be extended to flats in the middle price range. If this happens, however hard the Government works in providing land for the production of flats, it may only be a drop in the ocean and will not help things. The Government should learn from the lesson of the serious shortage in housing supply in recent years and make good preparations beforehand. It should formulate measures to restrict the purchase of properties which suit the practical situation of Hong Kong. This should be one of the directions that worth study.

All in all, the Government must not rely on sheer luck in this issue and must plan well ahead and refrain from looking desperately for a solution in the last minute.

President, on this question of housing, I cannot help but talk about the small house policy in the New Territories which has existed for nearly 40 years. This small house policy is integral to the overall housing policy of Hong Kong and its formulation is supposedly to cater for the lifestyle of the villagers, their traditional rights and housing demand. Compared to the Government's efforts in actively producing PRH units and resuming the production of HOS flats, a most passive and nonchalant attitude is displayed on this question of small houses in the New Territories. It can be said that the Government seems to be waiting for the policy to die a natural death. It is obvious that after so many years of implementation, the policy is fraught with many problems. These include those related to the shortage of land, the lengthy time spent on vetting applications, and so on. For many years, this kind of applications for small house construction would take 10, 20 or even more years. It is poles apart when compared to applications for public housing which would need only three years before applicants are allocated a flat.

The New Territories Heung Yee Kuk has all along craved for an opportunity to talk with the Government and seek ways to improve the situation. These include a study on the feasibility of relaxing the restrictions on the height and number of floors of these small houses. But no positive response has been given by the Government yet. Any government which is committed to serving the people should dedicate itself to the welfare of the people. It should take on challenges and solve them so that the people's life can become better. It must never dodge problems and shirk its responsibility.

Lastly, President, I wish to talk about the issues of land planning and resumption of land for conservation. Recently, there are reports claiming that after the owner of the grand mansion on the Peak, that is, the HOTUNG Garden, had refused the Government's proposal to exchange the site for another lot of land, the Government acted arbitrarily and declared the place a monument. This is another great dispute caused by this lack of a comprehensive conservation policy on the part of the Government. We can imagine that unless the authorities have formulated a comprehensible and reasonable policy on that as soon as possible, any action taken to conserve monuments and the environment will only meet with increasingly strong resistance.

The authorities have acted in a similarly arbitrary manner and planning is undertaken in the name of conserving the environment to resume some 50 lots of private land close to country parks. These private lots total some 2 000 hectares. No compensation is given to the property owners. This is another case of the unfair and unreasonable conservation policy which is not comprehensible enough. Last Saturday, villagers were infuriated in a meeting of the Heung Yee Kuk and vented their discontent with this robbing of private property and draconian measure from the authorities. It can be seen that those who are affected in this issue are really furious and have a lot to complain about.

Conservation should be a common cause of the community for the good of all the people. When private properties are arbitrarily zoned or banned from development for conservation purpose, and when no reasonable compensation is given to property owners, these are not justified on any grounds. If the authorities are still bent on having their own way and make no changes, this would only cause greater grievances. It will not help further the conservation cause or maintain harmony and stability in society.

President, I so submit.

MS MIRIAM LAU (in Cantonese): President, first of all, I would like to talk about my impression of the Policy Address as a whole. The Policy Address this time is entitled "From Strength to Strength" and it is the last one by the Chief Executive Donald TSANG before he leaves office. The title should have been most appropriate because, going to leave in the middle of next year, he is trying to draw a conclusion on his administration in this Policy Address and hoping to give some enlightenment to his successor. There is nothing wrong about it, and this is also something that should be done. But the most worrying point is that not much is written in the conclusion and it gives people a feeling that he is trying to hide shortcomings while extolling his achievements. When it comes to enlightening his successor, he seems to be too aggressive and this may be counterproductive as his successor may feel restrained in pursuing his policy objectives.

When we read this Policy Address carefully, we will find that not only is there very little mention of past achievements but also those accounts of past events are made in a rather vague manner. In the beginning of the Policy

Address, six small paragraphs are used to spotlight the so-called achievements over the some four years past and no mention is made of matters like the progress of the 10 major infrastructure projects and the implementation of the measures to promote the development of the six priority industries. I do not know if these past events are not worth mentioning and so an attempt is made to evade them. I am also at a loss as how the past can be used to inspire the future and how Hong Kong can then go from strength to strength. I do not think Members will know how to make out of it.

As for the so-called going from strength to strength, actually, what is done is just to make out as many post-dated cheques as possible. All these are left to the next Chief Executive to honour. This gives people a feeling that the incumbent Chief Executive is only being generous at the expense of his successor. In our opinion, as a report card for the past five years in governing Hong Kong, this Policy Address is inadequate. It may even fail. But if an assessment is made of just the year past, especially in terms of relieving the plight of the grassroots and taking care of the elderly, then this Policy Address may show that the Government has really done some work.

President, it is true that housing is the issue receiving the greatest attention from the people, especially the middle class and the younger generation, in recent years. An opinion poll conducted by the University of Hong Kong on the eve before the Policy Address was delivered showed that close to 90%, that is, 89%, of the interviewees thought that housing was the problem which the Government should solve most urgently. That is why the Policy Address uses about 6 000 words, or 20% of the length of it, to elaborate on the housing policy. It is right that this is done, but quite a number of the measures proposed are too distant in time to address the problems faced by the middle class at this moment.

Take the example of the new HOS policy, although it can be said to have responded to the aspirations of many people from the middle class and the grassroots, this scheme will receive applications only after 2014 at the soonest. Successful applicants can only move into their HOS flats as late as 2016 or 2017. Moreover, there are only 2 500 units in the first batch of such HOS flats for application. People will then have to rely on their luck and being successful in the drawing of lots is like winning the Mark Six lottery. On top of that, the new HOS flats are different from the existing ones for which premium payment must be made upon sale. For the owners of the new HOS flats, after the five-year

moratorium on resale has expired, they would just have to pay the amount of subsidy at the time when they made the purchase of their flats. The amount of premium payable will not be adjusted in accordance with the appreciation in value in line with the market trend.

The problem is not with shortage but with equal distribution. With different treatments under these old and new practices, not only are those HOS flats owners who have paid the premium think it is unfair, there are hundreds of thousands of HOS flats owners who are dissatisfied. At the district level, the Liberal Party has received complaints from many HOS flats owners. They question the Government for not applying a fair hand in the issue of premium payment. So we think that the Chief Executive should not gloss over the problem by saying that some people are green with envy. He should strive to solve the problem of unfairness in his governance. He must not favour a certain group of people to the neglect of others, nor should he leave the problems to his successor.

As to the question of maintaining a steady supply of land, we agree that this should be a goal to be pursued over time and it should not be changed because sites put up for sale recently were taken up at low prices. Moreover, although there is a slight drop in property prices, home purchase is still beyond the affordability and dream of many people who want to buy their first homes. The Government has given the assurance that over the next 10 years, land for the production of 20 000 private residential units each year would be supplied, active steps will be taken to increase the supply of land on reserve and lots will be put up in the market according to market demand. We think that these moves are very appropriate and should never be changed.

Yet, as we have said earlier, many policies and measures are unable to address the urgent problems. There are many people who cannot afford their first homes and are forced to rent a flat hope that the Government can roll out some measures to put an end to their plight. Therefore, the Liberal Party has proposed the idea of introducing a tax allowance for rents. The allowance should be accountable on the rents paid, with an annual cap of \$100,000 for a period of five years. This will alleviate the hardship of the middle class in paying exorbitant rents. If the Chief Executive agrees to this idea, he should implement it immediately. Rather than leaving it to his successor, he should announce in the last budget of his term, that is, next year, that the measure will be

put into immediate effect. In our opinion, that is really "improving people's well-being".

The scheme on sites with flat size restrictions can be improved further. This can be done by adding terms and conditions, for example, flats can be sold only to first-time home buyers who are citizens of Hong Kong. This will divide the market into segments catering for local users, as opposed to those for local and foreign investors. This will help the middle class people buy their first homes as well. This measure can be introduced at once and it does not have to wait until the next term of government.

As for other grandiose plans espoused in the Policy Address, such as "kick-starting the development of East Kowloon", increasing the number of bought places in residential care homes for the elderly, and so on, we hold that while these measures are good, they give people an impression that they have come too late. Why were these not proposed right at the time when he first assumed office? Some Honourable colleagues made similar criticisms earlier and asked why these measures were proposed when the Chief Executive's term of office is about to expire. However, it is better than not making these proposals. But when the results, if any, can only be seen a few years later, people would think that they are too far in the distant future.

With respect to the challenges ahead, the Chief Executive has said that public expenditure is targeted at a level not exceeding 20% of our GDP. However, his description of the measures is too meticulous. There is the target of keeping public spending at not more than 20% of the GDP, while many other measures are adopted and meticulously enforced. Would this impose unnecessary constraints on the next Chief Executive, or will the next Chief Executive be hamstrung in taking forward his own policies because of these constraints?

President, next I would turn to some measures which are closely related to the people. In this Policy Address, the Chief Executive has once again proposed some one-off relief measures to cope with inflation. Examples are paying the rent for public housing tenants, providing an extra allowance to CSSA recipients equal to one month of the standard rate, and so on. Although these measures are nothing new, they are solid and well-received by the people. However, the middle-class people and the SMEs are facing the same problems as the

grassroots. But as the former do not often voice their difficulties, so they are often not given as much attention as the grassroots and so they are neglected.

No mention is made in the Policy Address just delivered of the middle class and the SMEs are mentioned only once. But no specific measures are proposed to help these SMEs, both at this moment or in the long run. I have just said that we are disappointed. In our opinion, against this background of an abundant surplus in the Government, there is a need to offer more support to the middle class and the SMEs. Examples of this are to offer a tax rebate of 75% capped at \$20,000 to the middle class, widen the tax bands for salaries tax and lower the marginal tax rate. The aim is to reduce the tax burden of the middle class. We have actually submitted these proposals to the Government and raised them with the Chief Executive. It is unfortunate that they are not taken on board.

We have also suggested that the profits tax rate for SMEs should be lowered to 15% and that government charges and licence fees for trades in hardship should be frozen for one year. This will help them cope with problems in business operation in the face of the financial and debt crisis in Europe and North America. However, we are disappointed to see that the Policy Address has said nothing on these aspects.

President, I now turn to the question of economic development. If we fail to make changes in order to the challenges ahead, I think the life of the people will be greatly affected. These six priority industries and the four pillar industries in our economy are the lifeline of our economy both now and in the future, but the Policy Address has said very little on promoting their development. Only 3 000 words or so are devoted to them and there is nothing new in the contents. What is said are only things already known, or things that the Government may be doing now or plans to do. But there is no mention of any progress made in the related work. It is therefore most disappointing indeed. An example is the four sites for the building of private hospitals. Although reports of a tender exercise have been heard for some two years, the actual tender exercise for two sites will only take place in the first quarter of next year. I am afraid the new hospitals will be completed even later than the flats in the new HOS.

The Policy Address has got not much to say about those conventional pillar industries. For example, on the logistics industry, only two paragraphs are used to briefly explain two old policies. The first is on logistics sites which were first proposed two years ago. And the other is the third runway which has been a subject of study for many years. From this it can be seen that the Government does not have a sense of crisis in the face of the rapid developments in nearby places, nor does it think that some good measures are needed to cope with the situation.

Take the example of logistics sites which are much sought after all along by the logistics industry. The industry had waited for a long time before the Government agreed two years ago to set aside a piece of land in Kwai Tsing so that a 29-hectare logistics cluster can be set up there. But only one site is made available after two years have lapsed. The Chief Executive said that the second site would be introduced at the end of this year. When these two sites are added together, the area is even less than the last digit of the 29-hectare site as promised. As many as some 20 hectares are still in the air. The industry is very much disappointed. The two Directors of Bureaux in attendance here are well-versed in the issue and they know very well that the industry has implored the Government earnestly on many occasions to provide some logistics sites to the industry for business operation and enhanced development. I hope very much that the two Directors of Bureaux, that is, the Secretary for Development and the Secretary for Transport and Housing can hear this voice of the industry and offer some logistics sites to the industry.

Members from the trade association for river trade came to me for assistance recently. They pointed out that the Kwai Chung container terminals have reached their full capacity, and adding to this the fact that the number of public cargo working areas is decreasing, the berths and container storage areas in the river trade terminals are in shortage. This will severely affect the operation of the trade and hamper its development. From this it can be seen that both land supply and logistics facilities fail to match developments in the trade. Unfortunately, the Government has only adopted an uncaring attitude, always making delays. As a result, it cannot respond to the industry's urgent needs.

But the industry is very worried about the possibility that the position of the local logistics industry may be taken up at any time by the neighbouring Shenzhen. I guess the Secretary knows very well that according to the figures

we have at hand, it is believed that the ranking of our container port will fall behind that of Shenzhen this year and we will go from being the third largest to the fourth. The Shenzhen port will take over our place as the third largest. Therefore, it is not an unfounded concern on the part of the industry. Rather it is a fact. Our edge is being constantly eroded. I do not think we can maintain our position (and it is hard to do so), and our ranking will drop incessantly.

Land is required not only for the development of high value-added logistics services, but also for the shipping industry which has a keen demand, too. River trade vessel owners have to face the problem of the shortage of berths and the lack of back-up sites for the storage of containers has also led to shipment delays and a reduction in the frequency of river cargo boats, most of which carry transshipment cargo from the Pearl River Delta (PRD) to Hong Kong and its volume takes up one third of the total container throughput in Hong Kong. If this problem is not addressed squarely, it will only lead to a redirection of such transshipment cargo to other new terminals in the PRD, thus adversely affecting our logistics industry. The industry hopes that more logistics sites for long-term lease will be made available soon, including land for the storage of containers. These sites should be leased to the industry at affordable costs, too. In the long run, the authorities should finalize the building of Container Terminal 10 in the southwest of Tsing Yi as well as the logistics park on Lantau as soon as possible. These will complement the future development of our logistics industry.

The Policy Address has not mentioned any concrete policy or measure on helping the industry tie in with the 12th FYP. So the industry hopes that some concrete policies and measures can be formulated. These should include efforts to attract multinational companies to set up cargo distribution centres here in Hong Kong and luring certain brands to use the warehouse storage service here for product management, distribution and sales activities. The authorities should also increase the support given to the industry such that its competitive edge can be enhanced in the face of keen competition from places near Hong Kong. Such examples of support include helping the logistics industry go in the high value-added direction of electronic logistics, forming a regional electronic logistics system with the Mainland and hence raising the speed and accuracy of cargo handling.

As for the third runway which has been a subject of discussion for a long time, the consultation exercise was over in September and a report will be

compiled by the Airport Authority for submission to the Government for consideration. Both the logistics industry and the Liberal Party think that since our neighbouring cities are actively expanding their airports and hence competition has become stiff, there is a great urgency for Hong Kong to build its third runway. It is hoped that this can consolidate our position as an air freight logistics centre to complement our future development. At the same time, the authorities should maintain close communication with the various stakeholders, in particular the green groups and community groups. Where the circumstances permit, efforts should be made to reduce the time required for the building of the third runway and also minimize the impact on the environment after the commissioning of the new runway.

I so submit.

MR FREDERICK FUNG (in Cantonese): President, the Chief Executive emphasizes in this year's Policy Address the great importance he attaches to three topics, namely housing, disparity between the rich and the poor and elderly issues. Before he spoke, I thought he would tackle these issues at root. However, after listening to and reading his Policy Address, I found that there was nothing new — it had continued to make the same errors, and there was simply too little change.

Let us examine the housing policy. The first theme is related to "Improving People's Well-being", or housing policy. Broadly speaking, the Chief Executive talks predominantly about the Government's ongoing initiatives, except the so-called "new Home Ownership Scheme (HOS)". Later on, I will discuss for what the "new HOS" are worth commended or criticized. But now, I would like to discuss whether or not the housing problem can be resolved simply with the launch of "new HOS". Hong Kong is a tiny place with a large population and limited land resources. It is our concern that land has all along been regarded as the path to making money or a fortune or becoming super-rich in Hong Kong. Moreover, this path is not only for individuals or property developers, but also for the Government. Many items of revenue come from land sales. Such a strong incentive has invariably resulted in the Government initiating high land prices. The Chief Executive has all along emphasized "big market, small government", and "big market" is cited as the reason for keeping the *status quo*. Moreover, many policies are biased in favour of major property

developers. Given the Government's favourable policy, developers or property developers will definitely make the most of it.

Actually, two types of people will be sacrificed as a result. I believe the Government has not only seen but also heard of such a simple situation. The first type of people being sacrificed is SMEs. Just now, a number of colleagues talked about the problems faced by SMEs. The Government must be aware that there are currently 280 000 SMEs in Hong Kong, and these SMEs take up 98% of the total number of enterprises here, employing more than 50% of the employees in the private sector. Therefore, the survival and even development of SMEs is crucial to the economy, people's livelihood and wage earners. However, costs also play an important role. If there are problems with costs, SMEs will face problems, too. Nowadays, the rents of shops, offices and plants have continued to rise.

President, during the past couple of years, I assisted a charitable organization in operating a social enterprise (SE) and found that the rent was really exorbitant. Even if the rent is affordable today, the owner will increase it by 60% or 100% when negotiating the second tenancy agreement. In the end, the SE has to be closed. Who is responsible for this? Developers? Property developers? The land market? Or the Government? On the other hand, the exorbitant rent also has a bearing on our housing problem. This problem can be examined from two aspects, one being purchasing power. Does it mean that property is only affordable to the rich and even more so to those who are richer?

I wonder if Members have read an article in the *Ming Pao* today in which it is pointed out that, in terms of the registered number and amount of sale and purchase of private property in the previous quarter, "Mainland customers" took up 41.2% and 51% respectively. In other words, in the three months of the last quarter, Mainland customers accounted for half of the number of the property sold or the sum paid. Hence, we can see that the property market is without a boundary. It is actually linked up to and directly connected with the Mainland.

As everyone knows, from the perspective of land, population and wealth, even if the ratio of rich people in the Mainland to the national population is not high, if 1% or even 0.1% of these rich people come to Hong Kong to purchase land and property, they would already have killed the two types of people

mentioned just now. Is the Government aware of this? Please do not tell me that the Government has no idea, as even newspapers have already reported this.

Can this problem be resolved with the construction of "new HOS" flats? Comparing the problem mentioned just now with the "new HOS", some people will just keep laughing, while some will have to cry their hearts out. President, 150 000 households are currently on the Waiting List for public housing. Let me tell the Bureau Directors and Secretaries of Departments who are here some figures. People on the Waiting List are in the most difficult situation because their income meets the criteria for applying for public housing, but they are yet to be allocated units. According to the Government, it takes an average of three years for an applicant to be allocated public housing. What "average" means is that the waiting period for people opting for public housing in Tuen Mun is one and a half years. However, people opting for public housing in urban areas have to wait at least five years. For those people who cannot or refuse to live in Tuen Mun, they still have to wait three to five years even though they meet the income limit for public housing.

Let me tell the Bureau Directors and Secretaries of Departments some more figures. Let me cite Sham Shui Po, which is most familiar to me, as an example. During the last two decades, Sham Shui Po has become the place where most low-income earners live and the lowest average income is recorded. Nowadays, "sub-divided units" have become the most heated topic. Two years ago, the rent of a 120 sq ft "sub-divided unit" was \$1,500 to \$2,500. Nowadays, the rent of a "sub-divided unit" of the same size has risen to \$4,000.

By "poverty", it means that the family income is half of the median wage. In Hong Kong, the poverty line is drawn at approximately \$11,000. However, the rent of a "sub-divided unit" already takes up 40% of the income of a poor family. President, do you consider this reasonable? Do you think they are lazy, unwilling to work? Are they reluctant to work? Do they deserve this? Why are they so poor? None of these criticisms and analyses is reasonable and desirable.

President, Hong Kong is an affluent society. With a per capita monthly income of \$20,000, why should a monthly rent of \$4,000 take up 40% of the total income of a family of four? Bureau Directors and Secretaries of Departments have to manage not only figures, but also 7 million people. These people are

compelled to face the rent problem on a daily and monthly basis — tenants suppressed to death and business operators forced to wind up their business. Should the Government fail to consider this problem again from the angle of principle and a fundamental perspective, I cannot see the Policy Address tells us that there is a new way out if we have "new HOS"; with the "new HOS", there will be a way out; and with the "new HOS", this problem can be resolved.

President, I would like to make a proposal here — in order to address this issue, the so-called "free market" — even though I call it a "free market", the property market is actually not free — must be segregated into a free market and a planned one. The market is now distorted because, as everyone knows, a free market stresses competition. I believe government officials know it even better that one's competitive edge gets even stronger with more and bigger assets. One must have more capital to become more competitive in the market. To increase capital, one may resort to financing, merger or even acquisition. When the capital grows in amount and size, the number of people with capital will shrink from 1 000 or 10 000 to only three, five or seven. While competition was originally essential to a free market, the market will be devoid of competition in the end; while a free market stresses capital, the latter will kill the market.

Nevertheless, we still think that a free market should exist. Now that there is no free market to speak of, what can be done? I see that developers will not create a free market voluntarily because, in such a market, one has to maximize his or her profit. Only the Government has the ability, power and momentum to bring new freedom to the market. The Government must make room to allow small and medium developers to enter the market and survive while exercising its power to provide opportunities to the remaining three or five major developers. In terms of power and policy, the Government is absolutely capable of bringing a distorted market back to a healthy state, a truly free market.

Let me cite some examples to illustrate what measures the Government may take. Of course, you are experts. Can land sales we have often said, and I believe Secretary Carrie LAM has once heard, that if a 1 000 sq ft site is put up for sale, I believe the majority of the 60 Members here will have the conditions to bid for the site; if a 10 000 sq ft site is put up for sale, a small number of Members here can still bid for the site; if a 100 000 sq ft site is put on sale, only small or medium developers are capable of bidding for it; however, if a 1 million sq ft site is put up for sale, then only the major developers will have the

conditions to bid for the site. It turns out that the size of a plot of land can affect competition and the survival of small and medium developers.

The second point I wish to raise concerns the location. Sites situated in Central and put up for sale will definitely go to the major developers. Small and medium developers will only have the opportunities to bid for sites which are situated in Tuen Mun, sites in which no one is interested. When the market is robust and the property prices are surging, developers will snap up all the sites. Now that the market is in depression, small and medium enterprises might have opportunities. But will the Government give small and medium developers opportunities? Is the Government willing to rebuild a free market for the development of the property industry? Is it intent on doing this?

The third point concerns a planned market. Let me repeat that the Government manages not only the markets, but also the lives of 7 million people. Without a planned market, there is no chance at all for the lower and middle classes, whether from the housing or business perspective. Hence, only in a planned market will members of the public and SMEs find an opportunity and platform of survival, not to mention an opportunity of development and "fortune-making".

In my opinion, the Government can pursue development in three directions. First, the Government should build some shopping arcades, especially in low-income communities, and allow these arcades to lease their shops to SMEs through some models and policies similar to those for the HOS, with a view to ensuring the survival of SMEs, so that daily necessities can be sold to the lower and middle classes at appropriate prices. Second, the Government should set aside planned sites in the market for tendering and stipulate that such sites must be sold to Hong Kong people and certain residential units with flat size restrictions can be sold only to households in certain income brackets. Third, the Government is also making ongoing efforts to set aside planned sites for tendering. Unlike the situation mentioned just now, whereby 50% of the flats were sold to Mainland people, the flats built on these planned sites will naturally be sold to Hong Kong people.

The second type of planned markets refers to HOS flats and public rental housing (PRH) flats. The HOS flats I mentioned are not allowed to be sold and purchased in the market — I mean the free market. According to the HOS

regulations laid down by the Government, anyone who has bought a HOS flat and wishes to give it up can only sell it back to the Government or sell it to people subject to restrictions according to the Government's regulations. As for PRH flats, I think I need not do any explaining, as public housing must be planned completely by the Government. Only with the existence of these two markets side by side can Hong Kong's overall big market be turned into a hybrid of free and planned markets. Moreover, only in this way can Hong Kong people survive. The conventional and seemingly proven approach of "small market, big government" has clearly shown that it has failed and does not work any longer.

Certainly, in order to achieve this objective — concerning the second subject — the Government must have adequate land. Although the Government does not necessarily have to put forward the objective of 85 000, as what TUNG Chee-hwa did, it must follow Chief Executive TUNG Chee-hwa's practice of setting up an inter-departmental committee to take charge of identifying adequate land. The land identified does not necessarily have to be put on sale on the market. Rather, it should be launched in accordance with the rise and fall of the market or the situation of small and medium developers. I would like to call this committee a "land identification unit" or "land committee", to be specially tasked with the duty of identifying land. Of course, such land can even be classified as planned land, as I mentioned just now, or land used by the Government for the construction of HOS or PRH flats.

On housing, a more important point is that if planning is to be made, there must be a plan. In fact, the Government has done this before. The first Long Term Housing Strategy was formulated in the 1980s and the second in the late 1990s. Now, with the passage of 13 years, the third Long Term Housing Strategy has yet to be formulated. Is this the right time we to re-examined the public needs, the shortage of land, land development and even the market as a whole — the setting up of a free market and even a planned market, as I mentioned just now — and should the Government formulate a Long Term Housing Strategy?

Secretaries of Departments, Bureau Directors, housing is people's basic need. Only when people have a secure dwelling place can they work in contentment, only when they work in contentment can they prosper. By prosperity, it means not only material prosperity, but also spiritual prosperity — the feeling that one is delighted to live here and that this is our home and our

country. National education means more than visits to flag-raising ceremonies. Members of the public must feel that this is their home, and once they set foot on Hong Kong, they have the feeling of coming home. An old saying goes like this "Where can I get a big broad shelter a thousand, ten thousand spans wide, huge roof that all the world's poor people can share with smiling faces?".² President, Secretaries of Departments, Bureau Directors, sense of belonging, cohesion and social harmony very often begin from "housing" and people's "cosy nests".

As for the second topic, I would like to say a few words about Hong Kong economy. Although I am not an "economist", I must talk about our economy because it has caused another problem, that is, the disparity between the rich and the poor. Even today, the Chief Executive still insists that the disparity between the rich and the poor in Hong Kong is not a problem. According to the United Nations, however, among the world's developed regions, Hong Kong has the worst wealth disparity problem. As for the two Gini Coefficients — I remember even the Secretary for Labour and Welfare has got it wrong — the first one should be 0.533, whereas 0.5 is already the dangerous level. The second one is a post-tax post-social transfer Gini Coefficient. In the case of Hong Kong, it is 0.435, whereas the red line for this Gini Coefficient is at 0.4. In other words, Hong Kong's Gini Coefficient has passed the red line. Let us look at the places around us for comparison — it is 0.326 in Taiwan, 0.316 in South Korea, 0.249 in Japan, and 0.425 in Singapore. I do not know whether or not Hong Kong should feel ashamed for this or a free market should be like this? Should we allow the market to take its course and develop in this way? Is the free market telling us that only the financial and real estate sectors can be developed in Hong Kong? Is it telling us that these two sectors can feed 7 million people? Is it telling us that these two sectors can provide sufficient high-salaried jobs to allow our next generation or university graduates to climb up the ladder? The Chief Executive points out in the Policy Address that under the present globalization, people with knowledge are in demand and practitioners in the real estate and financial sectors earn a higher salary. The unemployment rate in these two sectors is also lower than 1%, thereby achieving full employment. However, the salary of people engaging in elementary services has not seen any increase. This is the reality. Which capitalist market is not behaving in this manner? These are the Chief Executive's comments. Should this be the case, why do university graduates have to go out to demonstrate on the streets? The people who have now

² The Selected Poems of Du Fu, Burton WATSON

occupied the HSBC concourse are mostly university graduates who find that there is no way for them to climb up the ladder. The question is, as I pointed out at the beginning of my speech — can the financial and real estate sectors feed 7 million people? Can these two sectors enable our next generation to develop? Can these two sectors give our next generation the feeling that they have prospects? Should this be the truth, why not? Should this be the truth, is it healthy? Even if this is the truth, it is unhealthy. The problem is that we allow the emergence of oligopoly in the free market and allow the market to dictate the Government, Hong Kong and 7 million people.

