

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 2 November 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 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

MEMBER ABSENT:

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

PUBLIC OFFICERS ATTENDING:

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

THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE MATTHEW CHEUNG KIN-CHUNG, G.B.S., J.P.

SECRETARY FOR LABOUR AND WELFARE

PROF THE HONOURABLE K C CHAN, S.B.S., J.P.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE EDWARD YAU TANG-WAH, G.B.S., J.P.

SECRETARY FOR THE ENVIRONMENT

THE HONOURABLE EVA CHENG, G.B.S., J.P.

SECRETARY FOR TRANSPORT AND HOUSING

CLERKS IN ATTENDANCE:

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

MRS CONSTANCE LI TSOI YEUK-LIN, ASSISTANT SECRETARY
GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY
GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	L.N. No.
Building (Inspection and Repair) Regulation	146/2011
Building (Administration) (Amendment) Regulation 2011	147/2011
Building (Minor Works) (Amendment) Regulation 2011	148/2011
Buildings (Amendment) Ordinance 2011 (Commencement) Notice 2011	149/2011
Import and Export (Fees) (Amendment) Regulation 2011	150/2011

Other Papers

- No. 22 — Customs and Excise Service Welfare Fund
Signed and audited financial statements and the report of
the Director of Audit for the year ended 31 March 2011
- No. 23 — Report by the Trustee of the Prisoners' Education Trust
Fund for the period from 1 April 2010 to 31 March 2011

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. The first question.

Regulation of Investment Activities Related to Loco London Gold

1. **MR WONG KWOK-HING** (in Cantonese): *President, I have recently received one after another 70 cases requesting assistance which involve Loco London gold investment fraud, and the persons seeking help indicated that the investment companies or brokers had deceived them using improper practices to obtain their authorization to conduct transactions on their behalf, causing them to ultimately lose nearly all their investments, which amounted to more than \$17 million. However, when I accompanied these persons to seek assistance from a number of regulatory and enforcement departments, such departments refused to take up the cases on the ground that the trading of Loco London gold was not within their ambits, or used the excuse that as there was no existing legislation to regulate such kind of investment product, it was difficult to take any enforcement action. In this connection, will the Government inform this Council:*

- (a) *of the numbers of complaints and reported cases involving Loco London gold investment fraud received by the various government departments concerned over the past five years; the number of companies providing Loco London gold trading services involved in these cases, and among them, the number of those which were involved in similar reported cases or complaints for more than once; of the respective numbers of cases in respect of which thorough investigation were conducted and prosecution were instituted by the relevant government departments; and the number of convicted persons involved;*
- (b) *given that at present, companies providing Loco London gold trading services in Hong Kong are not required to register with or apply for a license from the Hong Kong Monetary Authority (HKMA) or the Securities and Futures Commission (SFC), whether the authorities will consider putting these companies under the regulation of the regulatory authorities, as well as regulating the investment activities of precious metals (such as Loco London gold, and so on) by means of legislation and licensing; if they will, of the specific timetable; if not, how the authorities effectively regulate such investment activities to safeguard the interests of investors; and*

- (c) *which government department or regulatory authority members of the public can approach to lodge complaints or seek help at present when they suspect that they have been deceived or encountered problems relating to Loco London gold investment or other investments not regulated by the HKMA and the SFC; how such government department will help them and follow up the cases; whether the Government will set up a dedicated organization to deal with such investment activities which are currently not regulated by the HKMA and the SFC?*

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

- (a) From 2007 to August this year, there were 12 cases categorized by the police as suspected London gold trading fraud. Six companies were involved, among which five were subjects of complaints more than once. A person involved in one of the cases was charged by the police and was subsequently convicted and sentenced to eight-month imprisonment by the Court. Investigation of the remaining 11 cases is still in progress.

From 2007 till now, the Financial Services and the Treasury Bureau has received complaints regarding the trading of London gold from 18 members of the public. Most of these complaints were about loss inflicted by suspected fraud. In early September 2011, we received a number of cases involving 55 complainants referred by Legislative Council Members. The cases were handed over to the police for analysis and follow-up actions.

- (b) Currently, the public can invest in gold or gold-related products through various channels. Among them, gold exchange-traded funds and gold futures traded on the exchange, paper gold schemes, and funds invested in gold derivatives and gold mining companies must be authorized or approved by the SFC. As for companies providing gold trading services in general in Hong Kong, they are not required to register with or obtain a license from the SFC.

These gold trading activities are conducted through direct negotiation between buyers and sellers over-the-counter (OTC).

London is currently the largest OTC gold trading centre in the world. London gold refers to a product based on the standards of the London Bullion Market Association and is primarily traded OTC. Information shows that neither Hong Kong nor other international financial centres such as London have specific regulation over this type of gold trading.

The major active participants in the Loco London gold market in Hong Kong are international banks. Due to time zone differences, market participants will adjust prices at different time in a trading day having regard to such factors as the London market gold fixing prices, Tokyo Commodity Exchange gold futures prices, and the supply and demand for gold in the Asian markets.

Complaints related to London gold are primarily concerned with suspected deceptive and fraudulent acts operating under the name of London gold trading, which have nothing to do with the trading system of the genuine Loco London gold market.

Deceptive and fraudulent acts are criminal offences regulated under the Theft Ordinance (Cap. 210) and the police have been taking active enforcement actions. For cases suspected of involving criminal offences like deception or theft, the police will investigate thoroughly and initiate prosecution if there is sufficient evidence.

Given that deceptive and fraudulent acts are already regulated by legislation, we consider that the most effective way to deal with these unlawful acts is to enhance enforcement and public education instead of introducing new legislation to regulate the Loco London gold market.

- (c) To step up enforcement efforts, the police have set up a team under the Commercial Crime Bureau that specializes in preventing and combating London gold trading fraud. This is done through closely monitoring the trend and the change in the *modus operandi* of London gold trading fraud, enhancing public awareness by education

through the mass media and other means, liaising with the Consumer Council (CC) to collect intelligence, and investigating suspicious cases or providing assistance to relevant investigative units.

Regarding investor education, the SFC currently provides information on product selection, market operation and risks related to gold investment through its Dr. Wise investor education column. The CC reminds the public of the risks in London gold trading through providing information on fraud cases and unscrupulous practices under the name of London gold in its "*CHOICE*" magazine. The SFC's proposed establishment of the Investor Education Council will also strengthen education on investment in gold. We submitted the Securities and Futures (Amendment) Bill 2011 to the Legislative Council in June 2011. We look forward to Members' support for the Bill.

In addition, the police publicize common fraudulent practices related to London gold from time to time through different publicity channels, including their website and the Police Report TV programme, so as to enhance public awareness. Recently, in the 8 October 2011 episode of Police Report, the police explained the unscrupulous practices of certain financial companies to bring home crime prevention messages. Drawing on their experience, we will produce more targeted educational programmes on an ongoing basis, including TV Announcement of Public Interest.