President, to tackle this problem, more industries must be developed. Two years ago, the Chief Executive talked about the six priority industries in his policy address. Today, two years on, according to the calculation made by the *Ming Pao*, only two percentage points in GDP were created in these six priority industries over the past two years. I do not know whether I should laugh or cry. Whereas I should laugh at the Government's poor performance, I should cry because we have wasted 24 months. I hope the Government knows its own role. Apart from giving the public a vision and implementing strategies for relevant policies, it should also must not give up any one of the 7 million members of the public. To develop the third and fourth priority industries and catch up with the financial and real estate sectors, the Government must make changes. Not only should it change its "big market, small government" mindset, it should also change its "trickling policy" — when Hong Kong as a whole is "making a fortune", the lower strata in society will naturally "make a fortune". I am not going to repeat this. The figures provided by the Census and Statistics Department have told us that it is wrong to think this way. While the average income of the tenth group, or group of people earning the least, has fallen, the income of the first group, or group of people earning the most, has risen.

I agree that the Government should target these six priority industries as it has chosen them. I will not argue anymore. However, the Government must first participate and then quit. It must not leave it to the market. Now, nothing has been done after waiting for a couple of years, why? Why can South Korea — the people in South Korea were so poor that they had to donate their gold, silver, jewelry and even dentures to help the poor South Korean Government. Today in South Korea, its technology and creative undertakings and arts can not only assist in the internal economic development of the country, they also exert influence all over Asia. How many Hong Kong people are watching Korea

dramas now? Why can other people succeed? On the contrary, two decades ago, the Chinese people throughout Asia, the United States and Europe watched Cantonese movies or movies produced in Hong Kong. How many people are watching these movies now? Why can other people "make a fortune" by relying on creative industries whereas these industries in Hong Kong are shrinking? You deserve this because the market is not doing well. Is this the case? The Government should not do this.

Let me repeat this once again. The Government should first participate in promotion efforts. Not only should it provide funding, it should also formulate policies to enable these priority industries to establish a platform. The Government should be the first one to take action in areas where money is needed most. When businessmen find that the business is lucrative, they will join in naturally. That will be the perfect time for the Government to quit.

Secondly, at the end of the day, the wealth disparity has to do with money. Many people suggest that the Government should hand out money to provide the unemployed with unemployment assistance and the elderly with old age pension. I am not going to discuss the money issue. Instead, I am going to discuss how these people can "make money". What was mentioned just now is one of the solutions. The second solution is to pinpoint disadvantaged workers, including the elderly, people with disabilities and people with intellectual disabilities. How can we build a platform to enable the disadvantaged workers to "make money", so that they can rid themselves of poverty, so that they can stop receiving Disability Allowance or Comprehensive Social Security Assistance (CSSA)?

Other countries have already proved that SEs are a way out. Hong Kong introduced SEs five years earlier than South Korea. When we visited the SEs in South Korea the year before last, SEs were launched there only for the first year. However, 10 000 disadvantaged workers were already employed by the SEs, whereas only 1 400 people were employed here in Hong Kong by the SEs here during the past five years. South Korea has also planned to employ 100 000 disadvantaged workers through its SEs in the coming five years, what about us? Our Government will only suggest that an application be made to the "Enhancing Self-Reliance Through District Partnership Programme" for a maximum grant of \$30,000 over a period of three years and the establishment of one small company.

I am now operating three SEs. One of them, which is a café, has received a funding of \$720,000. However, \$720,000 had to be spent on renovation according to our original plan. In the end, we had no alternative but to trim it to \$200,000 and gave up a lot of things. Despite our original plan to open a café in the newly developed area in Kwun Tong, the rent had gone up by 70% during the period after the application was submitted and before the funding was approved. As a result, we could only revise our plan to open the café in Hung Hom instead of Kwun Tong. Although we still incur losses this year, the other two SEs operated by me are making profits.

SEs are a possibility. The Government should not act indifferently and allow the markets to develop on their own. All countries where SEs are operating, including Spain, Britain, Taiwan and South Korea, have formulated relevant policies. Some SEs are well aware that these people cannot be self-financing. For instance, how can people with disabilities and people with intellectual disabilities be self-financing? In spite of this, it is still better for these people to have something to do than stop working and apply for CSSA. Actually, the Government only needs to provide these people with 30% financial assistance. Why can the Government not do so? There is no need for the Government to start up businesses. What it needs to do is just to take a look, make a visit, and listen to the views put forward by Members of this Council.

President, it is often said that Hong Kong has reached a critical point. However, the critical point is not imposed on us by others. Instead, we have come to a dead end. We have not racked our brains and exploited our creativity. At the same time, the one who acts as our administrator also lacks creativity. He is only waiting for the market to exploit its creativity. It is wrong for him to do so.

President, my entire speech seeks mainly to tell Members that the whole Policy Address lacks creativity and vision. It is like putting on a band-aid when one's leg hurts or looking for a fitting-out worker to do patch-up repair works when there is leaking. However, the entire house, which is entirely dilapidated, is about to collapse. Are Members aware of this? I really do not believe that our SAR Government and government officials — in particular, they form the best and most efficient civil service team in the whole of Asia and even the entire world — can tell us that they are not too clear about this. I am very unhappy about this. Although this is Chief Executive Donald TSANG's last Policy

Address, after reading it and comparing it with his previous six policy addresses, I feel most upset.

Thank you, President.

PRESIDENT (in Cantonese): Honourable Members, I have received some requests from certain Members to speak during certain time slots. However, as I cannot possibly estimate the speaking time for any Member, in order to satisfy Members' need to speak during certain time slots, I might need to adjust from time to time the order of Members who are waiting for their turn to speak. I hope Members can understand this.

MR ALBERT CHAN (in Cantonese): President, the term of Chief Executive Donald TSANG will soon expire after having assumed the office for seven-odd years. Looking back at his administration in the past seven-odd years and this year's Policy Address, I can describe it in the following words: "high in aspirations but lacking in ability, conservative, arrogant, nepotistic and unsympathetic". Looking back at his performance, such as the six priority industries he proposed earlier, they are in a dire situation as many Honourable colleagues said. He has achieved nothing and is completely irresponsible to his pledge. He insists on adopting the linked exchange rate system and refuses to do anything despite the depreciation of Hong Kong dollar, which has resulted in deteriorating inflation and shrinking assets value faced by Hong Kong people. Insofar as the constitutional system is concerned, he does not have any intention to ameliorate the situation that our political system and elections are manipulated by the privileged class, the real estate hegemonists and financial hegemonists. He has even called those whom he disliked and those who always criticized him hooligans and triads.

On the appointment of people, he has specifically selected those who are unpopular and considered incapable by Hong Kong people as his confidants and henchmen. Over the years, he has tried to portray himself as one who shows loving care for the people by claiming that he prays every morning. But during his tenure since 2005, President, there are 24 000 elderly people waiting for residential care homes, and those who died when waiting I wonder whether he has to repent in his daily prayer because he feels sorry for the elderly. But he

does not do anything. Hong Kong has seen a widening wealth gap, the aggravating problems of collusion between business and the Government, worsening poverty and hegemonic monopolization in the past six-odd years of his governance. On top of that, there is the financial hegemony. Hong Kong people have gradually become the slaves of the real estate hegemonists and financial hegemonists.

President, let us take a look at the data for the past six-odd years, which are most astonishing. The total asset value of listed companies has surged from \$8.1 trillion in 2005 to \$20.9 trillion in 2011, representing an increase of 2.5 times. Let us take a look at the net asset values of the five major property developers, which stood at \$710 billion in 2005 and rose to \$1.2 trillion last year, representing a very conspicuous increase. The Government's reserves are more stunning. The fiscal reserves of the Government stood at 592.3 billion in 2011, more than double the amount of \$287 billion in 2005.

On the contrary, the incomes of Hong Kong people look miserable. The median household income, which stood at \$15,800 in 2005, has increased to \$19,000 this year, representing a rise of about 20%. But it is actually dwindling after taking inflation and other expenses into account. There are 1.3 million people living in poverty, not to mention the phenomenon of impoverishment of the middle class, which is unique to Hong Kong in my opinion. Furthermore, owing to inflation and rising prices, the quality of life of many middle-class people in Hong Kong is basically not much different from that of families in poverty after they have made mortgage and interest payments. This is the dire consequences of Donald TSANG's six-year administration, following the policy directions of TUNG Chee-hwa. His direction of governance I mentioned at the outset of my speech has resulted in the gradual impoverishment of Hong Kong.

Previously, I had repeatedly pointed out in this Chamber, in the old Legislative Council Building and even in the Legislative Council in the British-Hong Kong era that the number of rich people in the Mainland would certainly increase following the gradual development of the Mainland economy and the emergence of the middle class. I already pointed out at that time that Hong Kong would gradually be impoverished. This comment, which was made by me almost a decade ago, has fully come into play in the hands of Donald TSANG and successfully made it an "achievement" for him, that is, the impoverishment of Hong Kong and the middle class.

President, a very big problem is found by reviewing the Policy Address. If Members should care to look the situation of the Wall Street in recent months, we will note the message of overthrowing the financial hegemony disseminated by the "Occupy Wall Street" campaign. But in the Policy Address, there is a total absence of response to the impact of the financial hegemony.

However, let us take a look at the global situation. In my opinion, the campaign against the financial hegemony in the coming three or four decades will sweep through the world since the anti-war movement and anti-capitalist movement in the 1960s. It will bring far-reaching impacts. But our Government seems to remain apathetic and unsympathetic towards the aspirations of the world.

President, let me cite some figures which are most stunning. In the past month since the launch of the Wall Street campaign on 17 September, 1 571 cities and regions have responded to the campaign. As of 15 October, over 950 cities worldwide have acted in response to the "Occupy Wall Street" campaign. The number of people who have occupied various squares in different places ranges from 3 000 to 5 000 in a small-scale movement to more than 50 000 to 100 000 in larger ones. In the Wall Street of the United States alone, more than 1 000 demonstrators have been arrested. Despite that, the movement continues. You can see online that various academics, including some celebrities, movie stars or experts, have come forth to make speeches or acts of support to the campaign against financial hegemony. Under the financial hegemony, the livelihood of 99% of the people is controlled by 1% or 0.1% of the population, and 99% of the people are facing poverty due to the greediness of less than 1% of the population.

Similarly, in Hong Kong, the amount of assets controlled by the real estate hegemonists and financial hegemonists can tell you everything. In order to enjoy high revenues by their companies and high salaries by themselves, they (including government officials and statutory bodies) have totally turned a blind eye to the plights of the general public and the grassroots, not to mention the hardships of the middle class who are facing the plight of impoverishment.

Therefore, flat owners in Hong Kong bear the great burden of paying mortgage, interest and various administrative expenses. Sometimes, penalty or administrative fees will be imposed on them simply because of a belated mortgage repayment of just two days. We can see that financial institutions

have squeezed the hard-earned money from the public by means of their powers in controlling the financial system. Such greedy and despicable high-handed practices are infuriating, albeit legitimate.

The biggest problem is that the Government has squeezed the general public for the benefit of the financial hegemonists. With the Government as their prop, the financial hegemonists have made use of their legitimate powers, together with the fact that the linked exchange rate and fiat currency are manipulated by the Government, to turn themselves into a gigantic "alien". I had previously criticized the MTR Corporation Limited (MTRCL) as an alien. However, this alien called financial hegemony is a hundred times more brutal than the MTRCL. This alien shares a similarity with that of the alien in a movie, that is, eating up its host body. Though growing up and making money in Hong Kong, it fleeces Hong Kong people, resulting in their plights. It has also squeezed the people's hard-earned money which has become the norm of the day, attributing to their growing miseries.

However, the Government has not dealt with the problems. Rather, it has kept its arms folded and let the financial hegemonists bully the disadvantaged. We can see that many governments in the world, particularly in the United Kingdom, the United States, Canada, Australia and New Zealand, have acted in response to the relationship between the people and the financial hegemony. However, our Chief Executive and high-ranking officials in charge of financial matters seem to be living in a dream. The general criticism of the financial hegemonists is that they made use of a lot of means — the situation in the United States, for instance, is the most representative. They, on the one hand, have controlled the finance of the governments, the assets and capitals of the people. With the help of resources and their capability, they engage in lots of speculative activities involving goods and commodities, such as oil futures, foods, copper and gold, and even equities and properties of emerging markets. Such speculative activities have caused deterioration of global inflation. Many economies remain stagnated and backward because of the impact of these speculative activities.

The Hong Kong Government is most adept at rebutting that Hong Kong's situation is different from that of the United States. The United States Government has recapitalized banks and financial institutions with public funds, but no such action has been taken in Hong Kong. Nevertheless, thanks to the Hong Kong Government's connivance and protection in terms of policies,

financial institutions in Hong Kong can do whatever they want, bringing disasters of the same scale to the people.

Let us take a look at the percentage of the financial market to the Hong Kong economy, which should be our concern. By comparing Hong Kong with the United States, we can see that the financial industry and manufacturing industry of the United States account for 8.4% and 11% of its Gross National Product respectively, indicating that the percentage of the manufacturing industry in the United States is much higher than that of the financial sector. However, the financial industry and manufacturing industry of Hong Kong account for 15% and 1.8% of our GDP respectively, meaning that Hong Kong's financial sector controls a much bigger share of our economy and productivity as a whole, and such a trend and development are deteriorating. In other words, the financial hegemony, as an alien, is continuously expanding and enlarging through exploiting Hong Kong people, from whom it sucks nutrients for its growth. Therefore, such an alien will grow at the expense of Hong Kong people who will lead an even more miserable life.

By logic, the Government should have taken actions. However, the Government, which is simply apathetic, has neither adopted any measure to strengthen its monitoring nor impose a more reasonable regulatory system on the wealth so as to ensure a more reasonable redistribution. On the contrary, it continues to transfer benefits. The Mandatory Provident Fund System is a good example, through which Hong Kong people's hard-earned money to the tune of hundreds of millions of dollars has been transferred to the financial hegemonists every year in the name of management fees. Then healthcare financing is proposed for the Government is very much worried that Stanley HO once said that some people were "too fat to pull up their socks". These people are certainly getting much fatter. The Government also intends to earmark \$50 billion for healthcare financing, which will surely enable the financial hegemony to expand and beef up continuously, leaving the general public facing the same plights.

I would like to point out that economic and political crises arising from the financial hegemony will occur sooner or later. From the Government's recent response to the challenge to the financial hegemony and the "Occupy Wall Street" campaign, we can see that the Government does not have any sense of crisis. Hong Kong had faced problems due to bank failures in the past, while there were

repeated occurrences of cases in foreign countries in which improper speculative activities by some individuals or companies had led to tens of billions of dollars of losses. In 2008, a trader in a French bank, Societe Generale, spent €50 billion on fraudulent futures transactions, resulting in a loss of US\$6.7 billion. Such examples are numerous. Problems of various types have arisen over the years, including the scandal of Shanghai's social security fund in the Mainland involving \$3.7 billion; Bernard MADOFF, the former chairman of Nasdaq stock exchange, through the operation of a Ponzi scheme, had successfully defrauded HSBC and Fortis Bank, causing them to lose over US\$1 billion.

Therefore, we can see that the financial market and financial operations are basically a big swindle. Similarly, I have criticized the Democratic Party of supporting the additional five seats in the functional constituencies, which is also a political scam. The two situations are the same. In this scam, the Government has become a party of the crooks. To some extent, the Government is also a liar. Their support to each other has created a market by themselves. The Government has now claimed that Hong Kong is the third largest financial market, following New York and London. However, an enormous crisis is in store for us in the future. When some individuals or institutions have done something wrong, the whole community will be made sacrifices. When will this crisis occur? When will Hong Kong people be made sacrifices? It seems that the Government has not formulated any contingency measures to cope with such problems. We keep reminding the Government of some governance problems. I recall that a few years ago, I tried to explain the plights of the people in a conversation with some senior officials. But when I particularly mentioned the problems of Tin Shui Wai, a government official said that I was raising alarmist talk. At that time, the case involving a family of three jumping to their deaths had not yet occurred. That government official even said that I was exaggerating and raising alarmist talk when I told them the people's difficulties. The Financial Secretary does not want to hear any more of my speech, having walked out of this Chamber.

They should listen to stories about rulers who refused to heed sound advice. When Yuk-man mentioned political ethics to the Chief Executive, he was criticized of behaving like triads. When he mentioned unscrupulous people being chosen as aides, he was criticized of making insulting and offensive remarks. The Chief Executive knows nothing about Mencius or WANG Anshi. He criticized people of using abusive language when he heard someone mention

the teachings of Confucius and Mencius. Therefore, we can judge the qualities of those high-ranking officials and the Chief Executive.

Let me tell you another story about the execution of advisers whose words fell on deaf ears. They were "the Five Ministers in the 1900-Incident" during the Boxer Uprising in the Qing Dynasty. These five ministers had repeatedly petitioned Empress Dowager Cixi against her initiative of enlisting the Boxers for declaring war on the European powers. However, these five ministers were executed after expressing their opinions to the throne. They were sentenced to capital punishment because they they were accused of "having private interests to serve when handling day-to-day foreign affairs. Whenever they were summoned to report to the throne, they submitted petitions at will, trying to spread fallacies to affect administration and sow discord, albeit voices of disgruntled opposers. It was truly great disrespect. How could the order of officials be rectified if no punishment is imposed strictly on those disloyal members?" Therefore, these ministers were executed. In hindsight, the Qing Dynasty was defeated because of enlisting the Boxers in the war. As a result, Empress Dowager Cixi fled temporarily to safety and paid an indemnity of 400 million taels of silver. The Qing Dynasty demised 11 years later.

Similarly, we have repeatedly criticized the Government's administration in the past few years. As I said in my "mantra" of accusing Donald TSANG, he has completely ignored the people's plights. From his perspective, what I said is offensive and warrants a death sentence. The mentality of the ruling class in Hong Kong does not answer to social expectations. This is inevitable as the Chief Executive is chosen in a coterie election. In this coterie election, the people around him only want to flatter him. If you do not flatter him, you will be ostracized. A former senior civil servant told me a story about Donald TSANG after he had become the Chief Executive. When a high-ranking official, his former acquaintance, chatted with him, he asked the official whether he knew who he was. He had uttered such words to a high-ranking official, his former acquaintance, because he had become the emperor after assuming the office of Chief Executive, albeit his former incarnation was the Chief Secretary for Administration or the Financial Secretary. This is precisely the fundamental flaw of a coterie election, which will lead to mutual flattery and cradling, transfer of interests and nepotism. If you flatter me, I will like you and appoint you to certain positions. This is exactly the past practice of Empress Dowager Cixi, or that of the last emperors of the declining dynasties in China. This is precisely

our cultural background. A government is bound to be corrupt and doomed if it is running a system which is not open to the public and the officials at the highest echelon and in powers are not subject to monitoring by the people.

Turning back at the situation in Hong Kong, the figures I mentioned earlier bear some sort of resemblance to that of some declining dynasties or that of regions/countries where riots or revolutions are imminent. When poverty has worsened to such an extent that polarization between the rich and the poor has occurred, resulting in a situation where the rich is getting richer and the ordinary people are even worse off amidst an impoverishment of the middle class, there will be social unrest and backlash. Such problems have gradually emerged in the United States and then Europe, with Hong Kong following suit. Why are those campaigns unpopular in Hong Kong? Why are those people unable to stir up a movement here? Hong Kong people are not afraid of the Hong Kong Government, nor the despotic power of the "Condor". Hong Kong people are aware that the People's Liberation Army (PLA) is at the back, and the strengths of the 7 million people in Hong Kong cannot fight with the force of the PLA behind the 1.3 billion people.

Therefore, President, if the Government does not make efforts to improve the people's livelihood, acts of resistance are inevitable. The "Occupy Wall Street" campaign has promoted a slogan, "One World One Revolution", which is, relatively speaking, the most seditious and influential in various parts of the world in recent years. When people in the world have all been bullied by the real estate hegemonists and financial hegemonists, all people in the world will unite together sooner or later, just like the workers' World Revolution launched after the First International and Second International at the end of the 19th Century. So, if the Government continues to persist on the wrong course, sooner or later it will be like Muammar GADDAFI who was shot dead by the people. The people, due to their anger, will do justice to themselves on any officials, plutocrats, unscrupulous dictators or those hegemonists, with their own means at the end of the day.

MR FRED LI (in Cantonese): President, in today's session, I am going to talk about three issues. The two Secretaries — the Secretary for Transport and Housing is no longer in the Chamber but she was here just now. I thought that they would listen to my speech. According to the scope of today's session, the

policies on two of these issues are within the purview of Secretary Gregory SO, while the other one is within the purview of Secretary Eva CHEUNG.

I believe the Secretary must have heard us talk about the views of the Democratic Party on the competition law yesterday because the Chief Executive also mentioned in the Policy Address that he wanted to see the passage of the competition law within his term of office. If the competition law is passed in June next year, the Chief Executive will be able to see its passage but if it is passed only in July before the end of the Legislative Session, the Chief Executive will have left office already and only the new Chief Executive will be able to see its passage. What I want to say is that the competition law was introduced into the Legislative Council 14 months ago and I have even gone to other countries personally to study their legislation on competition. In fact, we seldom cite the example of Taiwan but I have gone to Taiwan to observe the elections there, taking this opportunity to talk with the people there. The government officials in Taiwan told me that enacting a competition law was a painful process for all places in the world because it was a long struggle. It also took Taiwan a decade to enact the competition law due to the strong opposition from consortia and conglomerates. Since they have a great deal of influence in the Legislative Yuan, their representatives caused repeated delays, thus making it impossible for them to complete the legislation on what they call the fair competition law. Now, this task has eventually been completed, but they all recounted the incidents to us.

In Hong Kong, similarly, there has been also a lot of foot-dragging and discussion for many years. However, it is most paradoxical that it is not the consortia or conglomerates that are hindering the passage of the competition law. Rather, it is the SMEs that are very worried that the competition law may cause them to be sued by consortia or make them prone to fall foul of the law. As a result, many business associations of SMEs have formed a lot of alliances to lobby the Democratic Party. However, they will surely be very disappointed because Fred LI is quite stubborn insofar as the competition law is concerned. This is very simple, President. I believe that be it SMEs, large corporations or even "mega corporations", if they collude in raising and fixing prices, exemption from control should not be granted to SMEs alone. Moreover, throughout the world, the party hindering the passage of competition laws or anti-trust laws is always consortia or conglomerates and it is never SMEs.

In the course of scrutinizing this piece of legislation in the legislature for 14 months, many Honourable colleagues claimed themselves to be representing SMEs — in fact, their companies are not SMEs because many Members own large companies — and opposed the competition law, thus posing a lot of difficulties to and posing challenges on many issues. There are certainly problems because this is a new matter that involves diverse interests in society, so it is only natural that significant problems emerge. However, what matters most is that if a competition law is not enacted, in the face of suspected anti-competition instances, not only are the teeth of this tiger called the Government broken, it is practically a "toothless tiger". The Government has established the COMPAG for many years — I do not know its Chinese name, anyway, it is an advisory body — and in fact, it has practically no power or statutory power to gather evidence or investigate anyone. Therefore, in reality, even if it finds a problem, it cannot take any action. So long as the competition law is not enacted, this situation of powerlessness will only continue. For this reason, I wish to make use of this platform to state for the last time that the Democratic Party cannot make any further concessions. In fact, when the competition law was initially introduced, we already made substantial compromises. The first is decriminalization, because the competition laws in many countries are criminal in nature; second, concerning mergers, in many places, all areas are covered but this is not the case in Hong Kong. Now, we have even gone further by specifying that mergers will not be covered. Therefore, I think that compared with many countries, the competition law in Hong Kong is already quite moderate, so there is little wonder that the Government even deleted the word "fair" and decided not to call it a "fair competition law". I hope the Secretary can hear my comments now because the pro-democracy camp has suddenly become a government supporter and it has become a royalist party as a result of this piece of legislation. This is how funny things can get in this world.

The second thing on which the Secretary has to take action is the Trade Descriptions Ordinance. We are really concerned about this piece of legislation because another hat that I am wearing is a member of the Consumer Council (CC). Since many ladies have joined plans for weight loss, slimming or beauty care, I often receive e-mails from them, telling me how they were deceived and how they spent \$5,000, \$10,000 or even \$50,000 on beauty care package tickets because basically, such services are not provided at a per-service rate, rather, customers are persuaded to buy package tickets. When customers are receiving

a mask treatment, often, many people will come in to persuade them to make purchases, saying that their legs are not pretty enough, so they need such and such a treatment programme. Unfortunately, ladies often yield to various types of mental bombardment. However, after they have paid for the package tickets, often, they cannot receive the treatments due to full booking. The reason is that the treatments they have paid for are concessionary items, so no priority booking is accepted and it is only reserved for customers who have paid for more expensive package tickets. Then, customers will be persuaded to buy the more expensive tickets in order to make an upgrade and as a result, they would fall deeper into the trap. Such intimidation and confinement methods, mental bombardment and misleading sale practices occur all the time and the CC still receives many complaints of this kind. What can we do? It is really not possible to do anything at present and we can only remind consumers to be more alert and avoid being deceived.

In October last year, that is, a year ago, the consultation exercise was completed but so far, we have yet to see the introduction of the relevant bill into the Legislative Council. The so-called cooling-off period under discussion is really serving its purpose. It looks as though the bill has been put into the fridge and there is no sight of it. Regarding those programmes for beauty care, weight loss or slimming, a cooling-off period is indeed very important because with it, all intimidation or coercion will vanish. Even though customers have signed contracts, they can still back out within several days. At present, no cooling-off period is prescribed and it is not possible to request a refund. The companies that we have dealt with all adopt such an approach. As a mediator, all that the CC can do is to bring about a settlement or enable the customers to get a partial refund, but even this is possible only in the case of companies that are well-disposed. Those that are mean pay practically no attention to the CC. They neither take any calls from the CC, nor do they make any response. It can thus be seen that the shortcoming of the CC is its lack of statutory power, so it is just a toothless tiger. Even though some companies were named, they simply changed their names in a wink, so there are indeed many ways to get away.

We have waited for a long time for the amendments to the Trade Descriptions Ordinance. It is really necessary to protect consumer rights. I hope the Secretary can give a response in this session and tell us when the relevant amendments will be introduced to prevent so many ladies — it is mainly ladies — from being victimized.

The third issue is related to housing. Although I am no longer a member of the Housing Authority, I am still keenly concerned about the housing issue. Recently, I have visited the local communities to conduct election campaigns on the one hand, and hold residents' forums on the Policy Address on the other. The areas that I visited were public housing areas because the Kowloon East Constituency to which I belong is basically a public housing area.

First, the public welcome the resumption of the HOS and this is very clear. The Democratic Party conducted a voice telephone survey from 11 to 13 October and successfully polled 557 members of the public. Among them, 95.3% of the respondents supported the resumption of the HOS, so this Policy Address has answered the demand of 95.3% of members of the public. However, another 80% of members of the public also supported the reintroduction of the sale of public housing units. I know the Secretary does not agree with this, and I also understand her arguments. For this reason, we conducted a cross-analysis. Some people may say that those living in public housing would certainly support the resumption of the Tenants Purchase Scheme. However, our survey found that be it residents living in private housing, HOS flats or public housing, basically, they all supported the reintroduction of the Scheme, with the rates ranging from 76.3% to 80.3%, so the differences are quite small. This reflects the fact that it is not just residents living in a certain type of housing that particularly support the sale of public housing units, rather, the support is widespread. These are the results of our survey, so I invite the Secretary to take note of them.

In addition, in the residents' forums, residents who had lived in their housing estates for over a decade all wanted the Democratic Party to tell the Secretary that they strongly hoped the Government would reintroduce the sale of public housing units. They would rather wait, and so long as the Government would reintroduce this measure, they would continue to wait no matter how many phases they had to wait for. Therefore, I hope the Secretary can think over this and the Democratic Party will also do more in this area by reflecting the views of the public.

The last issue relates to the allocation of public housing units. The Secretary often talks about the allocation of public housing within three years and I think she can already guess what I am going to say. In fact, not that many people can be allocated a public housing unit within three years and get the keys

to their flat. Many residents do not accept the unit allocated to them on the first offer. If they do not accept the second offer or the last offer, their applications will be put on hold. Therefore, often, they would accept the unit allocated to them on the third offer. Hence, if they accept the unit allocated to them only on the third offer, they will have waited for at least a couple of years. The pledge of allocating public housing within three years made by the Secretary is measured from the time when a blue card with a number prefixed with G or U is received — unless the applicant is an elderly person, it is also very difficult for residents assigned a number prefixed with U to be allocated a unit within three years. In fact, the waiting time is very long and the period of three years does not truly reflect the time it takes for an applicant to be allocated a unit and move into it. It is only the time it takes for the first offer to be made.

In addition, the great majority of housing estates built nowadays consists mainly of one-person, two-person, three-person or four-person units. For a family with four or five members waiting for a unit, it is in an unfavourable position. In the cases dealt with by me, often, the first offer was not made to them even though they had waited for three years. Therefore, to those residents, such a pledge is just empty talk. Why? I once asked someone in the senior management of the Housing Department as to why families, with four or five members and some of whom being elderly people though, had waited for more than three years, did not see the first offer made to them. His reply was very simple, that is, the number of such units was insufficient. At present, small units make up the bulk and there are very few units for five or six persons. Many new housing estates do not even provide this kind of units. There are practically no three-room units. The units have two rooms at the most, but even these are limited in number. The units mainly consist of those for one or two persons, with only one room.

If the Government keeps building a large number of units — it is said that the average is 15 000 per annum, but Mr LEUNG Chun-ying said that building 35 000 units would be most preferable, so I wonder if the Secretary can build 35 000 units per annum? Mr LEUNG is a "likely Chief Executive candidate" and I do not know if he would be elected in the future, but he proposed that 35 000 new units be built each year, yet at present, the number stands at 15 000 only. The bulk of these 15 000 units are small ones, so are not families with four, five or six members waiting in the queue having a wretched time? I believe it is very difficult to honour this pledge of allocating a unit within three

years. Is it because there are too many members in these families that they are penalized by being made to wait longer? This is a painful fact staring in our face. Secretary, I wonder how you are going to counteract the emphasis on providing small units in new buildings.

Since the Government and the Chief Executive both encourage people to have three children, may I ask how come families will have three members in the future? If just one child is raised, a family will have three members, but if three children are raised, a family will have five members. Together with the grandparents who live with them, a family will have five or six members. If these families with five or six members wait for public housing, they certainly cannot be allocated a unit within three years. Is this a punishment for them?

On this, the point I wish to make is that a wider perspective must be adopted when looking at the public housing problem. I will not talk about the issues relating to young singletons for the time being because I have no objection to building hostels. The Government may as well consider using hostels to house those single young people who have been waiting for a long time. As regards those families with five or six members, I wish to voice their discontent on their behalf. At present, waiting for public housing allocation is tantamount to a punishment for them as there is no such thing as being allocated a unit within three years.

I so submit.

MRS REGINA IP (in Cantonese): President, since the theme of this debate session today is "Developing the Infrastructure for Economic Growth", I wish to present some views on Hong Kong's economic performance.

I notice that in paragraph 205 of the Policy Address, the Chief Executive sums up his achievements in administration in the past seven years, boasting complacently that the size of our economy has expanded by 55% in real terms between 1997 and 2010, that the number of jobs increased by 500 000, and so on. However, Hong Kong should not just look at itself, rather, it should also look at how other places have developed and then make comparisons. We only need to make a small comparison to find that recently, Shenzhen has overtaken Hong Kong in the size of its economy. When Shenzhen's economy reaches a certain

scale, the convergence of people, goods and capital will naturally accelerate and pose increasing competition to the traditional advantages that Hong Kong possesses, such as those in cross-boundary transport, container shipping and even trade or other low-value-added services.

We can also take a look at Singapore. The figures indicate that since the financial turmoil caused by the Lehman Brothers Minibonds incident in 2009, the quarterly growth in Singapore's GDP has been higher than that of Hong Kong. Hong Kong and Singapore are generally similar in their consumption pattern and investment, but the area in which Singapore is doing better than Hong Kong is its better performance in net export, in particular, in its development of the Southeast Asian market. Although Hong Kong has the advantage of leveraging on the huge and high-growth Mainland market, in fact, the quarterly growth in Hong Kong's GDP since 2009 has been lower than that of Singapore, so this warrants some soul-searching by us.

In paragraph 205 of the Policy Address, the Chief Executive also lavishes praises on his own work but he only talks about the positive side. He says, "Hong Kong topped the World Competitiveness Survey together with the United States.". He did not specify which survey it was. However, we found that according to another ranking that is equally well-respected by the international community, that is, the Global Competitiveness Report published by the World Economic Forum in Davos, Switzerland, in Europe, Hong Kong's ranking last year and this year has remained at 11th, making no progress whatsoever, while Singapore has risen from the third to second, with the United States ranking the first.

The expert who compiled this report made some comments that warrant reflection by Hong Kong. He said that Hong Kong had rather good performance in its infrastructure, in particular, the quality of its internal transport and telephony infrastructure is simply outstanding. It has also done a good job in the goods market, labour market and financial market. However, he pointed out that in order to enhance its competitiveness — he defined competitiveness as productivity — and to move up to among the top 10, Hong Kong must work harder in two areas, namely, higher education and innovation. He said that although the quality of Hong Kong's education is rather good, ranking the 14th, the participation rate in education is lower than other economies, ranking only the 53th. He said that improving higher education would serve to enhance Hong

Kong's innovative ability because our ability in this area, in particular, in innovative technology, has been constrained by the availability of outstanding scientists and engineers.

Next, let us look at some indicators in education. According to the Global Competitiveness Report of the World Economic Forum, in the part on basic requirements, Hong Kong is ranked the 27th in health and primary education, whereas Singapore ranked the third. In the part on efficiency enhancers, Hong Kong is ranked the 24th in higher education and training, whereas Singapore is ranked the 4th. However, this is not surprising because as many Honourable colleagues have already pointed out, the Chief Executive's Policy Address is disappointing in respect of education. The initiatives in education proposed by him only include the establishment of the International Cuisine College, and the Youth College remains only at the same level of the Vocational Training Council. Even the training of construction workers cannot meet the need to turn Hong Kong into a knowledge-based economy at all.

On infrastructure development, it is a shame that the Government is highly constricted by its old thinking. In its thinking, infrastructure is all about concrete and civil engineering and the infrastructure of knowledge, education and training of workers, that is, the knowledge infrastructure, is neglected. Insofar as infrastructure relating to the development of basic facilities and civil engineering is concerned, the problem that we can see all along is that the pace of development is far too slow. Be it Kai Tak in East Kowloon, the Loop in Lok Ma Chau, which has been discussed for many years, or even the third runway that we need urgently, the time frames of their development are all very long and some of the planning standards also appear to be outdated. For example, at present, territory-wide planning standards are still widely adopted. As a result, the needs of local communities are neglected. Of course, a lot of consultations are also involved. I once heard Secretary Carrie LAM say that if no consultations were carried out, problems would arise but of course, we agree very much with carrying out consultations. However, the Government does not know how to handle consultations, so as to do the tasks more effectively and with a greater sense of direction, and at the same time, compress some of the processes to speed up the pace of development. For this reason, many members of the public have pointed out that the Kai Tak area in East Kowloon has been left to "moonbathe" for many years and that small piece of land at the Loop in Lok Ma Chau also has to wait until 2020 before the infrastructure works will start,

whereas the construction of the West Kowloon Cultural District has not yet started despite the discussions lasting over a decade.

Therefore, in view of the present direction of development in Hong Kong, I think it is tantamount to milking the bull to rely on infrastructure development to stimulate the economy. We really need a lot of new thinking. I believe that in order to stimulate the economy, it is a must to turn Hong Kong into a knowledge-based economy and expand the economic structure, so as to narrow the wealth gap.

I know that each time the wealth gap is mentioned, the Chief Executive would feel very angry, saying that it cannot be resolved in a capitalist society. We can see that there is also such a gap in the United States, Singapore as well as China. We are not asking the Government to eliminate this gap, rather, we only hope the Government can find ways to narrow it. However, the measures adopted by the Government in recent years have only served to widen the wealth gap further. I once cited the example of The Link REIT in this legislature and when the senior management of The Link REIT gave explanations to us, they said that the shopping centres in housing estates were no longer confined to serving a single small area like Tin Shui Wai, rather, they served an even larger area, that is, Northwest New Territories and even Mainland visitors coming to Hong Kong under the Individual Visit Scheme (IVS).

For this reason, shopping centres of both The Link REIT and the private sector will all move up-market, after they have been repackaged and refurbished. Recently, I visited the Tuen Mun Town Plaza and found that it was full of people. The people flow was very high. There were even two H&Ms in it and Zara would also open a store there soon because that place is oriented towards the market of IVS visitors. While canvassing for votes on the footbridge, I saw many Mainland visitors pulling suitcases and doing shopping there. This made me think that it would be even more difficult for our SMEs and people with an inadequate level of educational attainment and skill to survive. When I visited these places, a lot of people told me that not only did local residents have to bear high food prices and pay high rents, even some traditional SMEs, that is, "ultra small enterprises" — enterprises that were very small in scale — whose owners were all Hong Kong people with a strong determination to fend for themselves, who did not wish to receive CSSA and who only wanted to rely on selling yarn and threads, cloth alteration, selling candies and stationery for a living, had all

been driven away. These measures and policies will surely widen the wealth gap. So I hope that the Government, when formulating this kind of privatization policies in the future, will ensure that this serious public livelihood and economic issue is given due consideration.

What I find most disappointing in the part on stimulating the economy in the Policy Address is that, apart from the inadequate investment in education and the absence of any pledge to increase publicly-funded university places, offer of 15-year free education or introduce small class teaching, the support provided by the Government to SMEs is also very limited. I once proposed to the Chief Executive in the Commission on Strategic Development that since the Government liked to establish all kinds of funds, it may as well allocate \$20 billion or \$30 billion to the establishment of a fund to support SMEs in going up-market and enhancing their productivity, so that they can train their staff, adopt a wider range of technologies and even carry out research and development. It is not necessary for the Government to provide the funding all on its own because it only has to provide guarantees or loans. Some members of the sector told me that some banks were prepared to increase the loans extended to SMEs if the Government could provide support. In fact, apart from the problem of capital, SMEs also face problems in staff training and staff wastage. We all know that young people like to work for large corporations because promotion opportunities are available and the terms of employment good. These corporations will even sponsor employees to study in renowned education institutions overseas, but SMEs are not in a position to offer such terms.

In addition, SMEs also face the rental problem. Of course, this is not a problem that can be solved easily because even the rent control on private residential flats in Hong Kong is already lifted. Hong Kong upholds the free-market principle, so when even the rents of private residential flats are not subject to any control, may I ask how the rents of commercial properties can be regulated?

Anyway, all SMEs are facing the same difficulty, that is, since many shops are geared towards the huge consumer market on the Mainland, it is very difficult for SMEs to compete with internationally or locally well-known chain stores, so there is less and less room for their survival. For this reason, I think the Government must come up with more solutions in respect of rents. Some people propose the introduction of a vacancy tax to prevent those "shop barons" from

leaving their shops vacant for long periods of time, so as to wait for high rental offers instead of letting them to SMEs. In addition, some people also propose tackling this problem from the angle of land leases for new developments by studying if it can be specified in the land leases that diversified development must be carried out, so as to help SMEs. Therefore, on stimulating the economy through infrastructure development, I think the thinking of the Government in many areas is very backward. All along, the Government only cares about the physical infrastructure but in fact, the development in this regard is also quite slow and the planning is not going as well as desired either. Coupled with the present need to develop a knowledge-based economy, it is really impossible for the Government to neglect the need to increase investment in education and scientific research.

On scientific research, many Honourable colleagues have pointed out a number of times that the investment in scientific research amounts only to 0.79% of the GDP, while some academics have pointed out that even this 0.79% is somewhat inflated because some data were collected by the Government using questionnaires. As regards the business sector, since the great majority of companies are SMEs, the investment in scientific research is also very limited. In developed countries, the rate of such investment stands at 2.5% or 3%. The Mainland is also striving to increase its investment in scientific research, so as to raise the level of its economy. For this reason, I believe that in the long term, the Government must increase its investment in the two areas of education and scientific research.

Each time I talk about investment in education, I will always remember that the Chief Executive would invariably say when commenting on this issue that for every \$4 spent by the Government, \$1 is on education. This reflects the fact that the Chief Executive still cannot free himself from his original role of someone holding the purse strings, only considering education to be an item of expenditure rather than a long-term investment.

I have talked about many areas requiring greater investment input by the Government, and I think there is also another area that cannot be evaded, that is, the taxation problem. Recently, I noticed that the two potential Chief Executive candidates both said in forums that it was not yet the time to review the taxation system. Of course, they both understand that a review of the taxation system would involve increasing taxes and of course, this is "box office poison" that

would affect the votes for them. However, in fact, if there are so many things that the Government needs to do and if the Government wants to have achievements, and since it has to increase its investment not just in infrastructure, education and scientific research but also in public housing, the improvement of welfare for the elderly and retirement protection, and it also has to commit more resources to improving medical and healthcare services to ensure that pregnant women can get a bed, it has no choice but to increase its recurrent revenue. All these cost money and without money, they cannot be accomplished. I remember that a former colleague of mine — Secretary Dr YEOH Eng-kiong — who has left the Government, once made a remark, to this effect, "Where can the money come from? Will it drop from trees?" He was therefore mocked as "Secretary money on trees". Although his remark was rather flippant, the fact is we cannot think only about spending money but not about how to ensure that the coffers have enough recurrent revenue to meet the relevant expenses. Otherwise, we will only repeat the Greek tragedy.

I still cannot come up with any excellent idea but even if I could, I would not talk about it so soon. I only wish to raise one point, that is, if we want to develop the infrastructure and stimulate the economy, we have to consider reforming the taxation system. In fact, many financial experts, intellectuals and professionals in society all fully understand that the taxation system needs to be reformed because this is a long-term investment for the sake of the next generation. I believe that so long as the next Government can put forward reasonable proposals and lead society in rational discussions, we will be able to carry out reforms, make investments and carry out development in various areas for the future of Hong Kong and build an even better future for our children.

DR PAN PEY-CHYOU (in Cantonese): President, I wish to talk about scientific research and the development of high-technology industries. It appears the Secretary has left the Chamber.

The Chief Executive's Policy Address mentions the research funding for tertiary institutions. The Chief Executive said that \$5 billion would be injected into the Research Endowment Fund for tertiary institutions. We agree very much with this measure. We also believe that the Government should, so long as its financial situation permits, make greater efforts in supporting the research efforts of universities. In the East and the West and from the past to the present,

tertiary institutions, in particular, universities, have always been the vanguard in expanding the frontiers of knowledge. With the convergence of academics and their mutual stimulation and interaction, academics compete and co-operate with one another, and through research, they explore new knowledge. Some of the research results can even be applied directly to industrial production to enhance the value of our industries. According to the information of the Census and Statistics Department, in 2009, the expenditure on research and development (R&D) slated for higher institutions amounted to \$6.8 billion, accounting for 53.3% of the gross domestic expenditure on R&D and, representing a significant increase of 41% compared with that in 2001. The number of research output items in 2009-2010 even exceeded 26 300. From this, we can see the importance of tertiary institutions to R&D in Hong Kong. Apart from money, there are also many ways for the Government to support the scientific research efforts of universities, for example, the Government can actively assist universities in turning the results of research into items with economic value by playing the role of a matchmaker between universities and the relevant companies to facilitate their co-operation, as well as helping the research units of universities market their research results, so as to generate commercial revenues. All these require the support of the Government. Not only can vibrant scientific research activities give young people more opportunities, broaden their scope of employment and enable them to embark on a career in industries yielding great benefits, they can also help Hong Kong truly transform its industries into high-value-added ones.

In recent years, scientific research in Hong Kong has given rise to some concern because it seems to have somewhat stagnated. In 2009, for every 1 000 people in the workforce, only 5.24 were involved in research work. This is higher than the figure in 2001, when 2.67 in every 1 000 people in the workforce were involved in scientific research. However, we found that an increase in this regard could be seen only in the first few years of this century. Although the Government has been talking about the promotion of the six priority industries in the past few years, the number of people engaged in this field has not seen any significant increase, remaining only at about five persons, that is, only about five in every 1 000 people are involved in scientific research. In 2009, the rate of total expenditure on R&D to the GDP of Hong Kong was, as pointed out by Mrs Regina IP just now, only 0.79%, which is far lower than those of many advanced economies.

President, I have some expectations for such initiatives as the establishment of the Hong Kong branch of the Chinese National Engineering Research Centre and a High-tech Industrialization Base, and the development of a National High-tech Industrialization Base for green technology in Hong Kong, as mentioned in paragraph 160 of the Policy Address because these facilities will doubtless facilitate exchanges in innovation and technology between Hong Kong and the Mainland and promote the development of high technology in Hong Kong. The Government should appreciate the expectations and encouragement of the State, pay greater attention to the issue of R&D, and make greater efforts in the removal of hurdles and barriers, so that talents, techniques and even capital in the high technology field can flow freely and be taken up in Hong Kong. Heavy capital investment is required in innovation and technology, but it takes a long time before there can be any return, so the Government should abandon its mindset of positive non-intervention in administration and promote the development of the high-technology industry by pursuing a more proactive strategy. There are many areas in which we have to play catch-up. In fact, we are lagging far behind such regions in East Asia as Taiwan and Korea.

Lastly, I wish to raise the issue of review of the patents system. I have raised this matter in the legislature before. I welcome the fact that the Government has listened to and taken on board my views and those of local inventors. In fact, the numbers of patent-related activities and applications are an indication of the effectiveness of efforts in promoting R&D because if an environment and talents for R&D can be found in a place, naturally, the number of applications for patents of inventions will also increase. In recent years, we learnt many pieces of delighting news from the press, for example, the inventions of local young inventors and the increasing number of applications for patents in Hong Kong. In 2010, there were 12 316 such applications, an increase of 43.7% over 2000 and the number of patents approved stood at 5 875, a drastic increase of 97.8%. In view of this, we propose that an enhanced policy should be introduced to protect the reasonable interests of local inventors as this is a natural course of action. We demand that Hong Kong should have its own "original grant patent system" rather than relying on the patents granted by other places, that is, approval is given in the form of standard patent. At the same time, the criteria for and the approval of short-term patents should also be relaxed. In addition, it is even more important to protect the rights of inventors, for example, by providing legal support to them, so that when they encounter instances of infringement, they can seek timely legal advice and even direct legal support.

However, at present, these inventors are actually very isolated and helpless. They require this kind of assistance urgently.

President, between 2000 and 2010, the total value of exports in high-technology products saw an average increase of 14.3% year on year and this is no doubt encouraging. To enable Hong Kong to become a hub for innovation and technology, we need not only capital investment, but also talents, land, concessionary measures and even legal support. If these conditions are not improved, I am afraid high technology will be stuck in a bottleneck and cannot see any further progress, and as I said just now, signs arousing concern have arisen. Hong Kong has sown the seeds for the development of high technology, so in the future, it is necessary to continue to till the soil, water it and apply fertilizers to take forward R&D. It is only in this way that the new innovation and technology industry will sprout, grow and bear abundant fruits.

President, I will talk about the other subject matters in the subsequent sessions.

DR LAM TAI-FAI (in Cantonese): President, the slogan of this last Policy Address delivered by Chief Executive Donald TSANG during his term of office is "From Strength to Strength", but can this Policy Address really achieve this objective? From the perspective of the industrial sector, the Government has managed to do so and even fully accomplished its mission. This is because over the past couple of years, the Government led by Chief Executive Donald TSANG has never proposed any policy related to industrial development, and there is not even a single word in this Policy Address about it. Hence, it can be said that the Government has realized the slogan thoroughly.

President, I would like to share with Members some data about Hong Kong's economic development 14 years after the reunification. Our GDP has risen by 55% from \$1,120 billion in 1997 to \$1,730 billion last year; our fiscal reserves have risen more than 80% from \$330 billion in 1997 to \$600 billion now; although the unemployment rate can still not revert to the 1997 level of 2.2%, the number of employed persons has risen from 3.16 million to 3.64 million at present, reflecting that job openings have risen by 15% or 480 000. Of course, we owe these economic fruits largely to the vigorous support from the Central Government, including CEPA, the Individual Visit

Scheme and many financial policies conducive to Hong Kong. As a result, Hong Kong has managed to sustain its development. Despite the financial turmoil, SARS and financial tsunami, we have still managed to turn calamities into blessings and turn peril into safety. Moreover, our economy has been recovering swiftly and rising from the trough.

Unfortunately, not everyone in Hong Kong can share the economic fruits. Many people in the lower and middle classes and young people are still under enormous pressure in living. Many people cannot make ends meet, dwelling in "sub-divided units" and working many part-time jobs. Although the overall unemployment rate has fallen to a new low of 3.2% in recent years, the unemployment rate of young people still remains at a double-digit level — the unemployment rate of the 15 to 19 age group has reached 17%. This is absolutely a miserable and horrible warning.

President, young people are the future pillars of society. It goes without saying that it is very unfortunate for them to be unable to continue their studies during their learning period, and it is also most horrible if they have to face unemployment because they cannot find a job after leaving school. Young people being plunged into unemployment or offered low-pay jobs will directly affect their livelihood and deal a blow to their opportunities of upward mobility and their mindset. As a result, they will lose their sense of belonging to society and hold grievances and even feel dissatisfied with the Government. I believe the Government's low popularity rating has also reflected the young people's dissatisfaction with the Government.

I cannot understand at all why this year's Policy Address has not proposed any targeted policy to address the problem of youth unemployment and young school drop-outs. In my opinion, the difficulties encountered by young people in seeking jobs can be attributed to two main reasons. First, Hong Kong's education system is seriously flawed, making it impossible for young people to effectively exploit their potentials and talent. As a result, many of them opt for discontinuing their studies or simply fail to catch up with studies in school. Second, the job types in society are seriously inadequate, thus limiting youth development. This Policy Address has actually failed to propose policies targeting these two aspects. As for education, I will share my views with Members in the fourth session. During this session, I would like to point out

that the problem caused by inadequate job types is closely associated with the Government's long-standing indifference to industrial development.

President, like the lower class and young people, the industrial sector is also unable to share the fruits of Hong Kong's economic development. For many years, Hong Kong has put emphasis on the development of the financial and real estate sectors, resulting in their thriving development. Even Chief Executive Donald TSANG has said proudly that since 1997, Hong Kong's stock market has grown nearly seven times. He has also added that, in the past two years, the total amount of the first financing exercise by the Hong Kong Exchanges and Clearing Limited ranked first in the world. This is, of course, gratifying news.

President, the prosperous development of the real estate sector has pushed property prices higher and higher. While property developers are certainly "making huge profits", government revenue from stamp duty has continued to rise, making it the main source of income. However, the industrial sector is still troubled by its future and operation every day, feeling that its prospects are very dim. President, Hong Kong's industries are not as lucky as the financial and real estate sectors, for the latter have got the Government's special attention. This explains why our industries have continued to shrink in the past decade like a pool of stagnant water. With fewer and fewer new-comers, a succession gap has emerged. In 1997, the number of employees in Hong Kong's manufacturing industries was approximately 260 000, or 11% of the total workforce. Last year, the number dropped to 120 000, or 3.4% of the total workforce.

President, Hong Kong's industries have continued to decline not because the industrial sector does not work hard or has abandoned industries or nobody wishes to develop industries. Nor is it because industrial products are no longer needed in the market. It is rather because the Government does not consider industries important to social development — not as important as the development of the financial and real estate sectors. As a result, the Government has all along failed to formulate a specific industrial policy to help industries in pursuing sustainable development. Very often, our requests and views fall on the deaf ears of the Government. The reality has told us that, for many years, the policy addresses and budgets have made no mention at all of industrial development. Not only does the industry find this heartrending, we also find the Government most irresponsible.

President, the industrial sector has a catch phrase that goes like this: "only with a policy will there be business opportunities". As the Chief Executive points out in this year's Policy Address, in order to vigorously develop the catering industry, the Government will establish an International Cuisine College to nurture young people for the industry. This is a good initiative, and I support it. However, why can the Government not apply this notion to industrial development? Why must the Government accord discriminatory treatment? I cannot understand this.

President, let us look at other places around the world. Where on earth, be it a developed country or city or an economically advanced city, can one find there are no industries at all? Which government will offer no assistance to industrial development? In the past, South Korea, Singapore, Taiwan and Hong Kong, called the "Four Little Dragons", were running neck and neck in industrial development. But now, the "Three Little Dragons" have already reached the stage of developing high technology and high value-added industries, whereas the industries in Hong Kong have nearly vanished. Given that the governments of economically developed countries, such as Switzerland, the United States and Germany, can continue to vigorously support the development of their industries, why can the Hong Kong Government not do so? It beats me.

President, as a key component of the real economy, industries can assist in the balanced development of the economy and provide abundant job opportunities to people from different social strata or with different academic qualifications or skills. Now, industries have no room for development because of the Government's emphasis on the financial and real estate sectors. As Hong Kong's economic structure is so narrow and unitary, there will eventually be a continuous loss of job types and openings in society. As a result, there will simply be inadequate job opportunities for people with low educational attainment or low skills, including young people.

President, although I have stated time and again that I support the plan of revitalizing industrial buildings and optimizing the utilization of land resources, I hope Members will understand that the fact that the Government has introduced this plan does not necessarily mean that it supports industrial development. Actually, had the industries been developing in a thriving manner, why would there be so many vacant industrial buildings, why would many of them be used for storage purposes and why would they need revitalization? From another

angle, the revitalization of industrial buildings signifies the miserable end of industries, their decline and demise. Today, the Government is only trying to transplant the innards of a dying patient to another person. Obviously, the Government very much encourages the transformation of traditional industries into the hotel and retail industries, and even some other trades.

President, you are a man of good reasoning. A pluralistic society needs different talents. Not everyone would like to be a "white-collar" worker or work in the financial sector. Nor is everyone suitable to work in the real estate or services sector. Some people would like to engage in industries or be a "blue-collar" worker. I hope this Government, and even the next, can understand the actual circumstances and cater to different people in society.

President, with the financial tsunami sweeping Europe, the United States and Japan, the economy of various countries is flagging. Now, the global economy is declining, and there is a high possibility of a European debt crisis. I believe all the Bureau Directors present will agree that it is very hard to do export business, and there has been negative export growth recently. As published yesterday, Hong Kong's overall value of export has dropped 3% compared with the same period last year. It is also the first negative growth recorded in 23 months. Indeed, I believe the Secretary is also aware that many companies, especially SMEs, are currently faced with inadequate orders. They are facing either a price squeeze or defaulted payments after delivery of goods. On the contrary, the Mainland markets are enormous, and there are business opportunities everywhere. While it is everyone's wish to have a share of the pie of the Mainland market, Hong Kong-invested enterprises do not know how to go about it.

President, the Policy Address has put forward a very constructive proposal of setting up a \$1 billion dedicated fund to encourage enterprises to develop and build up their brands in the high value-added direction. I agree with this proposal, and I believe its intention is good. However, I hope the Government can also understand that factories engaging in "contract processing" are not qualified to engage in domestic sales. The Government must assist them in upgrading and transformation to become enterprises engaging in "import processing" before they can be qualified to seize the opportunities brought about by this fund. This is simply the fundamental issue. I do not understand why the Government does not tackle this issue at root and propose concrete measures

and policies to assist them in upgrading and transformation before the fund can be put to good use.

Coming back to the \$1 billion dedicated fund, I hope the Government can make an effort to consult experienced people and enterprises engaging in brand development on the specific details and refrain, by all means, from working behind closed doors or heeding the advice tendered by laymen. I hope the Government can make effective use of this dedicated fund.