MR WONG KWOK-HING (in Cantonese): *President, the Government said in the reply just now that there was no need to enact legislation to regulate the OTC trading of London gold. I think this is negligence of duty and responsibility because this will render the OTC trading of London gold unregulated. At present, 5 000 brokers are engaged in the OTC trading of London gold and among whom, one third has taken the courses offered by the Chinese Gold and Silver Exchange Society, which are complemented by a registration system. However, the Chinese Gold and Silver Exchange Society pointed out that since the Government has not enacted any legislation to impose regulation, it is difficult for them to take action and the police also said that it is difficult to institute prosecution.*

In view of this, may I ask the Secretary, through the President, if a study can be conducted on this matter and a discussion paper submitted to the Legislative Council to explore if legislation can be enacted to regulate OTC trading of London gold, rather than rejecting this demand outright as he did just now in his reply, thus rendering this kind of OTC trading totally unregulated and investors devoid of protection?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I thank the Member for his supplementary question. On this question, I think it should be answered by dividing it into several parts. First, what actually do we want to regulate? At present, what warrants regulation is the suspected cases of London Gold fraud. I reiterate that the Government is very concerned about such offences and will step up its efforts in cracking down on them. Existing law already imposes regulation in this regard, for example, the Theft Ordinance mentioned by me just now can already ensure that the police can follow up this kind of fraudulent acts. Therefore, we will continue to follow up the issues in this regard and the police will also intensify its law-enforcement efforts by establishing a specialized team to crack down on such criminal offences.

However, another issue is the regulation of the bullion market. The regulation of OTC trading involves another issue and it is not just confined to the suspected fraudulent offences which are the subject of our discussion today, rather, the trading of the whole market is involved. We have collected some information and found that in other markets throughout the world, for example, in London, which I talked about just now, there are no legal frameworks to regulate OTC gold trading. However, this does not mean that we do not attach any importance to this matter. Therefore, we will provide assistance from the consumer perspective by targeting at the deception of consumers, but we may not necessarily formulate any major legal framework relating to the market, as this may turn the London gold trading market in Hong Kong into a peculiar example in the world.

DR PAN PEY-CHYOU (in Cantonese): *President, concerning cases of London gold fraud, so far, the Members' offices of Mr WONG Kwok-hing and mine have received 70 cases in two years, so the figure is higher than that cited by the*

Secretary. Even so, we believe this figure is only the tip of the iceberg. In the main reply, the Secretary pointed out, and I quote, "Complaints related to London gold are primarily concerned with suspected deceptive and fraudulent acts operating under the name of London gold trading, which have nothing to do with the trading system of the genuine Loco London gold market.". I have some doubts about such a claim. If the Secretary's claim is true, may I ask if at present, genuine London gold trading is, as the Secretary said, not subject to any kind of regulation?

Second, under the law, is there any

PRESIDENT (in Cantonese): Dr PAN, please ask your supplementary question clearly, and do make it short.

DR PAN PEY-CHYOU (in Cantonese): *I was about to ask my supplementary question.*

PRESIDENT (in Cantonese): Please ask your question direct. Do not divide it into parts, like firstly, secondly, thirdly, fourthly, and so on.

DR PAN PEY-CHYOU (in Cantonese): *My question is: How can ordinary members of the public distinguish genuine OTC London gold trading from promotions claiming to offer London gold trading directed at them? Is there any law that differentiates them? If there is no substantive distinction under the law, what should ordinary members of the public do?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): I attach great importance to this question asked by the Member, and I believe the numerous complaints relating to London gold precisely show that the public may not be aware of the due rights they enjoy. When they enter into contracts with companies trading in London gold, they may not have understood in detail what kind of authorization they have given in their contracts, and we

know that in some cases, the people concerned did not even sign any documents before allowing these companies to carry out trading without authorization. Therefore, I agree that this issue must be followed up, moreover, publicity, education and law-enforcement actions taken by the police must be stepped up.

On the complaints cases which Mr WONG Kwok-hing said he had referred to us for action, according to the information I have received, in the 51 referrals involving London gold, 55 complainants and 18 companies in total were involved, including five companies which, as I said earlier on, were subjects of complaints more than once. Therefore, we have already got hold of the information on these companies with records of being complained against. The police are now analysing the relevant information and taking follow-up actions. I hope the efforts in this regard can be stepped up because only in this way can the public be assisted and the criminal activities in this regard can be combated.

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

DR PAN PEY-CHYOU (in Cantonese): *President, the Secretary did not reply as to how the public can tell the authenticity of London gold trading if no distinction is made in the law?*

PRESIDENT (in Cantonese): Secretary, how can ordinary members of the public tell the authenticity?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, London gold trading activities are conducted over the counter and of course, many of them are normal trading activities and many members of the public are engaged in carrying out normal trading operations. The problem is that some companies are suspected of having employed fraudulent practices in marketing this kind of trading and investment. This is an offence and we should take action to crack down on such. As regards the question of enabling ordinary members of the public to make the distinction, I

believe this depends on the intensification of publicity and education by the authorities as well as the vigour of the crackdown. We will liaise closely with the police in this regard and ask them to commit more resources to dealing with such cases.

MR WONG TING-KWONG (in Cantonese): *President, the Secretary said in the main reply that the police had received 12 cases classified as fraud in London gold trading, whereas the Financial Services and the Treasury Bureau had received complaints from a total of 18 members of the public. Furthermore, some Legislative Council Members have referred cases involving 55 complainants and just now, Dr PAN Pey-chyou also said that they had received more than 70 complaints. On this issue, may I ask the Secretary, through the President, if the authorities will improve and step up publicity and education to remind the public to heighten their alertness, so as to minimize their losses in this regard?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): *President, I thank the Member for the question. I understand Members' concerns and also know that Members are very concerned about this matter. It is also not the first time that I have answered questions in this regard here. Therefore, I believe it is necessary to step up the efforts in dealing with this issue. Members can trust me. We will step up the efforts in dealing with the matters in this regard.*

On the vigour of the law-enforcement actions taken by the police, we will continue to take follow-up actions and consider adopting various measures, including making more members of the public aware of this kind of offences and suspected fraudulent activities through the investor education column of the SFC and the Investor Education Council to be established by the SFC in the future, and even through the CC. We will continue to make efforts about this.

MR CHIM PUI-CHUNG (in Cantonese): *President, I am greatly disappointed by this kind of standard reply, so I wish to put this on record.*

President, there are four channels through which gold can be traded in Hong Kong. The first is trading in London gold, the second is the Chinese Gold and Silver Exchange Society, the third is the Hong Kong Futures Exchange Limited under the Stock Exchange of Hong Kong Limited and the fourth is the commodity exchange. The question that I wish to ask the Secretary is: Concerning companies that are involved in London gold trading without obtaining a licence in Hong Kong, no matter how strong their background in banking is, so long as they carry out gold trading in Hong Kong, are they all subject to regulation by the three organizations mentioned by me? At least, these three organizations can implement a membership system and should any instance of deception of customers or investors occur, they can take actions against their member companies, so why does the Government not impose a minimum degree of regulation in this regard?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, in fact, the Government has all along liaised closely with the Chinese Gold and Silver Exchange Society. As far as we know, the Chinese Gold and Silver Exchange Society attaches great importance to such business as well as the image and ethics of its members serving the public with vigour and sincerity projected. Therefore, we maintain contacts in this area and know that the Chinese Gold and Silver Exchange Society is looking at this matter actively. If any member company or the holding company of a member company of the Chinese Gold and Silver Exchange Society receives a complaint relating to London gold, under the membership system implemented by the Chinese Gold and Silver Exchange Society, follow-up actions will be taken and the member company in question will be requested to submit an investigation report. The Government highly approves of this approach and will strengthen communication with the Chinese Gold and Silver Exchange Society in this regard.