Honestly, President, if the Government had listened attentively to the views expressed and requests made by me and the industry a couple of years ago (the first year I joined the Legislative Council) and formulated an industrial policy to resolve the depreciation allowances for machinery under section 39E of the Inland Revenue Ordinance and the taxation problem in relation to "contract processing" and "import processing", I believe the industry would not have become a pool of stagnant water, as is the case now. Instead, everyone can upgrade and transform, enter the Mainland market, engage in domestic sales, and share the fruits of the Mainland's economic development.

During the past couple of years, the Mainland authorities greatly encouraged the upgrading and transformation of enterprises and even provided a lot of concrete support. In the past couple of months, the Mainland's Ministry of Commerce, Ministry of Human Resources and Social Security and Customs of the People's Republic of China decided to set up the national processing trade transformation and upgrading demonstration zones and launched 13 initiatives to assist enterprises with the goal of expediting the upgrading and transformation of the processing trade within the zones and materializing four changes in three years. The 13 initiatives to be launched include assisting enterprises in financing, upgrading technology, supporting enterprises' market expansion and taking measures to boost both export and domestic sales. The coverage of these initiatives is very comprehensive. Moreover, each initiative can be said to be capable of administering the right cure and directly pinpointing the problems currently faced by the industry.

Secretary, even the Mainland has demonstrated such resolve and proactiveness in assisting the upgrading and transformation of enterprises, so should the SAR Government not, which has all along emphasized strong governance, follow the footsteps of the Mainland in a more proactive manner?

Should it not take pragmatic steps to complement the State policy? Should it not support the upgrading and transformation of Hong Kong-invested enterprises? That said, the Policy Address has not proposed any pragmatic initiatives and policies. If things go on like this, Hong Kong-invested enterprises will not only lose their competitiveness on the Mainland, they will also have no footing very soon, I believe.

Furthermore, the Government has often stressed the importance of the future economic integration between Guangdong and Hong Kong to the territory's development. Given the abundant development opportunities on the Mainland, Hong Kong people are encouraged to go northward for employment and starting up businesses. Therefore, the Government should adopt the views of the industry by making vigorous efforts to reach an agreement with the Mainland authorities on relaxing the 183-day taxation rule. Only in doing so can the flow of people be enhanced, thereby making the development of the two places even more prosperous.

President, I very much understand that this Government does not attach importance to industries mainly because we come from different fields, with different backgrounds. Therefore, our angles of looking at problems are entirely different. Frankly speaking, Chief Executive Donald TSANG and officials responsible for the relevant policies have never engaged in the business sector, not to mention the industrial sector. It is precisely due to these inherent inadequacies that they do not understand the actual circumstances and plights of SMEs as well as we do. Neither will they recognize the importance of industries to social development. Given their inherent inadequacies, I very much hope that they can make more efforts, work harder, be more patient, and adopt or listen to the views and suggestions of the industry.

President, Chief Executive Donald TSANG has recently made a perfectly correct remark. He said, "With the setting sun in a resplendent blaze, why mourn that it is nearing dusk!" I very much hope that the Government can immediately change its established mindset by attempting to take an in-depth look at the situation of our industry and, in the last eight months of its term, adopt an open attitude, refrain from adopting an imposing stance, listen patiently to our views and aspirations, pay personal visits to the districts to get in touch with the workers in the industrial sector, or even inspect factories for a better understanding of our operation and, perhaps, gain first-hand experience of our

work with a view to experiencing our feelings, plights, worries and needs. By then, I believe he will definitely understand the great importance of industries to society.

President, I really earnestly hope that the Government can start afresh by changing its existing mindset and formulating some effective policies and measures to assist the continued development of Hong Kong's industries. Granting that, Hong Kong's industries can definitely go "from full strength to strength", like the slogan in the Chief Executive's Policy Address. We will also forget the past. The industrial sector and members of the public will forever remember that Hong Kong once had a remarkable Chief Executive who was willing to make commitments, to persevere, to fight on for Hong Kong until the very last minute — Donald TSANG.

President, the Government has recently been working very hard to market the Competition Bill. One example is the explanation given by the Secretary on the radio this morning. However, I find the marketing strategy currently adopted by the Government most disgusting because it is a tactic of "cooking a frog in warm water". Honestly, I have seldom made noises recently. I hope the Secretary can discuss with us slowly to settle everything and clarify every provision, minor detail, wording and even the rate of the "de minimis" approach. If the minor details, provisions, including the power and membership of the Competition Authority, are not clearly sorted out, we in the industry will definitely not support the Bill, regardless of the Government's lobbying. Neither will I act as the Government's accomplice, why? This is because the industrial sector has already learnt a lesson. After the passage of the legislation on minimum wage, the Government sprang a "surprise attack" by taking the lead in giving paid leave. Should the Government play its old trick again this time around by enticing us to support the legislation and then gradually tighten up the legislation by exploiting the minor details, provisions and the power of the Competition Authority, SMEs will definitely have nowhere to go to air their grievances and see their business being gradually marginalized and completely eaten up by the large consortia. As usual, oil companies will be quick in raising and slow in reducing oil prices, and supermarkets will charge "shelving fees". Not only will such piece of legislation fail to help SMEs, it will also fail to combat the "big tiger". In the end, we will only have a lose-lose situation.

President, faced with such a poor business environment and plagued by internal and external troubles today, SMEs are no longer capable of dealing with so many ambiguous policies. I hope the Bureau can appreciate our plights, listen more to our requests and views and heed our good advice, so as to ensure the sustainable development of SMEs.

President, I so submit.

MR CHEUNG HOK-MING (in Cantonese): President, this last Policy Address of the incumbent Chief Executive is entitled "From Strength to Strength". The idiom "From Strength to Strength" carries the meaning of continuing with the enterprise of our forebears and opening up paths to the future. It can thus be seen that the Chief Executive, in compiling this Policy Address, hopes that the proposals therein can have continuity and also break new policy grounds. The Policy Address is also more pragmatic and feasible than those in the past, as it has addressed the issues of housing and welfare of the elderly and socially disadvantaged groups by introducing measures that break with the old and establish the new.

In the Policy Address this year, a major breakthrough has arguably been made in respect of the transport policy. In particular, it is announced that the measure of "travel on the general MTR lines, franchised buses and ferries anytime at a concessionary fare of \$2 a trip" (concession scheme) will be introduced. It is estimated that as many as 1.1 million people will benefit from it. Recently, when we visited the local communities, we could hear many members of the public, in particular, elderly people, sing high praises of the concession scheme, believing that it could really help ease their burden of transport expenses. I believe the concession scheme will become a major achievement of the Chief Executive before his departure.

Although the Chief Executive has won a lot of applause from the public for proposing the concession scheme, there are still a lot of uncertainties in the details of implementation. The DAB believes that there may be two major loose ends in this regard. If they are not handled properly, the applause may easily turn into booing, so the SAR Government really cannot make any slip here.

The first loose end that we are talking about is related to the timetable for implementation.

We understand that before the implementation of the concession scheme, the authorities have to discuss the details with a number of transport operators and the concession scheme has to be approved by the Finance Committee in the next financial year. There are also complicated issues, such as technical ones, that have to be resolved by all parties together.

I believe that the public are understanding in this regard. However, the public will have to wait for over a year before they can benefit from the concession scheme, so it seems that the time is too long.

I believe Members will still remember that early this year, the Government announced the measure of handing out \$6,000 to each member of the public, but precisely because of the complicated and prolonged process of implementation, the registration did not start until two months ago and the public have to wait until next year to receive the money. Due to the delays in implementation, not only has the initial enthusiasm of the public subsided, the public have also forgotten the good intentions of the Financial Secretary in deciding to make the hand-out back then. As a result, some members of the public even have a much less favourable impression of the Government. Hence the SAR Government has lost more than it has gained. For this reason, the authorities must avoid a repeat of this mistake when introducing the concession scheme.

In view of this, the DAB had a meeting with the Chief Secretary for Administration last Thursday. Apart from urging the Government to discuss the implementation timetable with public transport operators, we also put forward our proposals, including the demand that transport operators that are in a better financial position should implement the concession scheme first. The MTR Corporation Limited (MTRCL), which offers concession for persons with disabilities at present, is a prime example.

After the implementation of the concession scheme, the transport operators concerned may attract more elderly people or persons with disabilities to use their services, so consequently their revenues will increase. For this reason, when the authorities discuss the arrangement of reimbursement on an accountable basis with them, it should require them to take measures to offer rebates on part of the

additional revenue generated to the public, so as to ease the pressure of fare increases.

In addition, minibuses, which are often taken by the public, should also be included, so that more elderly people and persons with disabilities can be benefited. At the same time, the authorities should also urge various transport operators to make the undertaking that they will not discontinue other fare concessions as a result of the implementation of the concession scheme.

President, the second loose end we are talking about is the definition of "persons with disabilities".

Although this issue has been discussed in the Legislative Council for many years, so far, the term "persons with disabilities" still lacks a clear definition. Even though the MTRCL introduced fare concession for persons with disabilities in 2009, so far, this concession is offered only to Comprehensive Social Security Assistance recipients who are 100% disabled and recipients of the Disability Allowance.

According to statistics, there are about 150 000 persons with partial disabilities in Hong Kong and at present, they still have to pay full fares when taking public transport. We have heard the views and demands from groups for persons with disabilities. They expressed the hope that the MTRCL can relax its restrictions on fare concession, so that people holding the Registration Card for People with Disabilities issued by the Labour and Welfare Bureau can similarly enjoy the half-fare concession.

President, all along, our society advocates that persons with disabilities should not be discriminated against and that all people are equal. However, in its overall policy, the Government adds an "invisible class" persons with disabilities, thus sowing differences in society. This is a most irresponsible practice of the Government.

The DAB holds that the Administration should take this opportunity of offering transport concession to persons with disabilities to clarify the definition of "persons with disabilities", so as to provide a clear reference and guideline to society and reduce pointless and unnecessary disputes.

President, inflationary pressure is rising continually in Hong Kong. Last Friday, the Government announced some figures showing that the overall Consumer Price Index had risen 5.8% year-on-year in September, and after discounting the effects of all one-time measures introduced by the Government to ease public hardship, the year-on-year increase in underlying inflation rate in September was 6.4%. When the prices of all goods are rising, various transport operators will cite rising costs as the reason to increase their fares one after another, as has been the case for many years. Given that generally, the increase in wages cannot catch up with inflation, the ordinary masses will surely take the brunt of inflation.

All along, the DAB has been listening to the demands of the grassroots. In the four areas of clothing, food, housing and transport, they say that they have been scrimping on clothing, food and housing to reduce their expenses to a minimum. However, they are in a passive situation when it comes to transport. They need to take transport, but the rises in transport fares each year impose on them an ever-increasing and unbearable burden. They hope very much that the Government can hold discussions with the transport operators, so that the burden of transport expenses would not be stuck fast to them like the glue on a chair, thus making it impossible for them to get rid of it.

In this connection, in September this year, the DAB reexamined the views of the public on taking public transport. We found that there are at least three problems in the fare policies of bus companies and the MTRCL.

First, passengers not crossing the harbour are also charged the fares of cross-harbour routes, which are higher, even though the buses of such routes have already passed through the harbour crossings; second, although the MTRCL has already merged with the Kowloon-Canton Railway Corporation, no standard monthly-ticket concession is offered, and residents in Tung Chung told us that this arrangement made by the MTRCL was very unfair to them; and third, all along, the fares for cross-boundary railway lines to Lo Wu or Lok Ma Chau have been quite high, thus arousing general public discontent. These outcomes are the views on the bus companies and the MTRCL expressed by the public in the past nine months.

The DAB holds that the Administration must urge the transport companies to deal with the aforementioned issues relating to unreasonable fares through such

measures as reviewing and amending the existing scale of bus fares as soon as possible, so that after cross-harbour buses have passed through harbour crossings, their fares can be aligned as those of non-cross-harbour routes. The MTRCL should also reorganize its monthly-ticket schemes to introduce monthly-ticket concession for all lines. At the same time, it should also lower its fares for cross-boundary lines.

In addition, the authorities should also promote the introduction of more inter-company concessions by various transport operators, so that passengers living in the remote areas of the New Territories and passengers who have to interchange frequently can benefit from them. In this way, the public can be helped in easing their burden of transport expenses and tiding over difficult times.

President, compared with the policy address last year, in this last address, the Chief Executive is more progressive in housing and land supply. In particular, on land supply, Secretary Carrie LAM has proposed three "five-year plans", that is, a blueprint on land supply and development spanning as many as 15 years.

Although there are many uncertainties in land supply in the second and third "five-year plans" under Secretary Carrie LAM's grand plan, and even Secretary Carrie LAM herself also described this as quite challenging, in any event, they have addressed the demands of society concerning long-term land supply.

Earlier on, the DAB also proposed that the authorities actively develop new land resources by such measures as reclamation beyond the Victoria Harbour, the development of green belt areas of lower ecological value, the conversion of old industrial buildings and agricultural land, and so on. The Chief Executive has included this part in the Policy Address, so the DAB welcomes this move.

Although generally speaking, a blueprint for the development of new land resources has been formulated, the process of land development is complicated and controversial. Whether or not this grand plan of development can be implemented hinges primarily on the determination and the power of execution of those in power. Take the several major projects mentioned by Secretary Carrie LAM, that is, Tseung Kwan O, Tung Chung, Kowloon East, Hung Shui Kiu and the three new development areas (NDAs) — the "three-in-one" scheme — as an

example, if Members are not forgetful, they will remember that these development plans are nothing new and were mooted in the first policy address after the reunification. Some of them can even be described as old stock.

The policy address back then says, "within the next 10 years develop strategic growth areas in Tseung Kwan O, Tung Chung and Tai Ho on Lantau Island, the Northwest New Territories and Southeast Kowloon". The Northwest New Territories and Southeast Kowloon mentioned therein are the Hung Shui Kiu NDA, the "Three-in-One" NDA and East Kowloon mentioned in this Policy Address or by Secretary Carrie LAM. However, although these land development plans were proposed before 2007, why is it said only now that they will be implemented? At present, it is estimated that the first batch of sites at Hung Shui Kiu can be granted only in 2021 and although the sites in the "Three-in-One" NDAs can be granted earlier, we still have to wait until 2018. It has taken over a decade to implement all these projects and they are over 10 years behind the original plan.

Maybe the authorities would say that in the development process, such obstacles as the controversies on reclamation, demands for conservation and even economic cycles were encountered, but has the Government ever reflected on how it deliberated these matters over and again, dithered, prepared badly for the challenges as well as its efficiency in implementation?

As the saying goes, "Past experience, if not forgotten, is a guide for the future". Since the Government has the confidence to propose a land development plan lasting 15 years, even though the transition is near, the SAR Government should have the determination and perseverance to take the plan through, so that the three "five-year plans" can be accomplished on schedule. Otherwise, these grand plans will again become a post-dated cheque which no one knows when it will be honoured.

President, land is an important resource in Hong Kong and the future focus of development and major conservation areas are all located in the New Territories, where quite a large proportion of the land is privately owned, with many villagers living together on the land in question. Therefore, be it development or conservation, I think the authorities should strike a balance between the two and protect the legitimate interests of local residents and owners.

Unfortunately, even though a land development plan is proposed in the Policy Address, there is little mention of the protection of the rights of local residents and owners, so whether or not other unexpected turns of event will again occur in the process of new land development is indeed a cause for concern.

President, in response to the incident relating to Tai Long Sai Wan last year, I have called on the Government on a number of occasions to establish a nature conservation fund to buy-or-rent land from owners and compensate their losses through land exchange. Unfortunately, the Policy Address this year does not make any response to this, so I am very disappointed.

Separately, the authorities appear to be very active and responsible in heritage conservation. On heritage conservation, we agree that historical monuments are public assets and the Government also holds a similar view, believing that the Government should assume the responsibility of conservation. For example, in the case of King Yin Lei, Haw Par Mansion and even the Hong Kong Sheng Kung Hui Compound in Central, the authorities carried out land exchanges to compensate the losses of the owners concerned, thus assuming the responsibility of conservation. This precisely shows that conservation comes at a cost, so if society or the authorities decide to designate a place for conservation purpose, they should make compensation to the owners.

President, I wish to reiterate that the Government should not high-handedly freeze or restrict the development of private land through such means as the Town Planning Ordinance, planning approval or the Country Parks Ordinance. Such an approach of "trimming the toes to fit the shoes" certainly cannot resolve the conflicts between conservation and development, instead, it will aggravate the confrontations in society and escalate the conflicts between conservationists and owners. For this reason, at a time when the conflicts between conservation and development are growing increasingly intense, the authorities really should not adopt an "ostrich policy" to shun the demand for the establishment of a nature conservation fund or similar compensation mechanisms anymore.

Meanwhile, in the future land development, in particular, in the case of the "Three-in-One" NDAs and the Hung Shui Kiu NDA, the resumption of large areas of land will be involved. The incident relating to land resumption at Choi Yuen Village shows that reasonable compensation and proper relocation arrangements are the key to dispute resolution. When the Hung Shui Kiu

development plan was put on the agenda a decade ago, the land resumption and relocation arrangements aroused great concern in the area. For this reason, in proposing the plan again this time around, the authorities must make reference to the package for Choi Yuen Village and formulate reasonable and fair compensation packages, relocation arrangements and even a proposal on re-siting the Village-type Development Zone.

We notice that in the redevelopment of old districts, the authorities have put forward many enhanced proposals, for example, to add the option of "flat for flat" and reserve land in Kai Tak for the construction of flats for this purpose. In fact, the resumption of land in the rural area and the resumption of buildings for redevelopment are similar in nature and these projects merit our support. Whether or not such projects can be completed smoothly always hinges on whether or not due attention is given to the rights of local residents and reasonable compensation for them.

President, although only eight months remain in the term of the Chief Executive, I hope that apart from honouring the pledges in the Policy Address, the Chief Executive can also be bold in resolving the social conflicts caused by such issues as the development of land resources and high transport expenses.

President, I so submit.

MR CHAN KAM-LAM (in Cantonese): President, the last Policy Address of the incumbent Chief Executive, Donald TSANG, is entitled "From Strength to Strength" and introduced a series of measures in response to the issues of housing and care for the elderly. It has responded to the demands of society on helping the public buy their own properties and enhance the quality of life of the elderly, so it has won generally positive evaluations from the public. However, having looked at the whole Policy Address, we found that it is focused mainly on people's livelihood and there is still relatively little mention of economic development and planning. I wish to raise one point in particular, that is, in the part elaborating the "Role of the Government", Chief Executive Donald TSANG said that the Government should not act according to dogma or the wishes of senior officials, rather, it should strictly follow the principle of "capturing opportunities and capitalizing on strengths". In the final analysis, this amounts to adhering to the principle of giving precedence to a free market, with the

Government assuming a subsidiary role, that is, the old practice of "big market, small government". So this reflects the fact that the thinking of the present Government in administration is only founded on past strengths and it has not established new strengths.

What is the market in a "big market" like? It means that although enterprises, businessmen and professionals appear to have the innate ability to detect the early signs of the economic and market trend and often have insights into imminent opportunities, and even though they have insights into market opportunities, in fact, they are unable to obtain comprehensive information on the market and understand the whole market situation. Rather, it is the outstanding entrepreneurs who make the judgments using their unusual power of perception. As regards the Government, it is in a far advantageous position than entrepreneurs because it holds information on the economy and market and also the power to formulate policies, so it can see the directions of policies and economic development in a far more comprehensive manner than the business sector. Therefore, the Government should have greater vision and broader horizon than the business sector in assuming the role of a pilot in the overall development of a country or region, formulating macro policies and measures of development for various sectors and enterprises and helping enterprises avoid potential market risks through advance preparations, so as to create a satisfactory business environment. Therefore, no advanced country in the world would rely solely on the endeavours of the market or the mistakes of businesses to probe the directions of development, while the Government just sits on the sideline to reap the fruits of success, thereby achieving long-term success. Internationally, many examples have shown that the great competitiveness of a country or region is developed successfully only through the initiatives of the Government or even the powerful guidance of government policies.

At present, it seems the international monetary policy has lost its effectiveness and in the future, the global economy will remain in the predicament of low growth and high inflation. The challenge for the next SAR Government is how to open up a new path for the economic development in Hong Kong, so that the Hong Kong economy can have sustained development.

President, the housing policy of the SAR Government has underscored the shortcomings of its thinking in administration and the problem caused by its excessive adherence to the mode of administration. Housing is the basis of

public living and the cornerstone of social stability. If the Government's policies are appropriate, naturally, the general public can live in peace and work with contentment, otherwise, any blunder will arouse the discontent of the public and the whole society also has to pay a heavy price for this.

After the Chief Executive had been in charge for seven years, he finally admitted to the mistakes in handling the housing policy. However, we believe that the mistake of the Chief Executive lies not in his wrong assessment of the market, or as he put it, "I did not expect the recovery to be so fast". Rather, it lies in the fact that after the introduction of "SUEN's nine strokes" in late 2002, the Government insisted that the market should play a leading role, believing that the market would make self-adjustments. However, the lack of government participation has resulted in a serious imbalance in the market, so the lower class has encountered problems in housing and SMEs also have to bear high rents. From 2008 to 2011, property prices soared 60% within a short span of three to four years and the mortgage-to-income ratio of the public increased from 35% to 55%, representing an increase of 60%. The fruits of economic growth in society have virtually been eaten up by property prices or rents. Even though the incomes of the public have increased, due to the faster growth of their housing burden than economic growth, their living has not seen any improvement.

The same applies to commercial properties. In 2011, Hong Kong had the "honour" of becoming the city with the highest office rent in the world. The shortage of office space in Hong Kong did not occur overnight. Many businesses have to move out of the core business district because they cannot afford the rents of the offices there, or they have to downsize their offices in Hong Kong. Moreover, some companies cannot rent an office in the core business district even though they have the money. The high rents of commercial buildings also exert great pressure on many SMEs and this has become a factor constraining the further development of Hong Kong economy, thus directly impacting on Hong Kong companies and even Hong Kong's competitiveness. This time around, the Government has positioned East Kowloon as a new core business district. This can significantly ease the pressure of demand in the market for commercial properties, drive rents down and enhance the competitiveness of Hong Kong companies and the Hong Kong market. For this reason, the DAB supports this measure.

In fact, the Kai Tak Airport was moved to Chek Lap Kok in 1998 and the land in Kai Tak has since been left vacant for over a decade. Although the Government carried out planning long ago and earmarked 1.06 million sq m of land for commercial buildings, so far, not a single commercial site has been granted. If such vacant land resources had been used effectively to develop commercial properties, the supply of commercial properties nowadays would not have been in such serious shortage and the increase in rent could have been eased.

Unlike other policies, the housing policy requires long-term planning. We have to know that from conceptualization and planning, through turning "disposed sites" into "potential sites", to eventual completion and occupation, it takes at least eight to 10 years. If policies are not formulated in a timely manner, so that a land reserve can be put in place, when there is a change in the economic cycle or the external or internal environment, naturally, the policies will not be able to keep up. In that event, apart from saying "where can the land come from" to shift the blame, there is practically nothing that can be done.

Now, since the Chief Executive is about to retire, we have no intention of digging up his past mistakes. We wish to stress one point: The housing policy is a major policy, so it definitely cannot be changed overnight or flip-flop all the time. It must have continuity to ensure that there is an adequate supply of housing in society, so that the economy can develop and the people's livelihood can be improved.

The DAB is pleased to see the Chief Executive respond to the demand made by the DAB for many years on resuming the HOS. As a start for the HOS, it is pragmatic to supply an average of 4 000 units per annum in the first four years starting from 2016-2017. As regards 2020 and thereafter, the Policy Address proposes the planning objective of supplying 5 000 units each year and adjusting the supply according to actual circumstances. We also support this point.

The DAB hopes that the Government can compile a Reserve List for this flat production target, so as to give the HOS some flexibility. Otherwise, the so-called "adjustable" buffering mechanism will only allow downward adjustments but not upward ones. In the end, this will lead to an imbalance in supply and demand.

Although society generally welcomes the resumption of the HOS and the measure of setting the prices of flats under the new HOS with reference to the mortgage repayment ability of eligible households also represents an improvement, there are divergent views on the new premium payment arrangements. To prevent the progress in resuming the HOS from being affected by continual controversy and the emergence of an undesirable situation, the DAB hopes that the authorities can announce the details of the new HOS and launch a consultation exercise as soon as possible, so as to forge a consensus and implement the scheme as quickly as possible. In this way, needy members of the public can benefit from the scheme early.

The DAB welcomes the Government's acceptance of our proposal to improve the My Home Purchase Plan (MHPP) and enhance the flexibility of the Plan by changing the original rigid mode of "rent-and-buy" to a "buy-or-rent" mode. The Government proposes that a ceiling price be set for MHPP units, so that applicants can be in a better position to prepare their budgets and make plans to realize their aspiration of home ownership, therefore, the DAB supports this arrangement. We hope that the Government can work out the details of the Plan with the Hong Kong Housing Society (HKHS) as soon as possible, so that eligible people can have time to make preparations for home purchase.

The DAB agrees with the proposal in the Policy Address to pay rent for public housing tenants for two months. This is also in line with the DAB's proposal. However, the DAB believes that since it is a measure to ease the pressure of inflation on the grassroots, reference should be made to similar measures in the past in the determination of beneficiaries. I remember that in the Budget released early this year, the Government's proposal to pay rent for public housing tenants of the Hong Kong Housing Authority (HA) also covers tenants living in the rental units of Group A estates and Group B estates of the HKHS, so we hope that when the Financial Secretary implements the proposals in the Policy Address this time around, equal treatment can also be given to all.

The rent waiver for public housing can somewhat ease the pressure of living on tenants, but a group of "prospective tenants" waiting in misery for public housing on the Waiting List can only sigh with longing and envy. They may be families that have to live in crowded conditions in "sub-divided units", paying rents that match those for luxury properties on a per square foot basis. Some of them may be elderly people who cannot even afford "sub-divided units",

living in "coffin units" instead. These grassroots on the Waiting List cannot benefit from the rent waiver, yet they need the assistance of the Government even more than public housing tenants. Therefore, the DAB proposes that the authorities provide a transitional rent subsidy to this group of people on the Waiting List, so that they can lead an easier life before moving into public housing.

The DAB is disappointed with the lack of any specific proposal in the Policy Address on increasing public housing construction. The authorities claim that the waiting time for families waiting for public housing is in general 2.2 years, while the HA also estimates that by 2015-2016, about 15 000 public housing units will be built each year. However, with the relaxation of the requirements for application for public housing starting from 1 April this year, an additional 20 000 qualified applicants will be added to the Waiting List, whereas the Development Bureau has said that in the second five-year period, there will be difficulty in identifying sites, so in the five years starting from 2016, there may again be a gap in land supply. In that event, it will be impossible for the HA alone to remain unaffected. Given the increase on one side of the scale and the decrease on the other, we are really concerned that several years later, it is doubtful whether or not the target waiting time of three years can be maintained, not to mention shortening the waiting time for public housing allocation. For this reason, since the Policy Address did not propose to increase the supply of public housing, the DAB hopes that when Secretary Eva CHENG gives her response, she can provide more figures to prove that after 2015-2016, the HA will have an adequate supply of units to ensure that the present waiting time can be maintained.

President, I feel most delighted to note that East Kowloon has become a focus of this year's Policy Address. In view of the development of East Kowloon, the DAB has organized a large-scale development study and a large-scale model exhibition called "啟德再起飛 (Take-off for Kai Tak Again)" and "Let's Build New Kai Tak Together" respectively. We could see the longings of the public for the future development of East Kowloon and could also feel their hope for the early implementation of the proposals.

Our proposals include developing the district into a new political and core business district. At the same time, improved proposals are also put forward on the alignment of the environmentally-friendly transport system, the construction

of a bridge linking the runway and Kwun Tong, the introduction of water sports and recreational activities into the district, the conservation plan for the Lung Tsun Stone Bridge, and so on. At present, the Government's development ideas in "Kick-Starting the Development of East Kowloon" are quite similar to those proposed by the DAB and the directions are the same. The authorities have taken on board some of the proposals of the DAB, so the proposal put forward on this occasion is more refined than the original basic proposal.