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

MR CHIM PUI-CHUNG (in Cantonese): *President, in fact, the Secretary has distorted the facts. My supplementary question asks about the companies that*

are not members of the Hong Kong Futures Exchange Limited but are involved in London gold trading in Hong Kong

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

MR CHIM PUI-CHUNG (in Cantonese): *..... should the companies in the commodity exchange and the Chinese Gold and Silver Exchange Society be required to register as members of these three organizations? However, the Secretary has tried to mislead the public and investors instead*

PRESIDENT (in Cantonese): You need only repeat your supplementary question. Secretary, do you wish to reply to this?

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Sorry, I may have misunderstood the supplementary question asked by the Member. If fraudulent acts involving other companies are involved, we will take follow-up actions. However, as far as we know, companies engaged in such activities are often connected to a licensed company, so when these companies connected to licensed companies are involved in inappropriate behaviour, it is also feasible for the relevant parties to take follow-up actions through the existing licensing or membership system.

PRESIDENT (in Cantonese): We have spent almost 22 minutes on this question. Second question.

Measures to Alleviate Burden of Travelling Expenses on the Public

2. **MS STARRY LEE** (in Cantonese): *President, a research centre published its report on the Study on Travel Cost Reduction Schemes in September this year. The report pointed out that 73% of the respondents considered long distance transport fares expensive, while 71% of those who used public transport considered it necessary to introduce monthly passes. The average amount of*

monthly travelling expenses of the respondents was around \$740, and the amount of expenses acceptable to them was \$620. The research centre was of the view that public money should be used to alleviate the burden of travelling expenses on the public. As the MTR Corporation Limited (MTRCL) and franchised bus companies reap profits every year, will the Government inform this Council:

- (a) whether it knows if the MTRCL will consider implementing a monthly pass scheme for all MTR lines; if the MTRCL will do so, the details and timetable; if not, the reasons for that;*
- (b) whether it will reconsider allocating the dividends received from the MTRCL, or part of the dividends collected, to fund its measures to stabilize MTR fares; if it will, of the details and timetable; if not, the reasons for that; and*
- (c) whether it will, as one of the licensing conditions, require franchised bus companies to implement sectional fares for all their bus routes; if it will, of the details and timetable; if not, the reasons for that?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese):
President, the Government has all along been encouraging public transport operators, including the MTRCL and franchised bus companies, to provide various fare concession schemes as far as possible, taking into account their respective operating and financial conditions, market condition and passenger needs, and so on, so as to alleviate the burden of travelling expenses on the public. The details of such schemes are, however, commercial decisions of individual operators.

- (a) On fare concessions, according to the MTRCL, various fare promotional initiatives are launched every year to thank passengers for their support and encourage different passenger groups to patronize rail services. The revenue forgone by the MTRCL in 2011 amounts to about \$1.7 billion as a result of the introduction of fare concessions.

On monthly pass concessionary schemes:

- For the West Rail Line, the Kowloon-Canton Railway Corporation (KCRC) introduced the West Rail One-Month Pass in August 2004. To tie in with the opening of the Kowloon Southern Link in mid-August 2009, the West Rail One-Month Pass was renamed the Tuen Mun-Nam Cheong Monthly Pass. The MTRCL also launched the Tuen Mun-Hung Hom Monthly Pass in late August 2009 for travels between all stations along the West Rail Line.

- Regarding the East Rail Line, the KCRC introduced the East Rail One-Month Pass in April 2005 for travels between Sheung Shui and East Tsim Sha Tsui Stations, excluding cross-boundary and first class services. To tie in with the commissioning of the Kowloon Southern Link, the East Rail One-Month Pass was renamed the Sheung Shui-East Tsim Sha Tsui Monthly Pass from September 2009 onwards.

Other fare concessions offered by the MTRCL:

- half-fare concessions to senior citizens aged 65 and over, and \$2 concessionary elderly fare on Wednesdays, Saturdays and non-Sunday public holidays;

- around half-fare concessions to children and around 540 000 full-time students aged between 12 and 25;

- around half-fare concessions to recipients aged between 12 and 64 of Comprehensive Social Security Assistance with 100% disability and Disability Allowance;

- Ride \$100 for Free Ticket promotional scheme: from 4 July to 30 December 2011, adult Octopus cardholders can redeem a free single journey ticket for one domestic ride for every \$100 of MTR's fares deducted from the same Octopus card from Monday to Friday of each week. Child and Elder Octopus cardholders, as well as holders of Personalized Octopus cards encoded with "Student" or "Persons with Disabilities" status

will be able to redeem a free concessionary single journey ticket for every \$50 deducted;

- passengers can enjoy \$1 to \$3 discount on their next MTR rides at designated stations after waving their Adult Octopus cards over the Octopus readers at the existing 29 MTR Fare Savers; and
- interchange discounts jointly offered with green minibuses, franchised buses and operators of outlying island ferry routes. For example, from the end of July 2011 for six months, passengers taking outlying island ferry routes to and from Sok Kwu Wan, Yung Shue Wan, Peng Chau, Cheung Chau and Mui Wo can enjoy \$1.5 discount in their MTR rides by waving their adult Octopus cards on the Octopus readers of the MTR Fare Discount Processors newly installed at ferry piers; and from 1 July 2011 for six months, passengers using the same adult Octopus cards interchanging between various New Lantao Bus routes and the MTR services or *vice versa* at Tung Chung Station within an hour can enjoy an interchange discount of \$1.5.

With their extensive coverage, the above fare concession schemes benefit different passenger groups.

According to the MTRCL, monthly pass concessionary schemes are introduced mainly for encouraging more passengers using the rail services and attracting new sources of passengers. In June 2011, the MTRCL announced that the promotional period of these monthly pass schemes would be extended to 30 June 2012. In considering the extension of the monthly pass concessionary schemes, it will take into account a basket of factors, including market situation, the existing patronage, expected additional growth in patronage after the launch of the monthly pass, as well as the competitiveness of the MTRCL in the respective routes, and so on. The company has no plan to launch other monthly schemes for the time being.

We understand the public's concerns on the impact of increasing travelling expenses, especially those living in remote areas, and will

urge the MTRCL to consider extending the monthly pass concessionary schemes to cover other railway lines, apart from the East and West Rail Lines. However, if the monthly pass concessionary schemes are to be extended to all MTRCL lines, including short-haul journeys in urban areas, the whole fare structure may be affected.

- (b) Pursuant to section 3 of the Public Finance Ordinance (Cap. 2), the dividends that the Government receives from the MTRCL form part of the general revenue. The Government will give holistic consideration to and conduct policy planning on the utilization of resources, and compile the annual Estimates for submission to the Legislative Council for deliberation. Upon approval of the Estimates by the Legislative Council, individual Policy Bureaux will make funding applications to the Legislative Council Finance Committee on expenditure items under their jurisdiction for implementing the policies concerned. In other words, financial resources of the Government will be spent on the public at large via appropriate deployment under the above established procedures in response to different policies and priorities, with a view to ensuring that public money is put to the best use for the benefit of the community in general.
- (c) Currently, franchised bus companies are offering various fare concessions for passengers. Such concessions include section fares, bus-bus interchange concessions, half-fare concessions for children and half-fare concessions for the elderly. As far as section fares are concerned, franchised bus companies generally consider whether to offer section fares with regard to relevant factors, such as the number and distribution of passengers, distance and journey time of individual routes, and so on. At present, section fares are applicable to about 400 medium and long distance routes (accounting for about 70% of all bus routes), benefiting about 680 000 passengers per day.

We are mindful of the need for the franchised bus companies to keep their fares at reasonable levels while maintaining their operational and financial capabilities to provide proper and efficient public transport services. If the Government requires the franchised bus companies to provide specific types of fare concessions, such as full

implementation of section fares, the financial impact on the operators will eventually be reflected in the basic fares.

The current franchises of New World First Bus Services Limited, Long Win Bus Company Limited and Citybus Limited (Franchise for Airport and North Lantau Bus Network) will expire in 2013. We reported to the Legislative Council Panel on Transport and the Transport Advisory Committee separately in July 2011 on the Administration's plan to negotiate with the three franchised bus companies for renewing their franchises and listened to members' views on the requirements of the proposed new franchises. Besides, we invited views from the public and the Traffic and Transport Committees of the 18 District Councils during the period from July to September 2011. We have received views from various parties on the requirements of the proposed new franchises, including requests for provision of more fare concessions, enhancement of the design and facilities in the bus compartments, and enhancement of the environmental performance of buses. Furthermore, representatives of relevant organizations will be invited to attend and express their views at the meeting to be held on 7 November by the Legislative Council Panel on Transport.

In drawing up the requirements of the proposed new franchises, we shall consider all the views received. In the course of negotiating the new franchises, the Government will request the bus companies to enhance the level of services and provide further fare concessions, including section fares, to help reduce the travelling expenses of the public.

MS STARRY LEE (in Cantonese): *President, I am very disappointed with the Secretary's reply. Why are travelling expenses in Hong Kong so expensive? Why is such a small and humble request of the public, including implementing monthly passes for all MTR lines and section fares for all bus routes, not affirmed in the Secretary's reply? In the first paragraph of her reply, the Secretary has precisely revealed the Government's way of thinking. According to the Secretary, the Government's role is merely "encouraging public transport operators, including the MTRCL and franchised bus companies", and where*

practicable, "to provide various fare concession schemes as far as possible The details of such schemes are, however, commercial decisions of individual operators."

President, the Secretary might probably have forgotten the fact that, being the major shareholder of the MTRCL, the Government absolutely has influence on the MTRCL's policy, and it has the power to award franchises. When awarding franchises, the Government is actually in a position to impose some reasonable conditions of operation on bus companies which have been awarded franchises. However, the Government has not given any consideration to our proposal of funding measures to stabilize fares with the dividends received from the MTRCL.

The Government often maintains that its intervention is warranted when the market fails. However, there are currently no monthly passes for all MTR lines. Neither are there section fares for all bus routes nor a mechanism for stabilization of fares. May I ask the Secretary if she agrees that all these are the signs of a market failure? Will the Government adopt a new mindset and effect intervention?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese):

President, I think we can consider this at several levels. First, although we encourage the implementation of fare concessions as far as possible, it does not mean that we do not regulate fares. Members should understand that our emphasis is on the regulation of basic fares. Hence, when bus companies apply for fare increases, we keep a check on their basic fares. If we think that a fare increase application is unreasonable, we will definitely consider, depending on the costs of the bus company, whether or not such a percentage of increase is justified. Members should have seen for a period of time in the past that our gate-keeping efforts have effectively lowered the rate of increase applied by bus companies.

The determination of fares by the MTRCL is also governed by a highly transparent mechanism. We see that, in 2010 and 2011, the MTRCL's rates of fare increase were lower than the cumulative inflation rates recorded during the period when the applications for fare increases were submitted. Fare adjustment has to depend on the Composite Consumer Price Index and the wage index in the

transport sector. This mechanism must be activated before the rate of adjustment can be determined. Of course, we have to regulate basic fares in this manner. Under this general framework, we will encourage transport operators to offer different concessions as far as possible.

As regards the Member's question just now as to whether more efforts can be made in section fares, I have already explained in the main reply that, section fares are already applicable to about 400 bus routes (accounting for about 70% of all bus routes), and the number of passengers involved is not small. I hope Members can understand that, should section fares be implemented for all long-haul journeys, not only will the fares of long-haul buses be affected, because of the need for some of them to stop at every bus-stop or make frequent stops for boarding or alighting passengers, bus journeys as a whole will actually be affected as well. For instance, insofar as long-haul bus journeys are concerned, the large number of boarding or alighting passengers at certain sections will prolong the bus journeys, thus affecting the bus routes' competitiveness. In the long run, the deployment of buses might be affected, too. Hence, despite our current efforts to actively promote section fares, it does not mean that section fares are completely applicable to all bus routes. Of course, we hope that members of the public can have choices in these different routes. Members should understand that we have actually made a lot of efforts on this front.

As regards the question of whether or not monthly passes can be implemented for all MTR lines, I have already made it clear in the main reply that we will encourage and urge the MTRCL to consider extending the monthly pass schemes to cover other railway lines, apart from the East and West Rail Lines. However, if doing so means that urban areas are to be included, we must be very careful because many people may need to travel to and from the urban areas every day not just for the sake of going to work. Many economic activities necessitate short-distance MTR services, too. Hence, if monthly passes were to be implemented for all MTR lines, as requested, what impact would it have on the large number of single-journey passengers, or would the fare structure as a whole be affected? We must consider this carefully.

Hence, I hope Members can understand that we will definitely do our utmost to perform our gate-keeping role in the regulation of basic fares. We will also strive to encourage the relevant operators to offer different fare concessions.