The DAB welcomes the Government's acceptance of our proposals of using environmentally-friendly monorail to link up the whole district, the Kowloon Bay and Kwun Tong stations of the Kwun Tong Line and the Kai Tak Station of the future Shatin-to-Central Link, so as to strengthen the external connections. However, we hope that in the detailed studies in the future, a further step can be taken by giving further thoughts to extending the monorail to other nearby old districts like To Kwa Wan in order to promote the development of old districts.

Since this is a second core business district, and given that the potential area for development is twice the size of the Central District, the authorities should formulate the proposals on the external transport links properly, in particular, the direct links with the airport and the Mainland, at the early stages of development to avoid a repeat of the problem of frequent traffic congestion in the Central District, since convenience and accessibility will directly affect the status and development potential of East Kowloon. After the development of the cruise terminal and the commercial/residential areas, the flow of people in the district will increase substantially, so this calls for improvement of the road network and enhancement of other ancillary transport facilities by the Administration having regard to the transport needs of the district.

However, Kwun Tong is an old industrial district with a high density of buildings. The roads are narrow with insufficient car parks, and there are even less green space and open space, so it falls well below the standards for a core business district, nor can the needs arising from the future people flow or traffic be met. The Government should carry out comprehensive planning on the development of the district and formulate reasonable plans on land use, road expansion, construction of additional public car parks, and so on.

In times of typhoon, the utilization rate of the Kwun Tong Typhoon Shelter is only 47% and that of the To Kwa Wan Typhoon Shelter is only 54%. When there is no typhoon, they are left vacant for long periods of time. The Government's plan for East Kowloon includes the development of an 11-km promenade in East Kowloon. We hope that the authorities can develop the Kwun Tong Typhoon Shelter and To Kwa Wan Typhoon Shelter as soon as possible to tie in with the development of the waterfront and turn them into pleasure boats mooring areas, as well as building piers for pleasure boats and water sports centres, so as to fully utilize our valuable marine zones and provide more recreational facilities to the public and visitors.

"Kick-Starting the Development of East Kowloon" is a flagship project that will give impetus to the redevelopment of the entire old district in East Kowloon. Residents in the district have been waiting for this for a long time. The development plan has been discussed and amended repeatedly for over a decade. This time, I sincerely hope that the Government can complete the preliminary consultation on the relevant plan as soon as possible, so that the development of East Kowloon can really be kick-started.

President, a few days ago, the Premier of the State Council, Mr WEN Jiabao, said to this effect, "Four years have passed since the outbreak of financial crisis. The biggest lesson I have learnt from these four years is that if a country wants to be able to cope with crises, it must have a well-developed real economy and this real economy must have the innovation and technology industries as the pillar." Given the re-emergence of strong undercurrents in the global economy now, will these remarks give the SAR Government any inspiration?

Hong Kong is a small and open economy with the service industries making up over 90% of its economy. It lacks any support from high technology, so it has fallen short of what Premier WEN said. Although the economy is still making relatively steady growth so far, with Financial Secretary John TSANG forecasting the growth for the whole year to be 5%, and the unemployment rate also remaining low, economic development in Hong Kong is facing tremendous challenges. First, the economies of many developed countries in the world are experiencing serious imbalances and the shape of the European and American economies under the debt crisis is extremely poor. Market demand is obviously declining, the economic recession may be protracted and the fallout will be extensive, so in the future, the Hong Kong economy will likely be further dragged

into trouble. Second, although the Mainland economy is developing at a high speed, the speed will slow gradually and the risk of a "hard landing" is increasing. There are also many problems, for example, inflation, high property prices, rising production costs, credit crunch, and so on. Third, Hong Kong finds itself caught in a host of long-standing structural problems that need to be solved, for example, high property prices, high rents, rising inflation, soaring operation costs, a lack of momentum in industrial development and the widening wealth gap.

However, with a host of structural problems besetting it, the SAR Government has still adopted the mentality of "big market, small government" for many years and it appears to be very passive in a highly turbulent international environment. In the face of enormous political pressure and with its mindset of being wary about likely criticisms for whatever it does, the Government has taken a passive attitude in all areas, and so for a long time, it has failed to focus its energy on developing the economy and improving people's living.

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

Since the reunification, the SAR has encountered adversities on three occasions: The financial turmoil in 1997, the SARS outbreak in 2003 and the financial tsunami in 2008. Although blows were dealt to the economy on each occasion, fortunately, thanks to the strong support of the Central Government, we could still develop smoothly. For the past decade or so, the Hong Kong economy and society have developed in various aspects and some achievements have still been made.

Deputy President, the latest policy support is the 36 measures to support economic and social development in Hong Kong announced by the Vice-Premier, Mr LI Keqiang, when he visited Hong Kong in August this year. They include the liberalization of trade in services between the Mainland and Hong Kong through measures under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) before the end of the National 12th Five-Year Plan period, so as to lay a foundation for our financial and overall economic development in the future.

I believe the SAR Government and Hong Kong people should seize the opportunities properly. In particular, the future SAR Government should contribute to the financial, economic and commercial reform and development of our country through a bold system, with the spirit of innovation and fearlessness and by capitalizing on Hong Kong's own advantages. It should also strengthen its co-operation with the relevant departments on the Mainland, so that various professional services, trades and industries in Hong Kong will be benefited and their opportunities and scope of development in the Mainland market facilitated.

I believe that the financial industry, as the pillar of paramount importance in Hong Kong, should adopt "strengthening regulation and protecting investment" as its fundamental principle and continue to fulfil and take forward its mission of developing an offshore Renminbi exchange and clearing centre and an asset management centre.

Hong Kong is an international city within China that practises the unique "one country, two systems" principle. However, in its real economy, the service industry has become dominant and Hong Kong lacks any real industry, still less any high-technology industry. Can this kind of economic development ensure long-term and solid competitiveness in the international arena? It is really worthwhile for the new-term SAR Government to ponder this in the future.

Deputy President, I so submit.

MR CHAN KIN-POR (in Cantonese): Deputy President, we have finally heard some good news about housing and land policies in this year's Policy Address. The good news for the general public may be the resumption of the HOS. However, the new policies introduced by the Government for the development and accumulation of land reserve, and its initiative to develop East Kowloon into a core business district are also good news to me.

The soaring property prices in recent years have caused many social problems. It all boils down to the Government's cessation of land sales after the bursting of the real estate bubble in 1997. The resulting insufficiency of land reserve has contributed directly to the falling supply of housing. Although this Council and various sectors of society had repeatedly reminded the Government of the potential risk, the Government did not take any action until the property

prices returned to their 1997 all-time high to finally resolve to put the normal land development and accumulation system back on track.

In the Policy Address, six new initiatives are put forward to develop land resources with innovative thinking. It has also stressed that land development will continue even when demand for land declines in order to beef up our land reserve and supply sufficient land when demand rises. I fully support that a land reserve should be established on a long-term and stable basis. The Government also understands that its policy should not sway in tandem with any short-term changes in property prices, or else there will an imbalance between demand and supply, resulting in shortcomings as a matter of course. There must be a sufficient and stable land reserve in Hong Kong to meet the needs of home ownership in the long term and support the development of our economy.

The core business district of East Kowloon is a bright spot in the Policy Address. East Kowloon will develop into a prime business district in Hong Kong, bringing more than 4 million sq m of additional office space. In fact, the business sector has been worried about the problem of office space because the rent is high and it is difficult to find quality properties. According to an international property report published recently, the office rent in Hong Kong, as of June, ranks top in the world at US\$213.7 per sq ft per annum, representing an increase of 11.3% compared with that of last year. The problem of office space should be tackled first in order to continue to develop our business and attract international investors to Hong Kong. We have finally seen that the Government has taken an unprecedented initiative to develop a new business district, although belatedly. It is a good start any way.

Nevertheless, the supply of office space in Central remains our concern. Although office space in the new business district can relieve the shortage, the demand for Grade A offices in Central will remain keen given that many large multinational corporations and local companies still need to set up their offices in Central. So I hope that the Government will keep on addressing the shortage of office space in Central.

On public housing, it is always my belief that Hong Kong's public housing subsidy policy should be based mainly on public rental housing (PRH) and supplemented by the HOS. I am very glad to hear the Chief Executive's assurance that the policy of three-year average waiting time for PRH will remain

unchanged and the production of PRH will increase when necessary. In fact, I hope that the Government will increase the production of PRH and conduct a comprehensive review of the eligibility criteria for public housing so that eligible applicants can be allocated PRH flats expeditiously.

As for the HOS, I very much welcome the decision of resuming the HOS, particularly the Chief Executive has identified some sites for this purpose, reflecting the Administration's determination for this. However, I have great worries and misgivings about the new pricing and resale policies. In calculating the premium under the new HOS, the subsidized portion of a unit's purchase price is taken as a loan to the owner, the amount of which will not be adjusted even if the market value of the unit has increased. The owner is required to repay this loan before selling the unit. Many people consider this proposal as equivalent to providing double subsidies to the owners, giving the HOS flats a greater investment value. No wonder many people say that the new policy is like a lottery and the winners can reap substantial profits. Therefore, some analyses state that if HOS flats become an investment tool, it is most likely that a large number of people who originally have no intention of making applications will be attracted to submit applications. Should this happen, the number of applicants will be several times and even hundreds of times the supply of HOS flats, thus diluting the opportunities of those who are genuinely in need. The Government may as a result face an enormous pressure of increasing the supply of HOS flats by a substantial amount. However, as we all know, the production of HOS flats requires substantial government subsidies.

On the other hand, the successful applicants of HOS will certainly be happy for benefiting from the new premium calculation proposal. But, who will suffer the loss? Certainly, all Hong Kong people. Because the funds involved could have been used to finance the construction of a large number of PRH flats by the Housing Authority. Moreover, if the new premium calculation method is applied to old HOS flats at the same time, the amount involved may be astronomical or tens of billions of dollars. It is also unfair to those who have already paid the premium in accordance with the old system specified in the contract. In a nutshell, while the feasibility of the new policy remains to be seen, it will give rise to lots of foreseeable problems. That being the case, it is better to follow the well-established old HOS policy, which is obviously fairer and more reasonable.

In the Policy Address, it is also suggested that the My Home Purchase Plan (MHPP) be enhanced. Apart from the "rent-and-buy" mode, the Government will offer the "buy-or-rent" option. A participant choosing the "rent-and-buy" option will be assured of being able to buy the flat at the "ceiling price", which is the initial market selling price. Should prices fall, they can buy MHPP flats at the prevailing market price. Such a "sure-win option" makes us wonder whether the Government has gone too far. As excess is as bad as deficiency, this kind of policy is not conducive to the long-term development either. I hope the Government will give careful consideration.

Next I will speak on the financial matters highlighted in the Policy Address. I fully support the proposal in the Policy Address to boost the competitiveness of our financial sector, particularly the development of offshore Renminbi (RMB) business. To become our country's offshore RMB business centre is not only the most important development direction of Hong Kong over the next five years to 10 years. It will also enable Hong Kong to play a part in the internationalization of the RMB by our country.

Insofar as the Mandatory Provident Fund (MPF) System is concerned, I fully understand the aspirations of society in urging for a downward adjustment of management fees by the service providers. However, we should not forget the huge operating costs incurred by the service providers in participating in the market. Apart from their enormous investment at the establishment of the MPF schemes, the service providers are required to employ a large number of staff to take charge of various complicated monthly duties such as receiving contributions, taking follow-up actions, making payments and investments. In addition, they have to cope with the ever-changing compliance standards and procedural requirements of the Mandatory Provident Fund Schemes Authority. The operating costs are extremely heavy.

Nevertheless, a number of MPF service providers have, on their own initiative, launched funds charging lower management fees, many of which being below 1%. In fact, if the authorities agree that compliance standards and operating procedures can be automated and streamlined, there will be much room for a downward adjustment of administrative costs. Meanwhile, the management fees will be gradually reduced simply because of competition in the market. Therefore, the authorities, in response to proposals related to the fees charged by funds, should consider carefully their impact on various sectors. It

should guard against intervening in the free market rashly, thereby disrupting the market order.

The public are more concerned about the returns of the MPF schemes rather than the level of administrative costs. The Government should understand that the return of a fund is not linked with the administrative fee, but the risks. Even if the administrative costs can be further reduced, it is practically meaningless if the funds cannot bring people a good return. Therefore, suggestions such as imposing a limit on the charges of funds by way of legislation may not necessarily be useful. On the contrary, it may dampen the service providers' motivation to improve the performance of the funds and do a disservice to the long-term performance of MPF schemes.

Finally, I have to discuss the review of the maximum and minimum levels of relevant income for MPF contributions. I very much support that the minimum level of relevant income for MPF contributions will be raised to a monthly income of \$6,500 next month. However, the proposal that the maximum level of relevant income be raised to \$25,000 is expected to be implemented next year. If Members have paid attention, they will find that the maximum level of relevant income for MPF contributions has remained at \$20,000 since the implementation of the MPF System 10-odd years ago, lagging far behind the rate of increase of inflation and Consumer Price Index. Therefore, the authorities must continuously review the amount of MPF contributions and the maximum and minimum levels of relevant income in order to ensure that the MPF can genuinely meet the people's living expenses after retirement.

As for the insurance sector, the local insurance industry has repeatedly expressed to the Government its strong desire to develop their businesses in the Mainland. Therefore, the authorities should expedite the negotiations with the Mainland regulators with a view to implementing the following three important complementary measures.

First, to expeditiously finalize the details of business start-up in the Mainland by Hong Kong insurers. I am very much pleased to note that in last week's meeting, the authorities proposed to the China Insurance Regulatory Commission that the threshold of entering the Mainland for operation by Hong Kong insurance companies be suitably lowered and the room for Hong

Kong-Mainland co-operation be expanded. Given that the Government's proposals will facilitate innovation in the Mainland insurance market, enabling the Mainland insurance industry to better play its social functions in risk management and the provision of protection, I hope that this will bear fruits soon.

Second, to expeditiously allow Hong Kong insurers to invest in the Mainland interbank bond market and other investment channels. The existing bottleneck in the development of RMB-denominated insurance products lies in the serious shortage of investment instruments in Hong Kong. If Hong Kong insurance companies can invest in the Mainland interbank bond market, it will help deliver insurance products of higher returns.

Third, to promote Hong Kong as a reinsurance centre in the Southeast Asia expeditiously by making use of the opportunities arising from the development of offshore RMB business. If a Hong Kong licensed reinsurance company is allowed to remit the reinsurance premiums from Mainland underwriting policies into and out of the Mainland, it will most probably attract more reinsurance companies to Hong Kong, thus enhancing Hong Kong's position as an international reinsurance centre.

Apart from addressing the obstacles faced by the insurance industry in developing their business in the Mainland, we should not overlook our regulatory concerns in respect of insurance companies. In the Policy Address, the Administration said that it will actively take forward the establishment of an independent Insurance Authority. A consensus has generally been reached on this proposal by the insurance sector which, however, considers that the Government should guard against excessive regulation or outsiders regulating insiders. It is worth mentioning that, under the existing proposed governance structure for the independent Insurance Authority, there will be a five-level structure comprising a Governing Board, Supporting Committees, Industry Advisory Committees, Disciplinary Committee and an Expert Panel. The authorities should ensure that there will at least be two representatives from the sector at each level so that its voices will be fully heard.

Last but not least, I hope the authorities will not forget one of the objectives of establishing an independent Insurance Authority is to promote the long-term development of Hong Kong's insurance industry. Unfortunately, in the proposal of establishing such an authority by the Financial Services and the

Treasury Bureau, there is scanty information on how best to promote the development of insurance products, insurance companies and even the insurance industry as a whole. I hope the Government will give further consideration to how a quality, more convenient and more friendly business environment can be created for Hong Kong's insurance industry when implementing an independent regulatory framework, apart from its concerns about supervision, investigation and disciplinary issues under in general direction of taking forward such an initiative. Thank you, Deputy President.

DR RAYMOND HO (in Cantonese): Deputy President, today I will speak mainly on the theme of the first session, with a small part related to the environment, the theme of the second. Please allow me to cover that part in my speech for want of coherence. Thank you.

DR RAYMOND HO: Deputy President, although belatedly, the 2011-2012 Policy Address offers a number of measures to deal with some major issues in Hong Kong. The effectiveness of these measures is yet to be seen. But at least, we can see the sincerity of the Government in tackling these problems.

Developing the Infrastructure for Economic Growth

Housing

Housing is always a major issue in Hong Kong. Many people in Hong Kong have to put up their life savings for a match-box sized flat. In recent years, the ever-rising property prices have dashed the hopes of many aspiring property owners. Apart from college graduates with a few years of working experience, the middle class and professionals are finding it more and more difficult to afford housing. There has been a growing call for the resumption of the Home Ownership Scheme (HOS).

In the past two years, I have also asked the Government to consider resuming the HOS. Just about three months ago when I met the Chief Executive, I urged him again to build about 5 000 HOS units a year, subject to the demand at the time. I am glad that the Chief Executive finally came to his senses. Like many people in Hong Kong, I support the decision.

I also welcome the Government's commitment in maintaining an average production of 15 000 public rental housing units a year. Producing a total of 75 000 units in a five-year period is a reasonable target. But if necessary, the Government should consider increasing the annual production units to 20 000 so as to keep the waiting time for public housing within three years.

Land Supply

Resumption of the HOS and maintaining public rental housing production require land, so does private housing. In the past decade, I have repeatedly pointed out the problems to the Government, and even to the Chief Executive in person. I have repeatedly asked the Government to establish its land reserve. However, Hong Kong is still haunted by land shortage.

Much of our land supply in the past came from reclamation as well as from man-made platforms formed from levelling slopes. In 1977, there were 10 000 man-made slopes. However, there are now over 60 000 of them. High costs are involved in maintaining these slopes. Through years of development, suitable sites left for similar construction are limited. Meanwhile, reclamation along the Victoria Harbour is no longer an option due to the Protection of the Harbour Ordinance. There is an urgent need for the Government to look for new ways of increasing our land supply.

We have approved a funding of \$300 million for the Government to carry out a consultancy study on the feasibility of increasing the land supply by reclamation and rock cavern development. I support the proposal as the use of rock caverns for storage and sites for facilities are not uncommon in some countries. However, past experience tells me that it may take up to a decade for this plan to make an actual impact on land supply. Therefore, the Government has to urgently look for other land sources in the meantime.

As we all know, many agricultural lands in Hong Kong have been left unutilized. This is a total waste of precious resource when there is a short supply of land in Hong Kong. Some of these lands have been used for purposes other than agricultural purposes, including container depots, parking spaces and storage sites for used car tyres, and so on. More often than not, these activities are even causing nuisance to their neighbourhoods. I understand that releasing the agricultural land for other purposes may involve very complicated issues such

as property rights and compensation, and so on. For years, these issues have become the Government's nightmare. Government officials in charge of the matter would rather leave this hornet nest alone. It is time for the Government to pick up the courage and to act on this important subject. The Government could work with the Heung Yee Kuk to find an amicable solution to all parties involved.

Infrastructure Development

Despite my repeated calls, the Chief Executive seems to have adopted a caretaking government mode in his remaining term of office, at least in regard to the future infrastructure development. Mr TSANG should have taken advantage of his seven-year experience in the office and helped chart out the future direction for the development of Hong Kong in his last Policy Address, which would provide important reference to his successor. The Government's planning must be far-sighted. While it is a norm for our planning to cover the coming 10 to 20 years, it may be more prudent if we can plan ahead to 2050. Although the implementation of some of the 10 major infrastructure projects is not yet in full swing, or only in their early stages, it is expected that these projects will be completed by the end of this decade. It is time for the Government to plan for the "post 10 major projects." Planning ahead is necessary, particularly if longer lead time in launching the infrastructure projects is unavoidable. Public engagement exercise and environmental impact assessment studies have become standard requirements. Projects such as the Central Kowloon Route, the Liantang/Heung Yuen Wai Boundary Control Point and the development of boundary areas should be expedited while planning should start for new projects, such as rail link between Eastern and Western Pearl River Delta Region running parallel to the Hong Kong-Zhuhai-Macao Bridge and further expansion of the MTR network to include the North Island Line and the Northern Link in the New Territories.

It is important to note that the smooth implementation of our future infrastructure projects needs a constant supply of skilled labour in the construction industry. There is a growing concern on the shortage of skilled labour in the industry as young people are reluctant to join the industry. Many young people have the impression that working conditions at construction sites are very harsh and the pay is relatively unattractive. In fact, the average daily wages of bar benders and bamboo scaffolders have already increased to over

\$1,100 and carpenters even up to \$1,700. The Government is fully aware of the situation and has already earmarked \$100 million for training more skilled labour, particularly young people. On top of this, I think the Government should co-operate with the Construction Industry Council to come up with more measures to attract more young people to join the industry. These measures may include raising the allowances for trainees, improving the safety and working environment of work sites and helping build up a positive image of practitioners in the construction industry, and so on.

Harbourfront Planning

Despite the Government's promises, little progress has been made in the construction of continuous waterfront promenades on both sides of the Victoria Harbour. The lack of overall harbourfront planning of the Victoria Harbour has prevented its potential from being fully utilized. Private property ownership of some of the sections involved has further complicated the matter. In late April this year, I joined the duty visit of the Subcommittee on Harbourfront Planning under the Panel of Development to Boston and New York in the United States and Vancouver in Canada. The observations from this visit offer some relevant references to Hong Kong. All these cities have overall and strategic planning for their harbourfront development. Public engagement is an integral part of the development process. Development of peripheral areas is also given special attention. Old facilities such as warehouses and wharves have been revitalized to become tourist attractions. Many of such projects have adopted the private-public partnership option to speed up the development. The authorities are also flexible enough to accommodate necessary requirements, including changes in legislation, to expedite these projects. Hopefully, the Development Opportunities Office of the Development Bureau can play a more proactive role in this respect.

Quality City and Quality Life

Deteriorating air quality in Hong Kong has always been quoted as one of the major factors deterring multinational corporations from setting up offices in Hong Kong. In this respect, Hong Kong must make more effort to improve our air quality as well as reduce carbon emissions. The latter will put us in line with China's commitment to reduce carbon intensity.

The United Nations Climate Change Conference held in Copenhagen in December 2009 took note of the legally non-binding Copenhagen Accord submitted by China, the United States, Brazil, South Africa and India to limit the increase in surface temperature of the earth to below 2 degrees Celsius, and to raise finance to kick-start action in the developing world to deal with climate change.

Less than a month before the Conference, China announced its intention to reduce the intensity of carbon dioxide emissions within the Chinese economy by 40% to 45% by 2020, as compared with a 2005 baseline. China also set its goal of 15% of its energy to be renewable by 2020.

In 2009, coal accounted for about 54% of the fuel mix for power generation in Hong Kong, followed by natural gas and imported nuclear power, each accounting for about 23%. Among the various fuel sources, coal assumes the highest carbon emission factor. Power generation therefore accounted for about 67% of the total greenhouse gas emissions in Hong Kong. There is no way Hong Kong could substantially bring down its greenhouse gas emissions without changing the fuel mix for power generation. The Chief Executive proposed in his Policy Address of last year that by 2020, coal would account for no more than 10% of the fuel mix; of course, it would also include 3% to 4% for renewable energy, and around 40% for natural gas, and the balance of about 50% would be met by imported nuclear power. But it is questionable if the proposed changes to renewable energy go far enough. Even if this plan is materialized, the small percentage of our fuel mix in renewable energy will be dwarfed by the 15% target of China. I wonder if the Government can do more in this respect, particularly in the light of the possible impact of the Fukushima incident in Japan.

Solid Waste Management

In the past decade, the Government has made little progress in solid waste management. Hong Kong still very much relies on landfills in disposing of waste. The Government maintains that Hong Kong has a waste recovery rate of 49%, far better than 44% and 43% for Singapore and Taipei respectively, although I am dubious about these figures.

Nevertheless, about 55% of waste is landfilled in Hong Kong when compared to that of less than 10% in both Taiwan and Singapore. There is no

incineration of waste in Hong Kong while over 40% of waste in Singapore and Taiwan is incinerated. It is not surprising that our three landfills are reaching their capacity sooner than expected. The Government insisted on taking five hectares of land from Clear Water Bay Country Park for landfill extension last year despite the strong protests from Tseung Kwan O residents. Their opposition is fully understandable as landfills will lead to environmental and hygienic problems, such as odour nuisance and breeding of flies.

The disposal of solid waste by landfilling is both environmentally unfriendly and utterly against the principle of sustainability. I have suggested for years that the Government should use high-technology incinerators to tackle the problem of waste treatment.

In 2001, I and three other members of the Legislative Council Panel on Environmental Affairs went to the United Kingdom, Germany and France to conduct an overseas duty visit. During our stay, we visited some incinerators. Some of them were actually highly popular tourist spots. One of the incinerators was beautifully designed as a ship. We did not see anything emitted from its small chimney, not even any white plume of water vapour. Based on other countries' experience, the Government should take serious effort in promoting the merits of high-technology incinerators to the community. It should do more to dispel the public's prejudice against all incineration facilities owing to the environmental pollution caused by the old-type incinerators. I believe most of the Hong Kong people are rational and will understand that Hong Kong needs these advanced facilities for waste management.

Promoting Research and Development

The Government has made some relatively positive moves in policies to promote research and development (R&D) in recent years. However, it must do more as Hong Kong's proportion of R&D investment remains at a very low level, while that of Singapore and Taiwan is about 2% or higher and that of Japan is around 3.6%. Apart from increasing its investment in R&D, the Government should encourage private enterprises to contribute towards R&D work in Hong Kong through introducing various concessionary measures, including tax concessions and the provision of suitable sites. To promote R&D, the availability of relevant talent is very important. If the relevant professionals are not available in Hong Kong, more overseas professionals should be brought in

when necessary. On the other hand, Hong Kong must also nurture local talents in R&D in the long run. For the purpose, we must fine-tune our education system which is still placing excessive emphasis on examination results. Rote learning does not help our students develop independent and creative thinking.

Conserving Central

I support the Government's decision to revise the plan for the redevelopment of the West Wing of the Central Government Offices for the provision of more public open space. It is important for the Government to take public views into account. Talking about conservation projects, I would like to express my reservation on the revitalization of the Central Market. Many people share the same view with me as its historical and architectural values are debatable. Besides, it is located in a prime site that can easily fetch over \$10 billion. The revenue so generated can be used to finance other public facilities or services that will surely bring more benefit to the public. In this regard, I urge the Government to review the project and if necessary, to consult the public.

With these remarks, I so submit. Thank you.

DR JOSEPH LEE (in Cantonese): Deputy President, I would like to talk about the housing problem in this session. The crux of the Government's new housing policy is to construct new buildings on new sites. I am a member of the Hong Kong Housing Authority (HA), and I have just come back to this Chamber after its meeting. I would like to talk about the Government's housing policy.

I have read some books about a government's housing policy which should be founded on a number of principles, including the needs and average income of the people, land supply, and certainly, the safety of residential buildings, which is the wish of the Legislative Council. They should also include fairness, protection of consumers from buying high-priced but poor-quality buildings, and home ownership which is affordable to all the people.

In order to fulfill all these points, the Government should, first of all, formulate a proper housing policy to provide a stable living environment for the people. Besides, the Government has the responsibility to subsidize low-income

people (or known as the disadvantaged) so that they can have accommodation. Third, sufficient land should be provided.

The most important objective of adopting these approaches and principles is to ensure that no one will be homeless and everyone will have accommodation. Basically, these are the principles and approaches which a housing policy must comply with.