MR CHEUNG HOK-MING (in Cantonese): *President, the fares of all modes of transport in Hong Kong are currently determined on the basis of similar journey time and trip distance. However, I notice that the MTR is just the opposite — there is a great disparity between two MTR lines. For instance, a trip from Sheung Shui to Hung Hom, which takes 38 minutes, costs \$8.5; however, a trip from Tuen Mun to Hung Hom, which takes 37 minutes or one minute less, costs \$19, or \$10.5 more. In view of such a huge disparity, may I ask the Secretary, despite our mention of synergies during the discussions on the merger of the two railway corporations in the hope that substantial fare concessions can be offered after the merger, whether the Government, as the major share holder of the MTRCL, has considered proposing a review and corresponding measures in the future to address such an unreasonable scheme of charging? Meanwhile, monthly passes have yet to be implemented for the MTR Tung Chung line. Will the Secretary consider implementing monthly passes for this railway line?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I know that this issue has along been a concern to Mr CHEUNG Hok-ming. Actually, a similar question was raised by him in March. Insofar as the overall fares are concerned, as I mentioned just now, we will review the basic fares carefully. Certainly, we will relay Mr CHEUNG's views on individual railway lines to the MTRCL. What is under discussion now is that it takes some time for some fare structures to be integrated before and after the merger of the two railway corporations. I believe we also need some time to deal with issues pertaining to the West Rail and the East Rail Lines. Of course, the duration and distance of trips are also factors for consideration. Other factors, such as the patronage of individual railway lines, should also be taken into consideration. We would like to thank the Member for his views.

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

MR CHEUNG HOK-MING (in Cantonese): *President, my question is: Will monthly passes be implemented for the Tung Chung Line, as with the West Rail and the East Rail Lines?*

PRESIDENT (in Cantonese): Excuse me. I cannot hear you. Please make yourself clearer. Which part of your supplementary question has not been answered?

MR CHEUNG HOK-MING (in Cantonese): *In making a point in passing when I raised my question just now, I said that now that monthly passes have been implemented for both the East Rail Line and the West Rail Line, whereas this concession is not extended to Tung Chung residents, will the Secretary*

PRESIDENT (in Cantonese): You said that you made a point in passing when raising your question just now, so it means that you had actually raised another question. Let me see if the Secretary would like to answer your question.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, as I mentioned in the main reply earlier, we will try our best to urge the MTRCL to consider implementing this type of monthly pass schemes for other railway lines, except in urban areas.

MR LEUNG YIU-CHUNG (in Cantonese): *President, in addition to the positive attitude demonstrated by the Secretary in the first paragraph of the main reply that "various fare concession schemes be provided as far as possible", as quoted by Ms Starry LEE just now, the Secretary has actually said this in the last paragraph, that the Government will "request the bus companies to enhance the level of services". The Government will make the request, but it is unknown if the other party will accede to it. Such being the case, may I ask the Secretary, given her indication in the last paragraph that the Government will request the bus companies to "provide further fare concessions, including section fares, to help reduce the travelling expenses of the public", she definitely has an idea about how the travelling expenses of the public can be reduced, right? In that case, can she clearly and explicitly put it down in writing in the franchise agreement rather than merely making a request? This is because franchised bus companies should have a social responsibility, and all this is about the details of the social responsibility they should fulfil. Therefore, when formulating the conditions for bus franchises to be awarded in 2013, can the Secretary put down*

the relevant details clearly in the provisions rather than making a verbal request or urging the operators to try as far as possible to do so?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, our work on these several fronts will be very specific. I believe Members will also be concerned and listen to the views expressed by deputations at the meetings to be held by the Panel on Transport in the future. In fact, members of the public have already put forward concrete views on the level of services in various areas including frequency, design of compartments, services, fare concessions, and so on. Of course, we will by all means relay their views as far as possible.

Just now, I have also taken a very cautious approach in answering the question raised by Ms Starry LEE by explaining that insofar as section fares are concerned, it might not be appropriate to adopt a rigid "across-the-board" approach because we also need to balance the different needs of long- and short-haul passengers. We also hope bus routes can maintain a certain degree of competitiveness and attractiveness. Regarding the Member's hope that we can adopt a clear and specific approach in dealing with section fares, we certainly will encourage bus companies to do so, but in a balanced manner. Let me quote a simple and readily comprehensible example. A long-haul cross-harbour bus may be running very smoothly, but once it comes out of the tunnel, it has to stop at every bus-stop, with many passengers boarding or alighting it, then will this bus route still be attractive to me? Will the bus journey be prolonged as a result? If a certain long-haul bus route is already served by other short-haul buses so that short-haul passengers can have a choice, is there a need to implement section fares for that long-haul bus route in a rigid manner? This might not do long-haul passengers any good.

We will definitely deal with these issues specifically during the franchise discussions. Broadly speaking, we will strive to ensure that franchised operators can have a reasonable business environment while enabling members of the public to enjoy high-level services and competitive options.

PRESIDENT (in Cantonese): Has your supplementary question not been answered?

MR LEUNG YIU-CHUNG (in Cantonese): *No, President, because the Secretary did not catch my question clearly. She only knows how to repeat her answer. As she has made it clear that she will request the operators to provide further concessions, including section fares, the Government itself should already have such an idea before it could bring it up. May I ask if the Secretary will put her idea down clearly in the provisions rather than simply making a request?*

PRESIDENT (in Cantonese): *Do you mean specifying which bus routes should offer section fares rather than specifying that all bus routes should have section fares?*

MR LEUNG YIU-CHUNG (in Cantonese): *I request that the specific details be stated clearly. The Government must already have such an idea.*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): *President, I have actually heard the Member's question clearly. Moreover, I think that I have already answered it. Regarding some matters of principle, such as the level of services and the overall regulatory framework mentioned by me just now, we will definitely put them down in black and white clearly. However, as regards such questions as to how each bus route should be handled, whether or not section fares must be introduced or other concessions should be offered, and so on, we think that only basic fares should be regulated under the major framework and it is not absolutely necessary to state clearly whether section fares or other concessions should be offered with respect to each bus route. In our opinion, the existing regulatory framework as a whole is working smoothly. But, of course, we will exploit the opportunity of franchise discussions to pursue, as far as possible, more room for improvement.*

PRESIDENT (in Cantonese): *We have spent more than 21 minutes on this question. However, I will allow one more Member to raise a question as the time spent by the Secretary on the main reply just now was relatively long.*

MR RONNY TONG (in Cantonese): *President, it is mentioned in part (a) of the main reply that half-fare concessions are offered to people with disabilities aged between 12 and 64. Has the Secretary considered that such concessions are not entirely helpful to people with disabilities? May I ask the Secretary whether she will, in discussing the renewal of franchises in 2013, require the several bus companies to install in phases additional facilities conducive to boarding and alighting by people with disabilities, such as ramps, in Hong Kong in a comprehensive manner?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): A bus replacement scheme is now underway. As regards low floors and the design that facilitates boarding and alighting by people with disabilities, I hope the scheme can cater to these aspects. However, I hope Members can understand that buses have a service life. Their replacement, if any, will not take place simultaneously. Instead, an overall replacement timetable is in place. In the event of bus replacement, the most environmentally-friendly model and the low-floor design that will facilitate people with disabilities, as I mentioned just now, will definitely be adopted.

PRESIDENT (in Cantonese): Has your supplementary question not been answered?