Before discussing the situation of Hong Kong, I would like to point out that in this Policy Address, about 44 paragraphs or one fifth of its contents are related to housing policy. In the Policy Address, the Government has mentioned the major problems faced by Hong Kong in relation to its housing policy. What are they? The most important one is the soaring property prices resulting in difficulties encountered by many people in achieving home ownership. Besides, regulation is required in view of the fact that many practices in selling properties may be improper. Thirdly, the Chief Executive has stressed that there are many ageing buildings, some of which are private buildings in need of repair due to ageing. He has mentioned these phenomena. But I do not see any mention of the problems of many people being homeless, without a shelter. I am not sure whether this indicates that Hong Kong's housing policy is sound. What are the problems that are being dealt with by Hong Kong's housing policy? I would like to analyse the current situation according to the principles I mentioned just now.

Let us look at some housing figures. In Hong Kong, about 50% of the population are owner-occupants, and about 30% live in public rental housing (PRH) with the remaining 20% living in private rental housing. Of course, among those who live in private rental housing, some live in better-quality private residential buildings, while some others live in cubicle apartments, or even "sub-divided units" or "coffin-sized units". In this context, what has the Government said in these 44 paragraphs of its Policy Address? I would like to make an analysis, in which a series of problems are involved.

Let me talk about the 20% people who live in private rental housing. The new HOS and My Home Purchase Plan (MHPP) launched by the Government should target at these 20% people because home ownership is their aspiration. These two programmes, which serve as a "revolving door", should also target at the 30% people who live in PRH. I will go into details about the "revolving door" later.

If the policy this time around really targets at these 20% people with the objective of helping them achieve home ownership, I would like to ask a question. The Government, when launching its housing policy in 2000, indicated that it would not subsidize people to buy properties. Has the Government changed its policy for it now wishes to help some low-income tenants who aspire to home ownership to buy their first homes with public funds? I wonder whether the policy has changed. If it has, this is a fundamental change in policy, regardless of whether it is in the form of a new HOS or MHPP as these are similar approaches. I do not know whether the Government has made such a change, which is a radical change. The Government has not given any explanation, other than its indication of pursuing such a policy direction.

The question of whether new HOS flats should be constructed is a political decision. The views of many political parties and members of the public are diverse. However, will the introduction of a new HOS really help the 20% people living in private rental housing achieve home ownership? Does the Government intend to reduce the number of tenants in this 20% group, thereby increasing the percentage of home ownership in disguise? This is a problem.

If the Government wants to help these tenants, why does it not improve the rent control legislation? After amendments were made to the rent control legislation, these 20% people living in private rental housing are in a dire situation. As property owners can serve tenants a notice to quit at any time, the tenants find this very troublesome. As a result, "sub-divided units" and "coffin-sized units" are very popular. These problems are not addressed and no regulation is imposed. Nor relevant measures will be rolled out, except the proposal of launching a new HOS. Could this help the 20% people who are currently living in rental housing? This is a current phenomenon.

Of these 20% people who live in private rental housing, some are earning a handsome income. But the property prices are exorbitant for them, as pointed out in the Policy Address. How can the Government help them? The Government is unable to render any help. But they really want to purchase their own properties. Currently, they have to pay a monthly rental of \$20,000 or \$30,000. Though their incomes are not too low, they are unable to achieve home ownership. How can the Government help them? Perhaps the Government may say, "Yes, we can help them by enhancing regulation of the sale of properties by private developers so that there will be no more 'inflated flats'

and legislation will be enacted to regulate the sale of first-hand properties." However, is the Government making an effort in this aspect? No detail is provided.

Has Donald TSANG explained how to help these people in his last Policy Address? No relevant measures can be clearly seen.

Coming back to PRH residents, about 30% of the people live in PRH units. Some of them are now regarded as better-off tenants who have made some savings and want to move to private residential flats. Given that the Government will launch a new HOS with an initial supply of about 5 000 units, does this initiative aim at helping these people move to the private residential market so as to enhance the "revolving door" effect? If so, why was this issue not addressed at the outset? How about the owners of old HOS flats? These are some of my queries. I cannot figure out the justifications of the new HOS. Is it aimed at helping the PRH tenants who have the means and wish to move to private residential flats move out of their PRH flats as soon as possible, thereby strengthening the "revolving door" effect of expeditiously making more PRH units available for residents of "coffin-sized units" and "sub-divided units"? There is no mention of this in the Policy Address. Of course, the Bureau Director may give details of the actual operation or approach. However, I do not wish to see that no elaboration is made by the Chief Executive in his Policy Address, leaving a blank in this regard. I have no idea how the Policy Address will help these people.

The Chief Executive has proposed a new plan for PRH residents, who account for 30% of our population. But we should not forget the comments that the supply of 15 000 PRH units per year is insufficient and the Government should identify more land and build more PRH units. But another problem emerges. Of the 150 000 to 160 000 people on the PRH Waiting List, about half of them are singletons or even young people, according to some statistics. If the Government does not deal with the problem of the Waiting List but increases the production of PRH units instead, is the Government *de facto* encouraging young people who want independence from their parents but cannot afford home ownership to wait for the allocation of PRH units? I am not sure whether this is the case. What is the policy objective? Is it because more and more people live in PRH flats, that the Government thinks it has the responsibility to help these young people? If they wish to be independent so as to improve the living

environment, they can seek help from the Government and will then be allocated PRH flats. Is it the case? I have no idea. In view of this question, what is the Government's housing policy in this regard? I really have no idea.

As the Government hopes that these PRH residents who account for 30% of the population can live in peace and work with contentment and move out of their flats, the new HOS cannot help them because, according to some comments, the proportion of units for white form applicants under the new HOS will increase. In doing so, will the "revolving door" effect be reduced? I have no idea what the Government is doing. Fortunately, I have just returned from a HA meeting or else I will not know how the overall operation of PRH can be rationalized to achieve its previous goal.

Besides, let us take a look at how the Government deals with the better-off tenants among the PRH residents who account for 30% of the population. In fact, it has not dealt with the issue. Although many better-off tenants are required to pay a rent which is 200% or 250% of the original rent, they have enjoyed a lot of subsidization. Why does the Government not encourage them to buy their own homes so that more PRH units can be vacated for the needy?

Some Members said that many people, such as the elderly, live in "sub-divided units" and "coffin-sized units", the living conditions of which are very poor. They have been waiting for the allocation of PRH flats for a long time. Under such circumstances, the Government should deal with the problem of better-off tenants so that they will surrender their flats expeditiously for re-allocation to the elderly or the needy, thereby reducing the waiting time for PRH. We prefer such an approach to disputes over whether the waiting time for PRH should be three years, 18 months or 22 months as such figures are not essential at all. We wish to hear from the Government a proper measure will be implemented expeditiously to ensure that the needy will be allocated PRH flats and provided with protection in a safe and comfortable living environment. This is the basic responsibility of the Government.

Finally, I would like to point out that 50% of the population live in private housing. As for these 50% of the people, they feel the need to sell their flats and buy a new one. But property prices are too high or even exorbitant and they do not know what to do. But just now, I read a press report about 50% of the private buildings in Hong Kong being purchased by non-locals over a period of

time in the past. How could the Government deal with the situation? I do not see that this problem has been dealt with through the housing policy as a whole or mentioned in the Policy Address.

Of course, Hong Kong is a free market in which private transactions are totally allowed and buyers beware. However, if the Government only regulates the sale of first-hand residential properties, allowing the property prices to be pushed up continuously by non-locals, what should we do? The Government may say, "Don't worry. They buy properties for investment purposes and will lease their flats to Hong Kong people." However, the Government has not implemented rent control. Can this problem be addressed? The tenants are in a disadvantaged position. Private residential flat owners who want to sell their flats and buy new ones are unable to do so.

These series of problems reflect that many problems have not been resolved through the housing policy as a whole and the Government has proposed the construction of new HOS flats and enhancement of the MHPP simply because of political demands. In fact, the Government can only take care of a handful of people through these programmes. As for Hong Kong as a whole, the Government's housing policy has not directly catered to the needs of the general public, particularly the middle class. The Government has not made any effort in this regard.

Deputy President, I can think of a lot of problems after reading the Policy Address, and I really do not know how to solve them. If we wish to discuss whether it is a comprehensive housing policy and the most important issues that the Government has to deal with In this Policy Address, Donald TSANG has highlighted "From Strength to Strength". I have no idea of how he has made progress from one success. As for the next higher level of success, I have a misgiving as the Government will explicitly indicate that its policy has changed. It will give direct subsidies to Hong Kong people for home purchase and encourage Hong Kong people to achieve home ownership on a large scale, thereby raising the home ownership rate. As a result, the percentages of 50%, 30% and 20% I mentioned just now will change. Am I right? I am not sure because the Policy Address has not made it clear. Nevertheless, it has conveyed such a message which is worrying.

Finally, it is the last Policy Address of the current-term Government. Should the next-term Government make a sudden change to this policy, we really do not know what to do. If the Government is always swaying back and forth, the public will query the objectives of its housing policy. How can the Government ensure that no one in Hong Kong will be homeless and everyone can live in peace and work with contentment? I really cannot answer these questions. Deputy President, I have a series of questions after reading this Policy Address.

Thank you, Deputy President.

MRS SOPHIE LEUNG (in Cantonese): Deputy President, we have had two Chief Executives in the past 14 years since the reunification. Today, I would like to take a fresh look at Hong Kong's development over the past decade or so from the perspective of a citizen in response to this Policy Address.

The achievements of "one country, two systems" are obvious to all. Hong Kong is on the right track of development and acclaimed by many countries over the years. Even the British Parliament has also agreed that "one country, two systems" works well. With a social system and mode of governance which are totally different from that on the Mainland, Hong Kong enjoys various freedoms and the rule of law, which are protected by the Basic Law and upheld by the executive, legislature and Judiciary. Of course, we dare not say that the best has been achieved. It is always a constant challenge to the SAR Government to uphold "one country" while maintaining "two systems" in the course of Hong Kong-Mainland co-operation. Also, the Government has to consider how to improve its performance.

In this year's Policy Address, the results of governance are specifically presented to us. In fact, after 14 years of hard work, Hong Kong today has made a lot of improvement in many aspects compared with 1997. While the scale of our economy as a whole has grown, we have better transport facilities and attached greater importance to environmental conservation. While opportunities of education for the people have substantially increased, the coverage of our social security system has also extended. In the context of enhanced exchanges with the Mainland, particularly with Guangdong Province, there are various types of Mainland-Hong Kong co-operation from the economic level to people's

livelihood. Such examples abound. Furthermore, Hong Kong has braved the financial turmoil, avian influenza, SARS and the current global financial crisis over the past decade or so. Credit should go to the Government for its marvellous efforts.

All societies will face various challenges at all times. But we should not have the perception that Hong Kong is incapable to cope with them simply because of the public opinion reported by the media and some politicians' irresponsible remarks. In terms of the macro environment, Hong Kong has adequate financial resources while the United States and European countries are battered by their national debts. Hong Kong enjoys almost full employment while many developed countries are at their wits' end in the face of unemployment. Hong Kong is more capable than ever to fulfil the responsibilities of an international city and continues to give its unique values full play in the development of our country. These are Hong Kong's affirmative achievements.

Undoubtedly, many issues remain to be addressed, such as the wealth gap, upward social mobility and ageing population, which are the common problems facing all countries and hurdles to be surmounted. These are problems faced by the whole world instead of the sole responsibility of the Government of a small SAR. We should adopt a proactive attitude towards Hong Kong, rather than nitpicking.

We need visionary thinking to identify a better development direction in a proactive manner rather than provoking bickering by raising subjects without offering viable proposals for the long term. As always criticized by the press, the Legislative Council is a place for discussion of subjects rather than issues, where empty slogans are chanted.

From the perspective of a citizen, we really do not wish to see such specious interpretation. In fact, we have to ask ourselves this question from time to time: What kind of a Hong Kong do we want? We have to ask this question in order to keep us sober. We have become masters of this blessed place after the reunification. In the past, emphasis was placed on making money but now we are concerned a lot more about other things. As more and more people attach importance to sustainable development and pay attention to environmental conservation, there are more and more people who will give

consideration to fairness and justice. These are good phenomena because we care about Hong Kong's development and hope that Hong Kong will become an even better place for our children and grandchildren who will live here happily in future. However, some people have turned such discussions into the trigger point of social conflicts in recent years.

Take the right of abode (ROA) of foreign domestic helpers as an example. When the Basic Law was drafted many years ago, many provisions were written in a flexible way to allow room for legislation by the SAR Government in order to set people's mind at ease. When the Immigration Ordinance was passed in the Legislative Council, it was the consensus of the community and the Legislative Council that the period during which foreign domestic helpers work in Hong Kong would not be regarded as a period of ordinary residence in Hong Kong. At that time, even the Bar Association did not express any objection. There are comments that foreign domestic helpers in Hong Kong have made a lot of contribution and should enjoy the ROA. Coupled with a declining birth rate, the issue of whether the policy of ROA should be relaxed to alleviate the problem of ageing population can be discussed in detail. Furthermore, should the policy be relaxed, it should not be applied to foreign domestic helpers only.

I agree that owing to the importation of foreign domestic helpers, the number of dual-income families in Hong Kong has increased, and so do their family incomes. Many families have treated foreign domestic helpers as members of their families and they get along with each other very well. This is a good thing. And the contribution of foreign domestic helpers should not be ignored. However, should the legislative intent be ignored and loopholes in law be exploited for judicial review? Some people then stood on the moral high ground, claiming that they acted on behalf of justice. The legal proceedings in respect of the ROA have taken away the buffer, resulting in a total sudden clash between foreign domestic helpers and local residents and social division. Are we happy to see this?

Deputy President, I read the Policy Address from the perspective of a citizen. There are further comments that some people, as legislators, have challenged the law enacted by the Legislative Council by way of judicial review. There are those who claimed that they acted on behalf of democracy, but they have repeatedly contravened the opinions of the majority on the pretext of upholding the rule of law. Hong Kong is definitely a society that upholds the

rule of law, in which everybody, including the Government, must act in accordance with the law and comply with the Court decisions. No one needs to claim in a high-sounding manner that he upholds the rule of law. The purpose of the rule of law is not to destroy the community, nor to divide it.

Originally, if some people think that foreign domestic helpers should enjoy the ROA and bring up the issue for discussion at all levels so as to explain the justifications and convince Hong Kong people under what circumstances this may be acceptable, it will lead to a result acceptable to all even though the process may be time-consuming and tedious. However, they have resorted to the most extreme way by initiating legal proceedings in the hope that they will get a total win in the case. This is to stir up troubles and intensify conflicts. I hope that this will not happen in Hong Kong again. Anyone who acts on his conscience, with a genuine wish for the good of Hong Kong society, will not portray himself as a moral hero, the embodiment of democracy, and then deploy a lot of tricks and acts in a way that is inconsistent with his words. What benefits will be brought to society and people if it is targeted at weakening the governance of the Government so that the Government faces difficulties in implementing all measures? What contribution will it bring to the development of Hong Kong?

In the Policy Address, political talents and political ethics are mentioned. The Government and the Legislative Council should engage in self-reflection in this connection. After all, as the executive and the legislature of Hong Kong, our popularity ratings have been on the low side. We should do some soul-searching rather than shirking our responsibility. However, Hong Kong's "vote culture" is really worrying. The development of democracy will certainly reach "one man, one vote" with public opinion as the direction. However, apart from taking care of voters' aspirations, politicians should have conscience and vision. They should understand what is genuinely good. Some policies may win momentary applause, resulting in the victory of the political party concerned in an election. But we know very well that in the long term it will lead to a cumbersome consequence and do damage to Hong Kong.

Some people choose to express their views by acts of resistance such as hurling toy bananas, plastic bottles and eggs, in order to garner support from the most radical members in society. Acts of resistance, as a way of expression, may be excusable. But acts of resistance in a violent manner which have departed from the public will be meaningless. The Scottish writer Thomas

CARLYLE once said, "Violence does even justice unjustly". Despite various social problems in Hong Kong, does it need to go so far as to resorting to revolutionary struggles? Should problems be addressed or should more conflicts be created to waste our time and energy?

In particular, "violent" means have become common in recent years. They have certainly managed to catch the eyes of the media and display complacency in the face of severe criticisms, which will enable them to take credit heroically in front of their supporters. However, as India's first Prime Minister after independence Jawaharlal NEHRU said, "Only those small groups which clearly know that they cannot get public support will resort to violence and foolishly think that they can achieve the purpose". Leo TOLSTOY also said, "Violence will never destroy things recognized by public opinion. On the contrary, public opinion will wipe out all acts by diametrically opposing violence."

I hope everyone here will ponder whether fierce resistance can win votes. Perhaps, it can. But let us ask ourselves whether this will bring benefits to Hong Kong people. When they claim that civil rights have been manifested, are they the very same group of people who promote democratization? What Hong Kong people have got? What have they lost? What kind of a Hong Kong we want?

From the perspective a citizen, everyone in society should cherish the spirit of "doing my work dutifully". In recent years, some people always mention collusion between business and the Government, unfairness, and injustices in society. It seems that as long as all businessmen have been eliminated and the Government overthrown, all social problems can be resolved. Is it really the case? Do problems always lie in other people? Is it always the fault of the businessmen, the fault of the Government and the fault of the system? Am I the one who is faultless? Do I have a clear conscience? Have I done my work dutifully? Have I studied hard, cherished my time and grasped the opportunity to strive for change? Have I made any efforts in this regard?

Changes in the social environment have led to keener competition that we face. Some people even feel that the good old days when one could get a job as long as one worked hard have gone. But I do not agree. The opportunities have changed and the road to upward mobility for young people is not as easily

discernible as in the past. The mode has certainly changed. However, opportunities abound as times change. Take the Apps of smart phones as an example. The production of a computer software might be a time-consuming process many years ago. But nowadays, a student may be able to complete the writing of a mobile Apps in a few days at home which may fetch tens of thousands of dollars or over \$100,000. Most importantly, the student will get self-confidence. The Angry Birds program enables a company to float its shares in the market. This is a new opportunity.

I always believe that there is another "motor" in the brains of Hong Kong people for they are adaptable. They are flexible and able to grasp opportunities. They can integrate different ideas and bring out a new one. I believe it is not difficult to find a new opportunity if we can carefully observe everything around us, think with our brains and apply creative thinking. We should adopt the energetic and hard-working attitude of our forebears and try to kick-start another "motor" in our brains instead of doing nothing and complaining about the others.

Steve JOBS, a founder of Apple Inc, has become a hot topic in recent days. In a speech he said, "Stay Hungry, Stay Foolish" which has become his motto. It has been translated into Chinese as "求知若飢，虛懷若愚". This makes me think of a group of young people I have met recently. After having won a prize as a team, they were invited to attend an international forum for electronics entrepreneurs. If they were foreign students, they would have accepted the invitation without any hesitation. However, as fresh graduates and new recruits of a company, they have turned down the offer for fear that they have to ask for two days' leave from the company.

On the one hand, I am glad that they are devoted to their work and loyal to their positions. But on the other hand, it is a pity that they have missed the opportunity of learning about new industries and new prospects. Apart from striving to perform their duties well, young people should also be concerned about other matters, particularly grasping the rare opportunity of enriching themselves. Employers and employees should also develop mutual trust among themselves. While employees should be dedicated and devoted to their work, employers should recognize employees' devotion and provide room for their development by all means. Of course, all these arrangements should be made from the bottom of their hearts and out of mutual trust, rather than a mandatory requirement in law. I hope that Honourable colleagues of the labour sector, after

hearing what I said just now, will not by instinct elevate the issue to the political plane.

Young people should keep on learning, regardless of the sector in which they are working. They should also "stay hungry, stay foolish" and always keep abreast of social changes not only for protecting their livelihood, but also for self-awareness, self-fulfillment and make their life more meaningful.

From the perspective of a citizen, the Government should also proactively create room for young people so that they can bring their potentials into play. Although our unemployment rate is 3.2%, the envy of many developed countries, we also face such problems as ageing population, serious youth unemployment and difficulty in re-employment of middle-aged workers. Employment has become a global problem. In the Policy Address, it is suggested that an International Cuisine College will be set up. It is a good initiative and I believe the opportunities offered will enable many diligent people to give play to their talents.

Nevertheless, what the Government can do is limited. In providing support to the catering industry, the Government may not be able to take care of others. Moreover, it may not be able to keep abreast of the changing world. It has to rack its brain in considering how to build a good platform to provide suitable soil for the survival of all businesses. However, there is an important thing to do and that is, update our patent system as soon as possible. After discussion for so many years, the Government has finally agreed to conduct consultation and give the issue a humble position in the Policy Agenda. But I hope that the issue will be dealt with without further delay for fear that a new patent system will be set up by our neighbouring regions without taking Hong Kong into account if ours is to be rolled out in a few years' time. A patent system will enable inventors to give full play to their talents, encourage invention and creativity so that they can realize their dreams and launch new products continuously. Other industries, such as the legal profession, will also stand to benefit. The fact that patent lawsuits involving Samsung, Apple and Google are a daily occurrence in recent years has reflected the significance of a patent system.

Deputy President, Chief Executive Donald TSANG has finalized and delivered his last Policy Address. I have to say a few words on this. I have

known Mr TSANG for many years and seen that he has served in various public offices in the past decades. I sigh with emotion that time flies because, apart from feeling senile, I strongly feel the changes of the times. Initiatives which were feasible and acclaimed in the past will face challenges nowadays.

From the perspective of a citizen, the Government should place emphasis on steering the way forward in its governance. As a leader, it should steer the community to move forward by its philosophy of governance which should transcend the level of individual policies.

In the new era, we need innovative thinking, so does the SAR Government. In this year's Policy Address, new initiatives have been proposed. But I believe the whole government team should work even harder so that the Administrative Officers' practices and attitudes towards various issues can change. As a saying goes, "A little independent thinking is a sin under a bureaucratic framework". It calls for an update of our brains. More often than not, the Government is "working" rather than serving the public. They can accomplish the tasks, but they do not serve the people with good and appropriate policies. They sometimes have failed to make efforts or even stifled creativity or room for creativity with a rigid system.

For instance, the funding for non-governmental organizations is intended to allow various institutions to diversify their services according to the needs of their clients and provide assistance in a flexible way. However, owing to the fact that the criteria for funding approval emphasize the number of participants, in addition to keen competition for resources, some institutions will incorporate the same activity into a number of plans by adopting the tactic of "serving many dishes with the same chicken" so as to cover up the reality and give people an impression that there is a large number of participants. But the number of beneficiaries is actually far fewer than that in their reports.

To attach importance to quantity rather quality may be due to the Government's inability in monitoring. Those government officials who just sit in the office to read voluminous proposals by institutions will attach importance to the growth in the number of participants. As a result, both the institutions and the front-line staff have to meet "quota". The focus of services is no longer on how to give genuine assistance to the people. Meanwhile, many "good ideas" are also turned down because new initiatives can hardly attract a significant

number of participants. There are also many organizations which do not have the advantage of large institutions which can use their capital as the weapon to defeat their opponents in tendering. As a result, some good projects cannot be introduced. I hope the Government will conduct a review meticulously and address the issue with new thinking and a flexible manner.

In his Policy Address, the Chief Executive lastly said, "believing in ourselves". The Government should also believe in itself. It has to adhere to principles without being criticized as not listening to public opinion. It has to heed good advice readily without being regarded as "kneeling down again and again". I really resent that some media and political parties have deliberately used some very negative wordings, which will turn something neutral into bad, and a rational discussion into provocative expression. In the face of a tall challenge, the Government should have the wisdom to deal with it. It should not be looked down upon by the public and political parties, and forced to "kneel down again and again".

The last Policy Address does not mean mission accomplished. The road ahead will never end. We need not only the effort of a new Chief Executive or new political talents, but also the effort of society as a whole. Let us believe in ourselves. Let us give full play to our creativity so that we can realize our dreams through recourse to persistent innovation, flexibility and new ideas. Let us act in accordance with conscience rather than adopting an attitude of "either friend or foe". Let us say "no" to violence. Let us trust each other and be accommodating. Let us discharge our responsibilities, be pragmatic and strive for perfection so that we can jointly build a vibrant and caring Hong Kong.

Deputy President, I have voiced my feelings from the perspective of a Hong Kong citizen. Thank you, Deputy President.

MR ABRAHAM SHEK (in Cantonese): Deputy President, I received some emails by a group of "post-80s" this morning. They first of all thanked me for supporting the resumption of the HOS, but then requested me to give a reply to their emails for they doubted whether the Government was sincere in resuming the construction of HOS flats although they were very glad to hear the news.

On this day last year, the Government, not in this Chamber, said in a reply that the HOS would not be resumed because no consensus was reached in society. Although many people supported the construction of HOS flats, it was also opposed by many people. As this would lead to social division, the Administration would not resume the HOS. However, one year later, the Government has proposed the construction of HOS flats again. Moreover, the original HOS system will not be adopted. Rather it will be replaced by a better one. Such a 180-degree turn makes them find it difficult to believe that the Government can really attain the objective. Does the Government try to divide the community so that a conflict emerges between the existing HOS flat owners and those who have not yet owned any HOS flats?

In my reply, I told them that I could not answer this question on behalf of the Government because I also very much hope that the HOS would be resumed. However, as to the question of whether the Government will delay the construction of HOS flats on the ground of social division in the future, I hope the Bureau Director will give a reply to the emails of these "post-80s" on whether the Administration is sincere, and whether it will refrain from resuming the HOS in the short term due to social division. Deputy President, I have promised to these "post-80s" that I will voice their opinions on their behalf today. I hope the Government can give them a reply.

MR ABRAHAM SHEK: Deputy President, two weeks ago, the Chief Executive sang his swan song with his last Policy Address. This piece of music is the lengthiest one of his seven years of office and a bit of a gallimaufry comprising mostly hotly debated topics, by which the Chief Executive aimed to captivate his audience and satisfy both partisan demands and public wishes. The address with all its generosity through measures in expanding our hard earned dollars, however, lacks a theme nor direction for Hong Kong to generate and create wealth which are so important for our future well-being. The theme of this session is "Developing the Infrastructure for Economic Growth". I am going to talk about housing, the centerpiece of this Policy Address.

As expected, the keynote remained subsidized housing, a major bone of contention in recent years and even now. The trio of subsidized housing issues comprises the pledge on public housing, the new Home Ownership Scheme (HOS) and the revised version of the My Home Purchase Plan (MHPP). In one way or another, each of them has failed to impress their targeted audience.

The first part of the trio concerns public housing. The Chief Executive's statement on sticking to the prevailing policy of constructing 15 000 public rental housing (PRH) units per year and maintaining an average waiting time of three years for PRH units is the same old string that has been harped on for a long time, although the Administration expects to win plaudits with this political gesture. I wonder if the members of this Administration will avert their blushing faces when they see the underprivileged living in cage houses, bed-space apartments and subdivided flats.

The second part of the trio is the HOS. The long-awaited new HOS sounds sweet, but the sweetness soon fades. For one thing, the first batch of some 2 500 new HOS units will not be available until 2016 and 2017 with the planned target at 5 000 HOS flats a year on average, which could hardly satisfy the housing needs of the people earning less than \$30,000 a year. For another, the land premium arrangement for the new HOS flats will probably become a hotbed for speculation. Many people see the new HOS flats as a lottery for easy profit, while existing owners of HOS flats find it unfair that the new HOS flat owners will be offered terms far better than they received, as highlighted by the email that I have just earlier read. It is safe to predict that those who win the lottery of the new HOS flats are likely to sell their flats for profit even before they move in.

On the other hand, the policy of revitalizing HOS flats by allowing them to be sold on the private market is totally wrong. The concept is wrong. If second-hand HOS flats are to be sold, they should only be sold to those who are waiting for HOS flats, given that the policy objective of the HOS is to help people live and work in peace and contentment. That is the very nature and feature of subsidized housing, which stands in stark contrast to private housing. This dividing line must never be crossed.

The third part of the trio is the optimization of the MHPP. It is encouraging that the Government, by taking into account public views, will offer an alternative option of "buy-or-rent" in addition to the proposed "rent-and-buy" mode. The new option will allow participants to buy their MHPP flats direct at market price without first going through a rental period, and the initial market price will serve as the ceiling price of the MHPP flat. For what it is worth, this adjustment will definitely protect the participants from a price rally of MHPP flats, which could otherwise ruin their home-purchasing dreams. However, to

my dismay, this change will create the same opportunities for those participants in MHPP flats to speculate as the new HOS does. I have strong reservations about introducing any profit-guaranteeing mechanism into subsidized housing. Such a practice will create certain "privileged winners" at the expense of taxpayers, which is unfair and discriminatory, and will only serve to sow the seeds of social conflict. Assisting owners of subsidized housing to make a profit should never be the objective of any government policy; it is also inadvisable to twist the true meaning of subsidized housing from helping people to live and work in contentment to having a lucrative purpose.