MR RONNY TONG (in Cantonese): *President, I already mentioned in my question just now that the work could be carried out in phases. However, the thrust of the question lies in requiring bus companies to make appropriate undertakings before their franchises can be renewed. Therefore, the question is about how a requirement be made at franchise renewal.*

PRESIDENT (in Cantonese): Secretary, the Member's question is about the requirements made at franchise renewal.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, we have such an undertaking already. Even if bus replacement is carried out today, the most environmentally-friendly and low-floor design must

be adopted. Of course, we will continue to make such requirements in renewing franchises for bus operators.

PRESIDENT (in Cantonese): Third question.

Public Consultation on Hong Kong's Climate Change Strategy and Action Agenda

3. **MR FREDERICK FUNG** (in Cantonese): *President, the authorities launched a public consultation on Hong Kong's climate change strategy and action agenda on 10 September 2010, putting forth a series of proposals including maximizing energy efficiency, greening road transport, promoting the use of clean fuels for motor vehicles, turning waste to energy and revamping the fuel mix for electricity generation, and so on, and the consultation period ended on 31 December of the same year. Since the incident of radiation leak at the Fukushima nuclear plant in Japan in March this year, there have been concerns in the community about the authorities' proposal of increasing the share of nuclear power in the fuel mix for electricity generation. An environmental protection organization earlier commissioned the Public Opinion Programme of the University of Hong Kong to conduct an opinion survey, and the outcome revealed that only 15% of the respondents considered that imported nuclear power should be increased by 2020, while over half of the respondents considered that reduction of carbon emissions should be achieved by means of energy conservation and development of renewable energy. In this connection, will the Government inform this Council:*

- (a) *given that the public consultation exercise on Hong Kong's climate change strategy and action agenda had already ended for 10 months, why the authorities have not yet formally announced the outcome of the consultation; of the current progress of work such as consolidating and summarizing the views received, and so on, which is related to the consultation; of the preliminary outcome of the consultation exercise; in accordance with the latest timetable, when the authorities will make a decision on the ultimate climate change strategy and action agenda to be adopted; and*

- (b) *given the concerns arising from the nuclear incident in Japan and the outcome of the aforesaid opinion survey, whether the authorities have re-examined the proposal of increasing the share of nuclear power in the fuel mix for electricity generation; if they have, of the contents and whether they will adjust or even shelve the proposal; if they have not re-examined the proposal, the reasons for that; whether the authorities will vigorously promote energy conservation and develop renewable energy as the backbone of their strategy for reducing carbon emissions (including drastically increasing the share of renewable energy in the fuel mix for electricity generation and changing the tariff structure, and so on), as well as cap the total amount of greenhouse gas (GHG) emissions so as to replace the proposal of using carbon intensity as an emission reduction indicator?*

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, I wish to thank Mr Frederick FUNG for his question.

Climate change brings about extreme weather conditions and other related phenomena in the climate system, which have substantial implications on our living environment. The Government attaches much importance to climate change. We have been working on measures to mitigate and adapt to the challenge, and participated in international efforts in this cause. In September 2010, the Government consulted the public on Hong Kong's climate change strategy and action agenda for the next decade. The consultation document proposes that Hong Kong should adopt a voluntary carbon intensity reduction target of 50% to 60% by 2020 as compared with the 2005 level, representing a 19% to 33% absolute reduction in the total GHG emissions in Hong Kong. Per capita emission is also expected to reduce from around 6 tonnes to 3.6 tonnes to 4.5 tonnes. These are commitments that the Government has proposed for Hong Kong.

A comprehensive package of emission reduction measures has to be adopted and actions have to be taken to achieve the proposed target in Hong Kong. The consultation document puts forward a number of specific proposals with regard to the major local GHG emission sources; namely electricity generation (about 67%), transport sector (about 18%), and waste treatment (about 5%). In respect of electricity generation, there is a need to revamp the present

coal-dependent fuel mix, and at the same time, focus on demand side management to promote energy efficiency and reduce emission. The consultation document further proposes measures on greening road transport; promoting the use of clean fuels for motor vehicles; and turning waste into energy. Our replies to the specific questions raised by Mr Frederick FUNG are as follows:

- (a) The public consultation on Hong Kong's climate change strategy and action agenda was completed in December 2010. During the consultation period, which lasted more than three months, we received over 1 200 responses. In general, respondents are in support of implementing measures to combat climate change, and grasping the opportunity to develop a low carbon economy. While we were consolidating the feedback and suggestions received, the earthquake and tsunami in northeastern Japan caused the nuclear accident in Fukushima. The proposal to revamp the fuel mix forms an important part of our climate change strategy. The Government is aware that in the wake of the incident, there have been divergent views in the community on the use of nuclear power. On the one hand, there have been suggestions that we should ban the use of nuclear power in Hong Kong; some even suggested relinquishing the some 20% nuclear power currently in use. On the other hand, there have also been views that the issue should be approached in a pragmatic manner. The safety aspect of nuclear power generation should first be ascertained, before further consideration is given to the future fuel mix for Hong Kong. The use of nuclear power has a bearing on the reliability of electricity supply in Hong Kong, and the future fuel mix is important to achieving the proposed carbon reduction target. As I have reiterated several times in this Council, we have to take into account reviews being conducted by the international community, including important international nuclear safety agencies, on the Fukushima incident and safety of nuclear energy, as well as their analyses, evaluations and conclusions, before coming to a view. This is a highly important process, and has inevitably affected our time frame for early formulation of a carbon reduction strategy and target. Nonetheless, the Government has already embarked upon emission mitigation measures on other fronts.

- (b) Before discussing the use of nuclear power, on part (b) of Mr Frederick FUNG's main question, it is important to first understand the relationship between fuel mix for power generation and our GHG emissions. Electricity generation accounts for as high as 67% of local GHG emissions. Reducing carbon emissions of this sector is an essential element of our action agenda. The proportion of coal in electricity generation in Hong Kong is now more than half (about 54%); and as compared to other fuel components, it is public knowledge that coal assumes a higher carbon emission factor. For instance, its GHG emission level is twice as much of that of natural gas and tens of times more than that of nuclear power and wind power⁽¹⁾. In considering our future fuel mix, it is necessary to substantially reduce the proportion of coal. At the same time, we must not overlook the fact that coal-fired power has been a reliable and relatively economical source of electricity supply in Hong Kong for the past few decades. In identifying its replacement, we have to first find suitable alternative fuels. It is proposed in the consultation document that the share of natural gas in the future fuel mix for electricity generation should be raised from 23% at present to around 40%. This proposal has taken into account the supply of natural gas to Hong Kong, as well as the tariff implications of investment in local power generation units. As regards the proposal to increase the share of imported nuclear power from 23% to about 50%, we have taken into account its relatively low carbon footprint as compared to most other types of fuel, and more stable supply as compared to renewable energy.

In respect of renewable energy, with regard to current level of technology, local geographical and natural constraints, there is still a very long way before renewable energy can become Hong Kong's mainstream source of energy supply. That said, both power companies in Hong Kong have been actively exploring the feasibility of solar energy and wind energy generation. They are actively pursuing the development of commercial scale offshore wind farms in Hong Kong waters. If these projects are put to operation as planned, the wind farms are expected to produce electricity of up to 560 million kWh per year, and meet 1% to 2% of total electricity

(1) Source: World Energy Council 2004: Comparison of energy systems using life cycle assessment — special report

demand in Hong Kong by 2020. The Government will also further promote turning waste into energy. For instance, the integrated waste management facility under planning is expected to supply electricity for use by over 100 000 households every year in its full operation.

As we have been emphasizing, the future fuel mix for Hong Kong has to be in keeping with the four guiding principles underlying our energy policy; namely safety, reliability, environmental protection and affordability. Energy supply has profound implications for different aspects of development in Hong Kong, and affects the daily lives of the public. Therefore, we have to exercise care in making the decision.

We are in agreement with Mr FUNG's suggestion to strengthen our work in enhancing energy efficiency and conservation, and have embarked upon various initiatives. In our proposed action agenda, energy demand side management is a key component in reducing GHG emissions. To promote buildings energy efficiency, we will fully implement the Buildings Energy Efficiency Ordinance in September 2012. The "Buildings Energy Efficiency Funding Scheme" has been well-received. So far, we have dished out more than \$300 million, benefiting close to 6 000 buildings. We have also started the construction of the first and second phases of the District Cooling System at the Kai Tak Development area, and implemented the first and second phases of the mandatory Energy Efficiency Labelling Scheme in November 2009 and September 2011 respectively to encourage consumers to choose electrical appliances that are more energy efficient. Furthermore, we have started a public consultation on restricting the sale of energy-inefficient incandescent light bulbs.

The Council for Sustainable Development is now inviting responses from members of the public, through a public engagement process, on promoting energy efficiency and conservation in buildings (through such means as behavioural changes and financial incentives). The Council will later submit its recommendations to the Government.

MR FREDERICK FUNG (in Cantonese): *President, three green groups have commissioned the University of Hong Kong to conduct an opinion survey and the findings of that survey are indicative of public opinion on the issue. The findings show that of the 1 025 respondents aged above 18, 50% thought that the current nuclear power generation should not be increased in 2020; 26% thought that nuclear power should be reduced while 15% wanted to increase nuclear power. In other words, only 15% agreed with the suggestion made by the Government to increase nuclear power from 23% to 50%. This is a survey indicating public opinion. But I can see that what the Secretary has said in the last two lines of part (a) of the main reply given by the Secretary is in contradiction with what he has said in the last two lines of the first paragraph of par (b) of the main reply.*

He has said in part (a) that owing to the impact of the Fukushima nuclear incident, the authorities have to re-examine the carbon reduction strategy and target. But in the first paragraph of part (b), the Secretary has pointed out that nuclear power has a relatively low carbon footprint compared to most other types of fuel, and the supply is more stable. That is to say, he will not change the proposal of increasing the share of imported nuclear to 50% by 2020. On the one hand, the Secretary has said that due to the serious consequences of the Fukushima nuclear incident, the time frame should be reconsidered. But on the other hand, he insists that the share should be kept at 50%. How can the Secretary explain to the public this contradiction in the main reply? There are more than 70% of the public who wish at least that the share presently taken up by nuclear power, that is, 23%, will not be increased. But the Secretary insists that this share should be increased to 50%. President, can the Secretary make an explanation regarding the contradiction found in his main reply?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): *President, thanks to Mr Frederick FUNG for the question. As mentioned by Mr FUNG, there is indeed a contradiction. This is because, if we want to achieve the proposed low carbon target, the present fuel mix must be changed. And to make such change, we must reduce the share of high carbon components such as coal and replace them with options with a relatively low carbon footprint such as renewable energy and nuclear power. The question raised by Mr FUNG has rightly highlighted the crux of the problem. It was when our consultation exercise was*

already completed that the Fukushima incident happened and this accounts for the existence of two divergent views.

Mr FUNG has mentioned people's worries and that is, although nuclear power may be an energy option with a lower carbon footprint, if there is no full guarantee for nuclear safety, the people would be worried. This explains why we cannot formulate a carbon reduction strategy early. In this connection, as I have said in the main reply, we have to examine the developments made in nuclear safety in the international community before coming to a view. Only when the safety issue is clear that will we consider nuclear power as an option.

Also, Mr FUNG talked about the discrepancy between parts (a) and (b) in the main reply. As a matter of fact, part (b) is an attempt to offer an explanation. That is to say, in the present fuel mix, such differences do actually exist among different fuel components. With respect to the Government's view in the future, we will first look at the experience gained by the International Energy Agency and especially those organizations related to nuclear safety, from the Fukushima nuclear incident, and then we will examine the use of nuclear energy worldwide or in China, before making a decision. So with respect to this part, we must keep a close watch on the developments before deciding on the future fuel mix. We also believe that the citizens will want us to look at this clearly.

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

MR FREDERICK FUNG (in Cantonese): *The Secretary has not answered my supplementary question. The first thing the citizens want is a fresh review, but the Government insists that the present share should be increased to 50% by 2020. With respect to this, can the Government undertake a review and not to increase the share to such a high percentage?*

PRESIDENT (in Cantonese): The Secretary has given his reply.

MR CHAN HAK-KAN (in Cantonese): *President, I would like to follow up the part on renewable energy. The Secretary has just said that we will build wind farms in Hong Kong and it is expected that the power thus generated will meet 1% to 2% of the total electricity demand in Hong Kong. But I have heard green groups make the criticism that it is not cost-effective to build wind farms in Hong Kong. It is because we have to spend \$6 billion to \$7 billion before we can generate electricity equal to 1% or 2% of the total electricity demand here. May I ask the Secretary whether consideration will be given to developing renewable energy or co-operating with Guangdong Province or the Mainland to build a wind farm, which is a more cost-effective option, or will consideration be given to some other kinds of renewable energy or methods of generating electricity?*

SECRETARY FOR THE ENVIRONMENT (in Cantonese): *President, as we have pointed out in the consultation document on climate change strategy, we will have to change over to a low-carbon fuel mix and so renewable energy is definitely one of our target options. Having said that, it is true that the capital input or the operation costs in future for renewable energy are higher in present-day terms, but we should not be put off by that. If we cannot change gradually over to developing low-carbon energy options, we have to face the consequences of a higher carbon footprint later on and this will affect the environment.*

Mr CHAN asked whether efforts could be made to explore possibilities of co-operation with the Mainland in this regard. The answer is "yes". Recently, we have included parts on climate change and low-carbon development in the consultation paper on the Regional Co-operation Plan on Building a Quality Living Area in which we will co-operate with Guangdong Province in these aspects. If there are possibilities in the region, we will try to find out more about them. But I hope Members can understand that if wind power or solar power and such like renewable energy options are widely used in the region, the potentials of development may not be as great as we would have imagined. Nonetheless, we will certainly explore such possibilities.