Furthermore, although the first lot of 1 000 MHPP flats in Tsing Yi will be completed for sale in 2014, much sooner than the schedule of the new HOS flats, the entire MHPP will only provide 5 000 flats in total. Given that there are over 100 000 families eligible for MHPP flats, it goes without saying that the eligible participants of MHPP flats are given a miniscule chance to get an MHPP flat. The proposed production volume is tantamount to dashing their home-purchasing dreams.

Deputy President, compared with the subsidized housing trio, the changes in land policy deserve more credit. After many years of hesitation, in this final Policy Address, the Chief Executive has ultimately shown determination in exploring land sites for residential use in a more proactive manner. The concept of land reserve seems to be a sustainable one. The six measures listed in paragraph 43 of the Policy Address could lead to a rich and stable source of housing land supply for the long term, and complement the Government's land reserve. The Real Estate Developers' Association (REDA) also considers that the Government has taken the right step by dealing with the long-standing problem of demand-supply mismatch in residential land. Nevertheless, the Chief Executive's determination may be shackled by the uncertainties ahead. Will the future Administration follow this proposal on the same issue? This is a big question.

Moreover, apart from the private residential sites at the Kai Tak Development Area and the four ongoing West Rail property projects, the housing land supply in the foreseeable future remains ambiguous. According to the Development Bureau, land supply in the New Development Area (NDA) in the northern New Territories will not be available until 2018. For example, the Hung Shui Kiu NDA will be available for housing development only from 2021 onwards. Likewise, although the advance work on the remaining development

in Tung Chung is well underway, the site will not be available for use until 2022. In addition, the six new measures are still preliminary ideas, including those to release industrial land, explore reclamation outside the Victoria Harbour, examine the use of "Government, Institution or Community" sites, and so on. It may take years to substantiate those ideas. Feasibility studies, public consultations and environmental assessments are the initial steps, to be followed by advanced works. Between the two stages, uncertainties arise: Will the bureaucratic red tape be an impediment? Will overly zealous citizens delay the process through judicial reviews, as in the case of the Hong Kong-Zhuhai-Macao Bridge?

The Government should put more effort into unleashing the full potential of land supply. One positive step would be to review its long-established land policy. The Steering Committee on Housing Land Supply established last year under the leadership of the Financial Secretary should adopt a more proactive proceeding in better planning on land supply.

Secondly, REDA has urged the Government to adopt a more flexible attitude when implementing the Application List system so that land sites can be triggered off more easily. Lease modifications and land exchanges are important sources of land supply, and the Government should adopt a more innovative approach when calculating land premiums. For example, in the case of the development project above the West Rail Nam Cheong Station, the tendering for the development project was scrapped by the MTR Corporation Limited (MTRCL) last year when the land premium was set at an exorbitant \$13 billion, which would have made the price of a flat over \$6,500 per square foot. Last week, the tender for the development project was finally accepted with an \$11.8 billion bid, implying an accommodation value of just around \$4,500 per square foot. This recent case shows that it is not the developers but the Government who manipulates the supply of land. Deputy President, I declare that I am a board member of MTRCL, which invited tenders for the above site. The provision of affordable housing entails the gradual exit of the high land-price policy. Perhaps it is not yet a sea change that is blowing over the Government's land and housing policy, but there is a hint of a slight breeze. And it is many people's wish that the breeze continues to strengthen.

When it comes to the regulation of the sale of uncompleted first-hand residential properties, the proposed legislation causes the industry concern. And the major concern is the mandatory adoption of the saleable area in calculating

the square foot price of first-hand residential flats. This is supported by the developers and the industry, but would it not be even better that they are allowed to also publish the gross floor area in which the whole building is approved by the Building Authority under that very basis?

Deputy President, developers fear neither regulation nor legislation, but their views should be respected and considered. Hopefully, a White Bill for public consultation will enable the trade and the public to express their views more extensively. I hope the Government will consider these views meticulously and amend the proposed legislation accordingly.

Deputy President, the swan song for housing is full of dissonance. The attempt to please potential home purchasers has only served to gratify a minority of them. To improve the satisfaction level, the Government should increase the number of subsidized housing units particularly PRH to be constructed per year, improve the new HOS and the MHPP, and undertake a continuing review of its land policy.

Thank you, Deputy President.

MR PAUL CHAN (in Cantonese): Deputy President, before the release of the Policy Address, I had repeatedly urged the Chief Executive not to further reduce the profits tax rate and standard tax rate for high-income earners. I also urged the Chief Executive to put forward practicable measures to address the problems of housing, poverty and retirement protection.

I welcome the Chief Executive accepting my proposals and refraining from further reducing the profits tax rate and the standard tax rate for high-income earners in the last policy address of his term of office. Besides, the Chief Executive has started to sense some of the problems in society and responded to some aspirations of the public in respect of housing and poverty.

However, I am greatly disappointed by the Chief Executive making no mention of the setting up of a tax policy unit in the Policy Address. In this connection, I will express some of my views on the tax regime, public finance, retirement protection, housing and economic development in the first debate session of this Motion of Thanks today.

Deputy President, after the Chief Executive had delivered the Policy Address, I said in response that insofar as many social issues were concerned, the Chief Executive lacked the will to govern and had hardly shaken off the "coffers keeper" mentality.

Why did I say so? First, in mentioning the challenges ahead in the Policy Address, the Chief Executive touched on the tax regime of Hong Kong. Allow me to quote his words: "..... I think Hong Kong should maintain a low and simple tax regime and a market-led economy. It is simply not feasible to support a significant increase in recurrent welfare expenditure by raising taxes or issuing bonds.". Besides, he went on to say (and I quote): "..... raising taxes will make Hong Kong less attractive to enterprises, and running a fiscal deficit and issuing bonds regularly will adversely affect Hong Kong's credit ratings.".

Deputy President, frankly speaking, I think these remarks of the Chief Executive are alarmist talk, because even if the standard tax rate and profits tax were restored to the levels before he was re-elected at 16% and 17.5% respectively in response to the needs of society or the needs obligated by changes in the economic conditions, would these tax rates be too high? Would these tax rates be so high as to render our credit ratings affected? I think the answer is in the negative.

As I pointed out in the motion on "Reviewing public finances policies" that I moved in the Legislative Council early this year, a review targeting the shortcomings of the tax regime has to be conducted in order to upgrade the competitiveness of Hong Kong.

In fact, over the past three years or so after I became a Member of this Council, I have put forward many views on the tax regime to the Government. I am very glad that the Government has taken on board some of these views, including the amendment of the Inland Revenue Ordinance (IRO) to allow exchange of information between the Inland Revenue Department and overseas taxation authorities and enable Hong Kong to enter into bilateral taxation agreements with more countries, which can facilitate the development of Hong Kong into a transit point for Mainland enterprises to "go global" and hence create more business and job opportunities for Hong Kong. Another example is that an amendment exercise on the IRO is underway to provide for deduction of expenditure on intellectual property rights incurred by enterprises, such as that for

the acquisition of trademarks and copyrights. This can provide support to the upgrading and transformation of enterprises and also to the development of cultural and creative industries.

These legislative amendments have precisely shown that there is ample room for improving the tax regime in Hong Kong. It is necessary to set up a tax policy unit to study ways to improve the tax regime and hence enhance Hong Kong's competitiveness. For instance, we can model on Australia and Singapore in introducing such measures as making tax loss carry-back provisions and providing group tax loss relief for the business sector and SMEs, with a view to keeping the tax regime abreast of the times.

The Financial Secretary is in the Chamber today. I urge him to include in the Budget the establishment of a tax policy unit consisting of tax specialists when drafting the Budget for the next year.

Deputy President, the proposal of establishing a tax policy unit was actually passed in this Council with the support of a majority of Members early this year. The Government is indeed duty-bound to follow this up, rather than shelving the proposal and even doing nothing, in the hope that the matter will disappear into obscurity. The Administration should seize this opportunity of a majority of colleagues being supportive of this proposal to conduct in-depth and comprehensive studies on the tax regime and make improvement to it. In this connection, I will follow up this issue in the Panel on Financial Affairs of the Legislative Council at a later time.

Deputy President, in the Policy Address the Chief Executive also highlighted the importance of maintaining fiscal discipline. I certainly do not question this point. But as I mentioned in the debate on the motion on "Reviewing public finances policies" some time ago, putting stress on fiscal discipline does not mean that we should stick to the same old rut and never change. The authorities should suit changes and adjustments to the dictates of the times and the prevailing conditions. There must not be any disregard of the poor grassroots, the disabled, the elderly and the vulnerable in our society. Nor should there be any callous insensitivity to their plight.

In the Policy Address the Chief Executive said that since the reunification, the size of our economy had expanded by 55% in real terms while public

expenditure also registered an increase of 55%, as if they have increased at the same pace. However, the Government's expenditure actually includes many one-off relief measures. Take this Policy Address as an example. Of the many measures proposed by the Chief Executive, one-off measures involved as much as over \$8 billion and accounted for more than half of the total number of measures mentioned in this Policy Address.

Deputy President, I have all along stressed that the Government has amassed a huge fiscal reserve and many disposable assets. In the face of the various problems in society and the challenges ahead, the Government should effectively utilize the excessively accumulated reserve to make long-term plans and preparations for Hong Kong. It should not blindly and for some simple reasons insist on the target of keeping public expenditure below 20% of the Gross Domestic Product.

I think the Government should conduct a review to ascertain the appropriate level of fiscal reserve, so that on the one hand, it can provide against the rainy day and on the other, help cushion the impacts of the linked exchange rate. I hope the Financial Secretary, in tabling the Budget in February next year, can sum up experiences in respect of the level of fiscal reserve and propose a reasonable level of fiscal reserve for Hong Kong, providing his valuable input for the well-being of Hong Kong people in the future. This will be doing a great service to the people.

Deputy President, next, I would like to talk about retirement protection. The Chief Executive stated that the middle class and professionals do not wish to address the issue of retirement protection through the redistribution of resources. This, I understand.

Yet, I still support exploring the issue of retirement protection. It does not mean that we should mechanically copy the model of some European and American countries where the amount of contribution is deducted from the monthly salary for providing "pension-like" protection after retirement. From the experience of the European and American countries, as the population ages at a faster pace and the human life expectancy becomes longer, this model of retirement protection may not be affordable to society. But retirement protection is an issue we must face and time is running out for finding a solution. Frankly speaking, the situation has become increasingly critical.

I think it is imperative for the Government to positively and proactively address this issue and show its determination to resolve this issue. For instance, given a huge fiscal surplus recorded by the Government in the past two years, the Government can actually consider setting aside \$20 billion to \$30 billion each year as a seed fund to kick-start the system of retirement protection and provide impetus for the discussion and formulation of proposals to address the issue of retirement protection. This is a good example of how the excess surplus can be utilized for making long-term plans. The Central Policy Unit has studied the issue of retirement protection for years, so it should make public the details and findings of its studies to facilitate rational discussion in society. The Chief Executive should not shift the focus of discussion on retirement protection to the question of whether or not there is a need to increase the tax rates.

Deputy President, on the housing policy, I have long suggested that the Government should divide the housing market into two parts. One is the market for investment, and the other is the market for self-occupancy by members of the general public. Insofar as the latter is concerned, the Government is duty-bound to actively adopt measures to tackle the problem. I, therefore, welcome the resumption of the provision of a suitable number of Home Ownership Scheme (HOS) flats. Although the volume of production proposed in this Policy Address is too small, and the schedule for resuming the HOS is too slow and too late, I think it is still very important to make this step. I call on the Government to keep a close watch on the market and increase the provision of HOS flats when necessary.

In last year's Policy Address, the Budget released early this year and this Policy Address, the Government has put across to the market a clear message in respect of land supply, making it clear that the Government will endeavour to ensure a stable supply of residential sites in the future. This, I think, is very desirable and worthy of commendation. However, with regard to the production of public rental housing (PRH) proposed in the Policy Address, I think it is still inadequate in the short term (or in the next two or three years), judging from the present circumstances.

Earlier on, other colleagues in this Council have spoken on this point, and the press has commented on this respect. Given the time constraints, I am not going to go into details here. I hope that the Government will closely keep in

view the Waiting List for PRH and ensure that applicants on the Waiting List can be allocated PRH with a waiting time of less than three years.

Deputy President, I have great reservations about the arrangement for premium payment under the new HOS proposed in the Policy Address, as I have mentioned before. Last week, I already raised questions when I attended the Briefings on the policies on housing and financial affairs in the Policy Address. The main focus of my questions is: Under the new arrangement for premium payment, government subsidy will be regarded as a loan, and after the applicants sold their HOS flats, the Government will not require the payment of additional premium generated from appreciation in the value of the flat, as it has been doing now.

In my questions I asked the authorities to provide the following information: Given that about 20% of 300 000 HOS flats completed in the past have paid the premium, how much revenue has the Government received from premium payment so far? What is the amount of premium received by the Government from each HOS flat on average? What is the difference when compared with the arrangement for premium payment under the new HOS? I believe the market would very much like to know the difference in the provision of subsidy out of public coffers between the old HOS and the new HOS.

I noticed that in the market there is the view that in proposing the new arrangement, the Government's intention is to, among other things, provide a greater incentive for owners of HOS flats to sell their flats, thereby increasing the turnover of HOS flats.

I take exception to this view. Because I think the HOS serves to help people with lesser financial means to meet their housing needs. Investment and property value appreciation are only of secondary importance. This explains why there have been only about 20% of HOS flats resold in the market after settling the premium payment. This is only proof that HOS flats are mostly acquired for self-occupancy, not for investment. There is nothing wrong about it.

If owners of HOS flats have the means to further improve their living environment by selling their HOS flats and buying their own properties in the private market, the proceeds thus generated from an increase in the value of their

HOS flats should not be fully pocketed by the owners. The Government should, as it has been doing, take back the proceeds generated from a rise in the value of the flats. The Government should determine the percentage of such proceeds to be taken by the Government and the revenue hence received can be utilized to meet the needs in many areas. The revenue can even be re-injected into the development of more PRH and HOS flats to solve the housing problem of the public.

For these reasons, Deputy President, I think the new arrangement for premium payment proposed in the Policy Address is actually tantamount to using public coffers to subsidize investment for generating returns. It is not an appropriate way to use public coffers.

Deputy President, I also requested the Government to provide information on the average amount of subsidy for each unit under various subsidized housing schemes, including the PRH scheme, the old HOS, the new HOS, and the My Home Purchase Plan (MHPP). Why did I ask this question? It is because the figures will enable us to better understand how public coffers are utilized in various subsidized housing schemes and whether public coffers are spent reasonably.

Deputy President, besides taking exception to the arrangement for premium payment, I also wonder if there is a need to have so many types of subsidized housing schemes in this tiny place of Hong Kong. I have misgivings about this.

For example, according to the eligibility criteria for the PRH scheme, the new HOS and the MHPP, the income ceiling for a two-member family is \$15,000 under the PRH scheme, \$30,000 under the new HOS, and \$40,000 under the MHPP. I must ask: Is there a need to make such a fine distinction? Moreover, as the MHPP will only provide a total of 5 000 units in the next few years, the Administration should not have taken so much trouble as to roll out the MHPP. Instead, the number of units to be provided under the MHPP should be grouped under the HOS. Also, I think consideration can be given to adjusting upward the household income ceiling under the HOS.

I noticed that when I asked similar questions at the meeting of the Panel on Housing, the authorities replied that this proposal would not be feasible, for the MHPP would be implemented in collaboration with the Hong Kong Housing

Society (HKHS), not the Hong Kong Housing Authority (HA). I, however, consider this explanation unacceptable. It is because the HKHS is just the executive organ and after all, policies and measures still have to be finalized by the Government. This situation has reflected that too many departments are involved and this will only cause confusion to the public and create unnecessary redundancies in policy implementation.

Deputy President, the Government has suspended the development of HOS flats for almost nine years. The HA, which had long been responsible for the planning and development of HOS flats, will again assume this responsibility. But before and after the suspension of the HOS, the HA has made painstaking efforts and spent large sums of public money to "trim" its establishment through divesting itself of the management of housing estates and other measures before achieving these results today.

Here, I appeal to the SAR Government not to allow the structure of the HA to become bloated again as a result of the HA being tasked to provide 5 000 new HOS flats annually. In the past, the HA had introduced private sector participation schemes to enable HOS flats to be developed more efficiently and more cost-effectively. I think similar schemes should be considered for continued implementation.

Deputy President, the Policy Address did not make much mention of economic development, and I think what was said in this regard only amounted to empty slogans. For example, with regard to "Complementing the 12th Five-Year Plan", there was only one paragraph mentioning it in the Policy Address, the tone of which even smacked of bureaucracy. This has aroused doubts about the SAR Government's dedication in promoting the role of Hong Kong in the development of the Pearl River Delta Region. When comparing the development of Qianhai with that of Hengqin between Zhuhai and Macao, I would think that our progress has really been sluggish. If we review the concept of "early and pilot implementation" in Guangdong, which has been introduced for quite some time, to find out what actual achievements have been made so far, we will find that we still remain at a stage of discussion and the actual results that we have achieved are very little indeed. This is disappointing.

In respect of the pillar industries, the development of the financial services industry has been quite promising indeed, which is worthy of commendation,

while good progress has also been seen in the tourism industry. On the contrary, the development of logistics and professional services still leaves a lot to be desired. The six industries where Hong Kong enjoys clear advantages have been making very slow progress, too.

Judging from these circumstances, Hong Kong people still have to seek blessings on their own in the face of economic development in the future.

Deputy President, I so submit.

DR SAMSON TAM (in Cantonese): Deputy President, after the Chief Executive delivered the Policy Address, I have been conducting surveys among Hong Kong people on and beyond the Internet to find out to what extent they are happy with the Policy Address. Several general directions, including the land policy, resumption of the provision of HOS flats, and the Government's injection into elderly welfare, are generally supported by members of the public. Of course, there may be controversies over the fairness of the details, and I believe the Government will have to make greater efforts to ensure that the details would not arouse controversies even though the general directions have commanded public support.

Many young people are concerned about employment. Although the current unemployment rate in Hong Kong is on the low side, it does not mean that young people can find jobs that they like. This is absolutely a hidden worry because, while Hong Kong is now undergoing economic restructuring, there is no way for young people to find new opportunities to bring their talents into play.

With regard to the question of how a new economy can be created to enable the new generation to find jobs in which they can give play to their talents, if the Government does not channel resources to this cause, a gap would emerge sooner or later and this would cause the new generation of society to lose their sense of well-being or expectations and make it impossible for them to obtain what they want.

While Hong Kong is gearing up for the development of a new economy, ongoing efforts of the Government are still required for the old economy. As many Members have said earlier, the financial services and tourism industries

have made remarkable achievements and created plenty of job opportunities for us. But if the Government does not plough in resources for the development of a new economy, Hong Kong may possibly be taken over by neighbouring countries or regions in a short time.

To effectively develop a new economy, the authorities must have a clear picture of what opportunities are available to us. As we all know, given that there is absolutely no reason to take a positive outlook on the future development of Europe and America, everyone will, therefore, turn their attention to the Asian markets. Of the many markets in Asia, China is absolutely a market most readily opened for development by Hong Kong. Hong Kong can start from the 12th Five-Year Plan.

In June last year, I visited Beijing and discussed with some friends in the Mainland how significant the impact would be in the event of China relinquishing its role as the "world factory". As we all know, people engaging in industries in Hong Kong have already faced immense pressure; even those engaging in the logistics industry or ancillary services for industries are faced with serious operational difficulties, not to mention people engaging in industries. Such being the case, what should be the way forward for enterprises in Hong Kong?

Deputy President, there is one direction which certainly offers good prospects. In the next three decades, China will have to rely on innovation and technology industries to achieve sustainable development. I heard Premier WEN Jiabao once say that China has developed very rapidly indeed over the past three decades, but a hidden worry in the next three decades is the sustainability of its mode of economic development, adding that this would obviously be a task punctuated by countless difficulties. In my view, population ageing and rising costs are the gravest concerns of the State. All these will have an impact on Hong Kong, for it means that Hong Kong can no longer rely on the supply of cheap labour or sustain the export business.

Since innovation and technology industries are the most important direction in China's pursuit of sustainable development, what role can Hong Kong play in this process? It is necessary for the SAR Government to actively consider this and inject resources to this end, and study how Hong Kong can be developed into a platform for innovation and technology industries. Members may ask: Since the development of innovation and technology industries in Hong

Kong has been far from satisfactory over the past three decades, can the situation be reversed in the future? And, as China has vast expanses of land and is endowed with rich resources and an abundant supply of talents, what advantages does Hong Kong possess for it to have an edge in comparison?

I have gained some insights from my discussion with Mainland officials. The State is concerned about the lack of quality universities and scientific research institutions as those in Hong Kong, while being subject to restrictions similar to those of other developing countries in the course of scientific research development. Hong Kong can be said to be enjoying a privileged position. If we do not seize the opportunity opened to us in the next decade or two to develop Hong Kong into a "technology window" for the Mainland, and when Hong Kong lets this opportunity slip by, it would be difficult for us to play a similar role again in future.

(THE PRESIDENT resumed the Chair)

In this connection, I have read the paragraphs under innovation and technology in the Policy Address. Paragraph 160 of the Policy Address mentioned that the Government would review the Research and Development Cash Rebate Scheme (Rebate Scheme) and enhance the Small Entrepreneur Research Assistance Programme. I think this is a correct direction. When the above scheme and programme were announced, many enterprises were very glad indeed to learn of the Government's decision to make these commitments. But owing to various reasons or inadequate injection of resources — I think the relevant government officials know the reasons only too well — the results of these initiatives have fallen short of our targets.

I hope the Government can actively consider extending the Rebate Scheme. Can consideration be given to increasing the rate of cash rebate from the current 10% to 20% or 25%? Moreover, can the requirements of the Rebate Scheme be relaxed? For instance, the authorities can stipulate that the applicant enterprises only have to pay 75% of the expenses, whereas the remaining 25% will be borne by the Government, in order to allow greater flexibility. I hope that the Government can make greater commitments in this respect.

The development of Hong Kong into a platform for innovation and technology industries to attract Mainland science research institutions to station in Hong Kong is also a direction worthy of consideration. Over the past decade, many Hong Kong enterprises (especially factories) have relocated northward, and it is not easy or almost impossible to bring them back to Hong Kong. It is learnt that many Hong Kong companies have gradually moved their research and development departments back to Hong Kong. Why? Because when it comes to scientific research, "cheap cost" cannot be the sole overriding factor, or else scientific research primarily would not have been conducted in the Silicon Valley.

Scientific research attaches great importance to creativity and application. It is time for Hong Kong to act as a bridge for collaboration between Mainland scientific research institutions and their international counterparts, and attract the former to come to Hong Kong. But the question is why we have to attract the former to station in Hong Kong? What are the reasons?

I am glad that the Government will inject resources into the development of the Hong Kong Science Park Phase 3. Having said that, I must ask: Can the mere provision of land attract Mainland scientific research institutions to station in Hong Kong? This is absolutely impossible. The quantity of land in the Mainland is several thousand times more than that in Hong Kong. In order for Hong Kong to act as a bridge in scientific research, resources must be provided for the universities in Hong Kong and also for the protection of copyrights and meeting the needs for talents arising from the stationing of these Mainland institutions in Hong Kong, in order to give them incentives.

On these points, I will not go into details here. Singapore and Taiwan are doing far better than Hong Kong. In view of this, I hope that the Government will adopt a new mentality towards the Innovation and Technology Fund, with a view to attracting Mainland scientific research institutions to station in Hong Kong. So long as the innovation and technology industries in Hong Kong are developed effectively, we can provide our young people and university graduates with job opportunities that they have long yearned for.

President, last week I led a deputation of the technology sector to Beijing. We visited the State Ministry of Industry and Information Technology, hoping to further find out from the many types of scientific research projects, what role

Hong Kong can play, which types of projects are most lacking in the Mainland, and which types of projects have the greatest demand.

I have got some broad ideas after this brief visit and realized that the Mainland intends to put in great efforts on studies of cloud computing. Cloud computing has been discussed for years in places all over the world and in recent years, it has been eventually adopted extensively by different companies. Apple Inc., for instance, has also provided i-Cloud service.

In China, hundreds of cities are competing to show an interest in studying the development of cloud computing technologies. I have learnt that the Central Government has selected five cities (including Beijing, Shanghai, Shenzhen, Hangzhou and Wuxi) for application of cloud computing technologies on a pilot basis. No sooner had I learnt of this news than I asked whether Hong Kong could also be involved. The relevant officials responded that if Hong Kong would like to play a part in it, the Government would have to draw up a proposal and incorporated it into CEPA for further discussion.

Why do I think that playing a part in the pilot application of cloud computing can bring opportunities to Hong Kong? The reason is that the five cities that I have just mentioned are all Mainland cities, and it is absolutely not easy to compete with them in the Mainland. But if Hong Kong can be involved, we will have the opportunity to become a window for China's cloud computing service to reach out to the world in future, just as we have been serving as a window for China's logistics industry. If the Hong Kong Government is willing to strive for the incorporation of the "5+1" concept into CEPA and if this can be achieved successfully, I believe many overseas companies will be attracted to set up their computer systems in Hong Kong.

Recently, it has been reported that Google has moved to Hong Kong their server "google.cn" which was originally set up in its Beijing head office. Why? The reason is that Hong Kong has better communication connection facilities and fares better in terms of security and openness of the platform.

Certainly, in order to attract other companies to follow suit, there should not be any shortage in land supply. In this connection, before the Chief Executive delivered the Policy Address, I had asked him whether 20 hectares of land can be earmarked for the development data centres in Hong Kong. The

Chief Executive responded that land in Hong Kong is very precious and there would be difficulty in setting aside land for the development of data centres. But the Chief Executive has ultimately undertaken to provide land for developing data centres, just that the area of the site to be granted falls short of what I have requested, much to my regret.

Having said that, I think this is a good beginning. Paragraph 159 of the Policy Address pointed out that "..... the Government has reserved about 2 hectares of land in Tseung Kwan O for data centre use.", and "..... we will seriously consider the feasibility of developing data centres in revitalized industrial buildings".

In my opinion, in order to promote the development of Hong Kong into the "5+1" cloud computing platform, the Government must ensure that there is absolutely no shortage in land supply. I hope the SAR Government will seriously consider increasing the provision of land over the next one to three years, because cloud computing involves not only the placement of machines. Space is all the more required for the clustering of cloud computing service centres.

I believe many Mainland enterprises must have "international clouds" in order to engage in business globally. Instead of turning them to Singapore or the United States to set up their "international clouds", we had better to attract these enterprises to Hong Kong, so that these Mainland enterprises hoping to venture into overseas markets will choose Hong Kong as the platform for stationing their computers, systems and cloud computing centres and hence extend the coverage of their business and service to overseas. In this connection, I have been discussing this with many enterprises. I believe if the Financial Secretary can seek support for implementing the "5+1" proposal through CEPA, it would open up a huge opportunity for Hong Kong.

President, I have just highlighted the importance of innovation and technology industries to Hong Kong. I have also mentioned that cloud computing centres will become an integral part of the service industry and exports of Hong Kong. In this connection, what measures should be taken by the authorities to put Hong Kong onto the path towards the development of high value-added services? I think it is not impossible to achieve this end by relying on the existing officials and resources, just that it will take quite strenuous efforts.

To this end, I had moved a motion at a meeting of the Legislative Council in the last Session, proposing that the SAR Government should conduct studies and consider proposing to the next term of SAR Government the establishment of an innovation and technology bureau. Of course, a decision will rest with the Chief Executive of the next-term Government, but conducting studies and carrying out work in advance will absolutely provide useful reference for the next term of the SAR Government.

In order to develop a new economy, I believe Hong Kong must have in place a new structure to help it pursue the development of Internet economy, thereby creating more jobs and opportunities for the next generation.

President, I so submit.

MS CYD HO (in Cantonese): President, this is the last policy address of Donald TSANG. He actually should make a conclusive review of his performance over the last seven years and hold himself accountable and responsible to the public. However, the Chief Executive has shifted the blame to other people and evaded responsibility. Emperor YAO once said, "If there are mistakes everywhere, the fault is all mine." But the attitude of Donald TSANG is like saying "I made no mistake; it is everyone else's fault", trying to shift all the responsibilities to other people, which is most undesirable indeed.

First, he said that the wealth gap is a natural outcome of modern-day economic globalization, putting the blame on "globalization" without explaining why Hong Kong tops the list in terms of wealth gap compared with the many developed regions. Second, making a fortune from sale and purchase of residential properties is regarded by him as a channel for upward social mobility, to which he has continuously given recognition. This is why the new HOS is implemented, so that owners whose lots are drawn for "winning a HOS prize" can have the chance to resell these subsidized flats in the private property market, thereby reaping huge profits and turning an act intended to meet basic housing needs into one of commodity speculation. The problem of estate hegemony has become more and more rampant, causing the poor to become even poorer. Third, he maintains that it is inappropriate for Hong Kong to take on the role of the "first mover" and instead, we should wait for opportunities. This is why he stressed the principle of "capturing opportunities" in paragraph 197 of the Policy

Address, which is a full manifestation of his typical "Hong Kong guy" personality.

With such a Chief Executive who holds this mindset and lacks the smallest bit of imagination, no wonder the entire Government has failed to effectively channel resources to promoting creative development; no wonder he knows only to rigidly cling onto the financial services and property sectors, not daring to inject diversity into the economy, and even not realizing the need to combine creativity with the manufacturing industry. He maintains that the manufacturing industry is only an industry of cheap labour and as a result, the youth unemployment rate has continued to remain on the high side. With such a Chief Executive who has such a mindset, no wonder the wealth gap problem has remained unchanged, with 50% of the local wealth continuously being held in the hands of 1.2% of the population. Hong Kong is the place with the biggest wealth gap among the developed regions. The underlying reason lies not only in economic globalization, but also the Government and business forging an alliance as allowed under the political system of Hong Kong and the fact that we have a Chief Executive who has no imagination and foresight at all.

That the wealth gap has become so huge is not attributed alone to economic globalization which results in the outsourcing of all jobs at the grass-roots level to overseas markets. Rather, it is due to the exorbitant housing expenses in Hong Kong. In this year's Policy Address, the Chief Executive has eventually undertaken to resume the HOS, announcing that the selling price will not be pitched at the market price but will be set with reference to the household income, while clearly stating the intention to keep the housing expenses at a level below 40% of the household income. This, I welcome. But I think these measures are still inadequate. I also think that the target of keeping the housing expenses at a level below 40% of the household income should be adopted as an indicator in the housing policy. It is all the more necessary for the Government to apply this indicator to grass-roots people who cannot access public rental housing (PRH), in order to protect their living.

In fact, I have on various occasions made similar proposals, advocating that the housing expenses be kept at below 40% of the household income. What are the reasons? For example, in foreign countries, tax payment accounts for about 25% to 40% of the income of a family, while its expenditure on housing accounts for 25% of the household income. So, after deducting the tax payment and

housing expenditure, each family has a disposable income of about 50% of its monthly earnings and they enjoy far better social services than those in Hong Kong. But the situation is far worse for Hong Kong households. First, the Mandatory Provident Fund contribution already takes up 5% of the income. Middle-class families even have to pay tax amounting to 5% to 10% of their income, whereas their housing expenditure often accounts for 60% to 70% of the household income. Grass-roots households which are not living in PRH even have to meet rental payment exceeding 70% of the household income.

Take a three-member family as an example, and assuming its monthly household income is \$10,000, the rental of an old flat with a saleable area of 250 sq ft already costs \$7,000. Government officials may ask why they do not move to the more remote districts where the rental of flats is less expensive. They actually have no other alternative because they work in restaurants or the service sector. They need to go to work very early in the morning and may not be eligible for the cross-district transport allowance to meet the expensive transport fares. But if these households can move into PRH, they will need to pay only some \$2,000 in rent, in which case they can have the means to meet the expenses on food, transport, education and cultural activities. If their only alternative is to rent a flat in the private market, they can only choose to live in a sub-divided unit at a monthly rental of \$4,000. Their disposable income after deducting the rental payment may even be less than that of households receiving Comprehensive Social Security Assistance.

This is why I have been urging the Government to increase the supply of PRH, so that grass-roots households living in private residential flats of which the rental is expensive can enjoy a reasonable standard of living as soon as possible. There are now about 2.2 million people who are fortunate enough to live in PRH, but 45% of the local households make a monthly income of below \$15,500. In other words, there are about 3.15 million people who are eligible for PRH. After deducting the 2.2 million existing PRH tenants, there are still close to 1 million people in poverty who have yet to enjoy any housing subsidy and are hence required to bear expensive rental costs. These 1 million people are not only living in deplorable conditions, but also paying exorbitant rental per sq ft. Their dwelling places include tin shacks erected illegally on rooftops, cubicles, sub-divided units and coffin-sized units where the living conditions are not only appalling but also extremely dangerous. The collapse of a building in Ma Tau Wei and a fire that broke out in To Kwa Wan some time ago had resulted in

serious casualties. All these are problems that occurred during Donald TSANG's term of office. He had even said that the potential dangers in these living environments were more serious than those in hillside huts which have all been cleared now. Therefore, Donald TSANG cannot shirk the blame for such deplorable living conditions of some members of the public.

To address the problem of deplorable living conditions, it is impossible to rely solely on enhancing enforcement of the removal of unauthorized building works (UBW). In fact, as also pointed out in the Policy Address, it may not be feasible to ban all sub-divided units in one go. The only solution is to increase the provision of PRH to enable grass-roots households to be allocated PRH units early. If we focus only on the removal of UBW, we would only be driving these grass-roots families from units cleared by the Government to another place which has yet to be cleared but is equally dangerous. The number of flats in old districts has been dwindling as a result of acquisition and redevelopment by the Urban Renewal Authority and property developers, and their rental has been rising constantly. In this connection, I hope the Government will bear in mind that in the remaining eight months of its term, it must expeditiously identify sites for developing PRH to enable these 1 million grass-roots people to be allocated PRH units as soon as possible.

The target of supplying 15 000 PRH units annually is obviously far too inadequate to meet the demand. I, therefore, welcome Mr LEUNG Chun-ying's proposal of increasing the annual production to 35 000 PRH units. Having said that, I must practically ask this: Where will the land come from? Secretary Carrie LAM once gave a detailed explanation at a special meeting of the Panel on Development. She said that the Government identifies sites in six ways, which include converting factory premises for residential use; identifying land in the green belt areas; relocating government offices to the underground to vacate the sites where these offices are presently located; using deserted agricultural land as well as underutilized "Government, Institution or Community" sites.

These known sites measure a total of 230 hectares but it is not known as to how many years it will take for these 230 hectares of sites to be fully made available. If it takes as long as a decade to grant these sites, everything done would be to no avail. Moreover, the Government has not made any undertaking as to the percentage of these known 230 hectares of sites to be earmarked for PRH development.

Another more reliable source of land for PRH development is the redevelopment of existing PRH estates with a lower plot ratio, such as the Model Housing Estate in North Point and Sai Wan Estate on Hong Kong Island. With a total of only about 630 households, both housing estates were completed in the 1950s and are in grossly dilapidated conditions. If their plot ratio can be increased to five (times) as commonly adopted for PRH estates in the urban areas at present, which means putting up 32-storey PRH blocks, the number of PRH units could then be increased to 15 000. It means that an additional 14 000 units could be provided. So, regarding these measures that can be taken into consideration, this sunset Government should actually act promptly to put them into practice.

Of course, some elderly people may not wish to move out of the communities where they have been living and they are worried about being driven away upon the redevelopment of their estates. In this connection, the Government can actually adopt in-situ rehousing arrangements. All it needs to do is to build a PRH block first to rehouse these 600-odd households. Then, it can proceed to the redevelopment of these two PRH estates using the approach of rehousing before clearance. I also hope that the element of elderly estate can be included in redeveloping the estates, reserving units on the lower floors for the elderly and providing barrier-free access as well as such facilities as day recreation centres for the elderly, elderly canteens, and so on, to facilitate the promotion of outreach services targeting the elderly people. This way, resources will be pooled together more effectively to provide the necessary services and plans can hence be made for the retirement of the grass-roots elderly.

Certainly, the housing problem that involves 1 million people can hardly be resolved in one go. Even if the production target were 35 000 PRH units annually, it would take eight to 10 years to fully resolve the housing problem of 1 million people. Therefore, before sufficient PRH units can be supplied, the authorities should restore the rent control measures, so that middle-class and grass-roots families living in rented units will not have to suffer from continuous rent increases and the nuisance of having to move all the time.

Moreover, I have to make a criticism of the new HOS, and I must point out in the first place that while the Chief Executive claimed that this scheme would serve to assist the middle-class and grass-roots households to buy their own homes, this is not true in reality. Why? Because these families which may

benefit from the scheme make a household income between \$16,000 and \$30,000, and they actually belong to the middle to high-income groups in Hong Kong. If the local households are divided into 10 groups in ascending order according to their income, families with a household income ranging from \$16,000 to \$30,000 actually belong to the fifth to the eighth groups, and their income is already higher than many families. Such being the case, why do they still need government subsidies? It is all because property prices in Hong Kong have long grown detached from the income levels of local citizens, and they are so high that even those households in the eighth group with a monthly income of \$30,000 find it difficult to buy their own homes. This is why they need government subsidies.

President, I agree that assistance be provided by way of subsidies to the public to resolve their housing problem as well as their difficulty in achieving home ownership. But these units purchased with government subsidies must be clearly separated from the private property market. For this reason, I oppose the proposal to allow owners of HOS flats to put up their flats as private properties for speculation in the private market after paying the premium.

In fact, the Government has always complained about the difficulty in identifying land. If HOS flats are allowed to flow into the private property market, would the Government not further reduce the provision of land for development of subsidized housing? This would only create another commodity for speculation in the private property market. If the Government truly wishes to increase the turnover of HOS flats, it should require that these flats be resold to the Housing Authority or the Hong Kong Housing Society, or these two organizations should play an intermediary role by making arrangements for first-hand owners of HOS flats to resell their flats with a waiver of premium to families on the Waiting List which are eligible for buying HOS flats, so that second-hand owners of HOS flats can acquire home ownership through government subsidies provided by way of a premium waiver.

Under the new HOS, subsidies are provided merely to help the "prize-winning" households place the first bet, providing an incentive to many more families to enter the private property market and enabling them to turn into another pool of "speculators" five years down the road, but the keynote of high property prices will remain unchanged. As a result, families which have not "won a prize" and hence cannot enter the market can only face an increasingly

serious housing problem, and it will also become more and more difficult for them to buy their own homes.

President, the Chief Executive has consolidated estate hegemony in his term of office. Discussions on population ageing and retirement protection have been considered impractical all of a sudden, and there is entirely no mention of the problem of women in poverty, belittling the unpaid labour contributed by women to their families. He has widened the wealth gap in his term of office, leaving the public to continuously suffer the torment of poverty after his departure. In these respects, Donald TSANG simply cannot shirk the blame and does not deserve our thanks.

DR PRISCILLA LEUNG (in Cantonese): President, this last Policy Address of Chief Executive Donald TSANG has used a light shade of yellow for its covers, just like a report card fading into a yellowish colour after being baptized by seven years of time. Although the Policy Address covers a multitude of areas with plenty of chapters and paragraphs setting out the Government's past efforts in various policy areas, there are still some policies on which only the broad principles are stated without giving the specific details. Having said that, I still think that this year's Policy Address has basically scored a pass, and this is a view shared by me and many others. In the Policy Address, I have found 32 proposals supported or proposed by us. This shows that the Chief Executive has listened to the voices of various groups, hoping to respond to as many views as possible in his last policy address. However, if this Policy Address of the Chief Executive had included some long-term plans to bring benefits in the many years to come, it would not have given people the feeling that "the dusk is fast approaching" and that the Government could hardly wait to call it a day.

When I put forward my views on the Policy Address at a meeting with the Chief Executive, I had consistently opposed the view that the last policy address should not put forward too many proposals in order not to create obstacles for the next Chief Executive in taking forward policies and plans. In fact, with regard to many issues, all Hong Kong people definitely hope that work can commence as early as possible, so as to make the first step. This is actually like the art of Chinese calligraphy, as the last hook of a Chinese character is often the most powerful stroke. At the meeting I drew the attention of the Chief Executive to three main points. First, population planning. Comprehensive population

planning has been lacking over the years in Hong Kong, and since I took office as a Member of the Legislative Council, I have asked the Chief Executive to propose systematic population planning in his policy address every year. I hope he can put forward a blueprint on population planning for the next five, 10 or even 15 years, because only when there is population planning can we draw up various policies relating to the life cycle of birth, ageing, illness and death. For instance, in respect of education, we must decide on the need to scrap schools or build more schools based on the population policy. Another example is the CHONG Fung-yuen case in 2001. It has been a decade now, and this case has brought about the problem of Mainland pregnant women giving births in Hong Kong. The number of births given by Mainland pregnant women in Hong Kong has accounted for nearly 40% of the total number of births locally. This has caused problems in healthcare, housing, education and welfare but these problems are entirely predictable indeed. The lack of sound population planning has explained the shortages in the provision of columbaria and hospital wards. On the housing front, in the absence of sound population planning, it is impossible for us to ascertain how many private residential flats, public housing rental (PRH) units and Home Ownership Scheme flats should be provided. Should we really just follow the general trend of economic volatility and roll out confusing measures? This is actually most unfavourable to the development of Hong Kong in the long run.

Therefore, I really wish to tender a piece of advice to the next Chief Executive with regard to the first and foremost task after he or she assumed office — I hope I can have a chance to discuss their platforms with them — I would like them to tell me that they have devised a sound population plan. I would like them to tell me that they will, by all means, incorporate into their policies sound population planning which is most conducive to the development of Hong Kong and most conducive to the economy and the people's livelihood in Hong Kong, rather than always taking a passive position and being led by judgments in court cases, just as what is happening now. A CHONG Fung-yuen case has brought in a huge number of Mainland pregnant women, and a case filed by foreign domestic helpers has plunged everyone into a state of not knowing what to do, arousing grave concern among many Hong Kong people. It seems that we have been resigning ourselves to fate and must wait for the Court to hand down a judgment before knowing the way forward for the population policy. We really must not go on like this.

Second, the harbourfront and water quality. Before the delivery of the Policy Address, I had very much wanted to tell the Chief Executive that he could actually follow the example of former Governor MacLEHOSE who left a MacLehose Trail for the enjoyment of young people and hiking lovers in Hong Kong. To date, his name is still on everyone's lips because of this hiking trail. The provision of this hiking trail is indeed a benevolent policy. Likewise, if the Chief Executive can make improvements to the harbourfront and the quality of water, all the people, be they rich or poor and in whatever social strata, and be they men or women, old or young, would be grateful to him. So, it cannot be said that the Chief Executive should not put down the first stroke for the improvement of the harbourfront and water quality because this is his last policy address.

In the Policy Address of the Chief Executive, a lot of paragraphs are devoted to the development of East Kowloon — here, let me congratulate the residents of East Kowloon — but in the meantime, I hope that the Chief Executive can also cater to West Kowloon and other districts, especially districts with integration of the old and new areas and offer opportunities of harbourfront development. This year — speaking of this, I must sing praises of the Government — In just two years' time, the Government has fulfilled a small dream of ours, as the barren lot in Hung Hom was eventually linked up with the Avenue of Stars in September this year. The Government has also heeded public views and provided lawns there for visitors to lie on. On the day of the Mid-Autumn Festival and National Day this year, I went there and found the scenery most beautiful. I am very glad about it. Regrettably, while the sea breezes at night are still considered acceptable, visitors walking on the Hung Hom promenade in the morning will smell the stench that comes from the sea near the Tsim Sha Tsui section. This has reminded me of the need to improve the water quality. In fact, a group of experts in water quality and I already decided last year to regularly keep watch on the problem of water quality in Hong Kong. This year, we have conducted studies and surveys on eight water quality blackspots and found that the *E. coli* levels exceeded the standard by 377 times and 64 times at the To Kwa Wan waterfront and the Kwun Tong waterfront respectively, whereas the level at Lei Yue Mun, which is slightly better though, is three times in exceedance of the standard. Even though the water quality at Hung Hom, which is kept under constant watch by us, is still considered acceptable, people actually still smell the stench if they happen to pass by during midsummer.

I raised this issue with Chief Secretary Henry TANG during the discussion on the planning of the West Kowloon Cultural District (WKCD) in October last year, and when I met with the new Chief Executive Officer of the WKCD, I also stressed the importance of water quality. I said that apart from the hardware that we often mention, such as the shade of trees, the numerous types of new facilities at the waterfront, and so on, we must know that water is actually like blood in human body and it has a bearing on our health. Some time ago the cross-harbour swimming race was resumed and some people said that the water quality nowadays is better than that some three decades ago. But frankly speaking, this is most ironic because, with such abundant resources and new technology today, how can we compare the water quality nowadays with that some three decades ago? What we hope for is that today's water quality at the harbourfront can be entirely different from that some three decades ago.

Second, speaking of the centre of the harbourfront area in Kowloon, we very much hope that the WKCD — the entire East Kowloon will also be developed as this year's Policy Address has made very good planning for that — West Kowloon has been developing rapidly in recent years, and I hope that water quality can really become a cross-bureau issue which will be handled in a co-ordinated manner in the contexts of harbourfront development, overall urban planning and environmental protection, and given a share of the common resources. We have called for the appropriation of \$10 billion this year for purposes of co-ordinating the developments in these aspects, and the Chief Executive also mentioned in paragraphs 133 and 134 the provision of \$17 billion and said that the placing of disinfection facilities at Stonecutters Island will be advanced. However, people like us who have been following up the problem of water quality all know that these are just established policies, not newly-provided resources, and in putting forward these measures, the Chief Executive was only trying to coax us. All are just old wine in a new bottle. They are no novelty at all, and we consider them unacceptable. I hope that on the next occasion when the issue of water quality is raised again, the Government can precisely tell us at which particular blackspots — Tai Kok Tsui is one such blackspot; To Kwa Wan is another; and the next is the newly-opened Hung Hom harbourfront where there is a promenade — improvement measures will be implemented, so that members of the public can see with their naked eyes the improvements made to water quality when they pass by these waterfronts in the future. I particularly hope that in cross-harbour swimming races to be held in the future, the participants can swim from the central of Kowloon to Central and this will certainly be cheered by

Hong Kong people. I believe if any Chief Executive can make improvements to the water quality, the people would definitely consider this a major benevolent measure.

Over the years — the Chief Executive said five years — I think before I became a Member of the Legislative Council, the Directors of Bureau had already received the West Kowloon plan submitted by us, a dozen or so District Council members together with a group of experts. We actually had several dreams, and under its harbourfront development plan, the Government has indeed carried out work gradually at the waterfronts section by section, using the approach of tackling the simple issues before the difficult ones. But the harbourfront plan long advocated by us consists of several key points. One very important point is accessibility, because only when accessibility is ensured can the harbourfront be made available for enjoyment by all. There must be accessibility on both longitudinal and horizontal levels. At the longitudinal level, the harbourfront must be accessible directly from within the district and to this end, a tree-shaded boulevard is obviously the best.

We have talked about so many districts but in fact, there is one district which is very important, and insofar as planning is concerned, I think Hong Kong people have treated residents of this district quite unfairly. I am talking about Sham Shui Po. Sham Shui Po has long been considered the poorest district in Hong Kong, with the most congested and crowded environment packed with high-rise buildings. For instance, PRH, of which an increase in provision is supported by all, is often found in Sham Shui Po. Many PRH blocks have already been built in the district but when a decision has to be taken on the distribution of PRH, it is often the case that PRH blocks will still be put up in this district. Very often, residents in the district have to take a tortuous route in order to reach the waterfront that no one knows whether or not it still exists. This has aroused concern about whether this district will be covered in the sustainable development of the harbourfronts across the territory in the future. Sham Shui Po has 83 700 elderly people aged over 60 — this is the statistics of 2010 — accounting for 22.2% of the district population. In view of this percentage, which is so large, we think that in order to enable these elderly residents to participate in healthy activities at the waterfront, we must, in any case, strive for the inclusion of Sham Shui Po in the sustainable development of harbourfronts across the territory. So, in harbourfront planning, emphasis should be put on accessibility, so that the poor people in the district should be

able to reach the waterfront on foot. I believe this can certainly be achieved in planning. It only depends on whether the Government has the resolve and the will to include Sham Shui Po.

Some \$21 billion has already been provided for the development of the WKCD, while the Government has also proposed the harbourfront development project for linking up Hung Hom, West Kowloon, Tsim Sha Tsui, To Kwa Wan and East Kowloon. But Sham Shui Po is so rarely mentioned in environmental planning, and it is thought of only when it comes to the construction of PRH blocks. This is why many residents in Sham Shui Po, especially the elderly, have asked me to speak up for them in any case. They have also asked Members to speak up more for them.

Second, accessibility at the horizontal level. In this respect, we are heavily relying on buses now. This is especially so for low-income earners who often travel by bus. This year's Policy Address proposed to enable the elderly to travel at a concessionary fare of \$2 and this, I cannot welcome more. But meanwhile, we must not forget that a traditional means of transport in Hong Kong is diminishing. There used to be cross-harbour ferry services provided along To Kwa Wan and Hung Hom but these services have ceased one after another due to operational problems in recent years. We are even worried that the Star Ferry might also cease its service due to operational difficulties. In fact, ferry services absolutely should not be handled solely by the Transport and Housing Bureau. Of course, if we look at this purely from a public transport angle, we can say that the public still have the option of taking buses. We may as well apply the mass carrier theory to point out that the public certainly still have a lot of options, as the construction of the Shatin to Central Link of the MTR is underway and planning is made for the entire Kowloon, including the Kwun Tong Line alignment, and the public have all turned to buses now. In fact, ferries can be a means to ease congestion at least until the commissioning of new MTR lines. Ferry operators need not hasten to cease their operation as the losses incurred are actually very small, and their viability can already be sustained only with some support in terms of policy. This, however, falls under the ambit of transport policy. What I would like to say is that even though there has been continuous development in harbourfront planning over the past few years, which is a major achievement, and we are also really seeing the results gradually, we cannot see a clear direction at all in respect of harbourfront development and integration of the old and new areas.

Many colleagues of the Legislative Council have visited overseas countries to study their harbourfront development and seen water taxis during the visit. They found that the routes of these taxis can actually be horizontal. We can follow their example and introduce water taxi services to reach Sham Shui Po direct at low costs. This way, the harbourfront will become accessible both longitudinally and horizontally. This means of transport is not confined to the poor, as tourists and Mainland visitors on packaged tours can also patronize this service. This will indirectly revitalize the entire harbourfront, revitalize the piers and revitalize the ferry services. Some tourism elements can also be incorporated to encourage ferry service operators to develop water taxi service. This really does not just concern an individual district, as this can be a way to ensure the continued survival of ferries in the future.

In fact, we Hong Kong people are most reluctant to part with ferries. We hope to continue to see ferries in the Victoria Harbour; and ferries have been the theme of many postcards too. Although our abilities are limited and we do not have many resources, there will be a way to do it so long as the policy can be relaxed a bit. Should this matter be discussed jointly by various Policy Bureaux? Can all possibilities be explored for keeping this valuable means of transport for Hong Kong people? We can also retender the already discontinued ferry services. Perhaps some operators with greater creativity may come up with proposals which can dovetail with the overall plan for the revitalization of the harbourfront.

In fact, I think this involves not only one district but the future development of Hong Kong. Harbourfront, water quality and population planning are absolutely three major aspects. Even though this is the last policy address of the Chief Executive, he can still map out plans in these three major aspects for follow-up by his successors, and if they do not follow up these plans, we would then pursue them.

In this Policy Address the Chief Executive only mentioned the problem of water quality briefly, and the information given by him on such issues as population planning is, in my view, irrelevant. The Policy Address only mentioned elderly care, but this is not one of the problems of the population policy that Hong Kong is really facing now. He only mentioned elderly care services, and he also said that by attracting talents or even Mainland pregnant women to give births in Hong Kong, new blood can be injected into the local

population. But he did not provide any figures, and figures are precisely required for making population planning. Therefore, all we can hope for now — I do hope that the potential candidates for the next Chief Executive election will listen to us and all make preparations well in advance accordingly, so that these issues will be included in their platforms. I very much hope that the next Chief Executive will deliver in this respect.

Lastly, I would like to spend a couple of minutes more of my speaking time on other issues — A colleague will propose a motion debate concerning the middle class next week and so, I will not speak at great length on this issue. In this Policy Address the Chief Executive has responded to many livelihood issues, except for the issues of the middle class, SMEs and education, the mention of which was indeed too little in the Policy Address, particularly in respect of the handling of the problems faced by the middle class. We all know that the middle class is often known as the "most miserable class of people in the middle". They have to pay tax and yet, they cannot enjoy any welfare. In 2009, I proposed that legal aid be provided to the middle-class people. The Government's response was basically quite positive at that time and it took on board our basic view and lowered the threshold of legal aid to benefit more middle-class people. But in respect of housing, the Government's response is not quite the same. It is true that the Government has proposed a diversity of new subsidized housing schemes but many people who are caught in the middle have still sent me emails to express their views. First, many of these housing schemes are planned for launch only in the year 2016 but in the next five years, many working young people aged around 25 to 26 who have just graduated for four to five years may wish to get married but they are still facing great difficulties in housing.

In this connection, we have proposed the provision of a rent subsidy. We think that home ownership is a long-term personal plan in life. We cannot expect a person who wishes to buy his own home today to be able to fulfill his wish immediately. Nor can we expect a person to be able to buy his own home one year after graduation. I think these should not be encouraged by any policy. That said, we still have to resolve the housing problem of the public, because there is indeed a group of people who are not eligible for PRH but face difficulties in renting private residential units. This is why we have, over the years, consistently proposed to the Government that a rent subsidy should be given to these people, and this subsidy will cease when they no longer meet the

criteria. This way, they can at least resolve their immediate housing problem first, because the income of some young couples is very low indeed.

Moreover, we have made another proposal. Some people who have graduated for five to 10 years are striving constantly to make improvement and do not wish to remain at the stage of PRH. But as they may have to wait for a long time and must have their lots drawn before they can buy a HOS flat, they therefore wish to have a chance to buy their first homes in due course. They are most afraid of being called by banks to repay their loans — according to what they have said — and they dare not buy their first home not because they do not have enough savings for the down payment. Therefore, they hope that the Government can give consideration to them. In fact, unlike what members of the community have said, they do not wish to rely on public coffers and live in PRH. Although the current policy can greatly benefit people who live in PRH, they still wish to be able to buy their own homes.

They asked whether the Government can draw up policies to provide support to them, or implement banking policies tailor-made for these people who have stable jobs but whose income happens to be in the middle. What will the Government do to help them buy their first homes? They said that they are willing to buy even flats of smaller sizes. This is what I would like to say particularly for this class of young people. I hope that the Government can provide assistance to them in its banking policies.

In these 20 minutes of my speaking time today, I have first expressed my views focusing on these several issues. With regard to education, I will speak again in the education session. President, I so submit.

SUSPENSION OF MEETING

PRESIDENT (in Cantonese): Two of the Members waiting to speak have requested to make their speeches tonight but it is now past 9 pm and at least four Members have requested to speak in this session. It is impossible for us to finish the debate in this session in a reasonable time. I now suspend the meeting to 9 am tomorrow.

Suspended accordingly at six minutes past Nine o'clock.