MR KAM NAI-WAI (in Cantonese): *President, the Secretary said in the main reply that the Buildings Energy Efficiency Funding Scheme has been well-received, and so far more than \$300 million has been dished out and*

benefiting close to 6 000 buildings. This Scheme is certainly well-received at the community level, but many residents have said that if the Government can take the initiative to help them conduct carbon audits — which is on saving electricity — instead of the case now in which they have to go through all the cumbersome procedures May I ask the Secretary whether some changes can be made to the Scheme, such as the Government taking the initiative to conduct carbon audits for private residential buildings, so that the residents can know about methods of saving electricity? Also, has the Government taken the initiative to implement such measures in government buildings?

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, thanks to Mr KAM Nai-wai for this supplementary question. Now the Buildings Energy Efficiency Funding Scheme does not only provide assistance to residents in replacing the related public facilities, but also in the carbon audits mentioned by Mr KAM. And of the \$300 million funding dished out, some of it has been used on conducting carbon audits. I agree that in the long run, this may make the enterprises or the managers of buildings better aware of where electricity is used in their buildings. We will take forward this assistance scheme and also select appropriate targets in various government buildings to conduct carbon audits. As the next step, we will promote carbon audits to enterprises. There are 300 000 enterprises of different sizes in Hong Kong and if these enterprises can know where energy is used in their offices, then it will make them know better in which aspects energy conservation can be effected.

MR LEUNG KWOK-HUNG (in Cantonese): *I heard Mr CHAN Hak-kan ask the Secretary whether there is any co-operation with Guangdong Province in developing low-carbon or green energy. I think that is ridiculous. This is because under the 12th Five-Year Plan, Guangdong Province is precisely set to build a large number of nuclear power plants. Secretary, why do you not tell Members honestly that Guangdong Province is building a large number of nuclear power plants and the CLP is buying their electricity? Does this fall in line with your policy? This is the simplest question that should be asked. What Mr CHAN Hak-kan has said is nonsense. They are building nuclear power plants everywhere and prices will be cheaper when more electricity is used. This is like passing off hydrogen as helium. What would you say about this view? Just are more nuclear power plants being built in Guangdong Province*

or the nuclear power bought by the CLP more, or is the Government saying more that we might as well develop low-carbon and environmentally-friendly industries? I am now asking you to be accountable. Can you give us some information on all these?

(Mr LEUNG Kwok-hung remained standing)

PRESIDENT (in Cantonese): Mr LEUNG, please sit down after you have asked your question.

MR LEUNG KWOK-HUNG (in Cantonese): *What is the actual situation?*

PRESIDENT (in Cantonese): Mr LEUNG, your supplementary question is clear enough. Please let the Secretary give a reply.

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, thanks to Mr LEUNG for the supplementary question. Of the energy mix we have got now, one of the two power companies in Hong Kong has gone beyond the borders and brought in nuclear energy produced by the Daya Bay Nuclear Power Plant on the Mainland. In terms of the overall strategy, if it is possible, we will encourage co-operation between the two places in energy matters and we have done that in recent years. But that is not confined to a particular kind of energy. For example, in 2008, we had plans for the construction of new pipelines to facilitate the transfer of natural gas from the western parts of China to the eastern parts. This is also a kind of cross-boundary co-operation.

I wish to respond to the questions raised by the two Members. In the case of renewable energy, for example, if the conditions for regional co-operation are suitable, and under the existing policies concerned or methods in place, certainly, we can make use of this form of cross-boundary co-operation.

MR LEUNG KWOK-HUNG (in Cantonese): *He has not answered my question.*

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

MR LEUNG KWOK-HUNG (in Cantonese): *The Secretary has done a marvellous job in covering things up. Just did the CLP buy more electricity or as he has said, we talked more with the Mainland on emission reduction or renewable energy? This is clear enough*

PRESIDENT (in Cantonese): Are you asking the Secretary about the situation now?

MR LEUNG KWOK-HUNG (in Cantonese): *Yes. Just that simple.*

PRESIDENT (in Cantonese): Secretary, please make a comparison of that.

SECRETARY FOR THE ENVIRONMENT (in Cantonese): President, in terms of territory-wide demand, now the power generated locally takes up some 70% of the electricity demand. That includes power generated by the two power companies from coal and natural gas, and also from other sources such as solar power and wind which are of a smaller scale but nevertheless are beginning to develop. These two take up a smaller percentage. As for the remaining 23%, the electricity is purchased by one power company through its investment across the border from the Daya Bay nuclear plant. This is the current mix.

Answering Mr LEUNG's question, if there are developments in that aspect and regardless of the type of energy, be it renewable energy or others, a cross-boundary approach can be adopted.

PRESIDENT (in Cantonese): We have spent more than 22 minutes on this question.

(Mr LEUNG Kwok-hung stood up)

PRESIDENT (in Cantonese): Mr LEUNG, what is your question?

MR LEUNG KWOK-HUNG (in Cantonese): *He said that was actually a comparison. It is simple*

PRESIDENT (in Cantonese): Mr LEUNG, we cannot have a debate now.

MR LEUNG KWOK-HUNG (in Cantonese): *I am not trying to start a debate. I am just explaining to you why he has not answered my question. He said it was a comparison and no matter what was said about the two things, they would be the same as before*

PRESIDENT (in Cantonese): Mr LEUNG, please sit down.

MR LEUNG KWOK-HUNG (in Cantonese): *Then nothing can be done about it.*

PRESIDENT (in Cantonese): The Secretary has given his reply.

MR LEUNG KWOK-HUNG (in Cantonese): *He has given a reply like that, and you let him*

PRESIDENT (in Cantonese): If you are not satisfied with the Secretary's reply, please follow up by through other channels.

MR LEUNG KWOK-HUNG (in Cantonese): *I do not mean to start a quarrel with him. Buddy, he was decorated with a medal, but just look at the kind of reply given by him.*

PRESIDENT (in Cantonese): Mr LEUNG, please sit down.

MR LEUNG KWOK-HUNG (in Cantonese): *He insulted the medal.*

PRESIDENT (in Cantonese): We have spent more than 22 minutes on this question. Fourth Question.

Assistance for Low-income Private Housing Tenants

4. **MR KAM NAI-WAI** (in Cantonese): *President, according to the information released by the Rating and Valuation Department in October this year, the rents of private domestic units with usable flat size below 40 sq m had continued to rise: the rents in August this year had increased by 15% over the same period last year, and by nearly 40% compared to two years ago; on Hong Kong Island, the average rent for this type of units was around \$33 per sq ft in August this year, and the monthly rent of a flat of a size of 170 sq ft in Tin Hau reached \$6,200. Furthermore, a survey conducted by a community group reveals that the highest rent among separate units of sub-division of flat units (commonly known as "sub-divided units") exceeds \$50 per sq ft. In this connection, will the Government inform this Council:*

- (a) *how the authorities will assist households currently renting private domestic units in alleviating their financial pressure; whether they will consider providing "tax deduction for rents of residence" in respect of the rental expenses for private domestic units, and setting the annual deduction ceiling at \$100,000;*
- (b) *whether it will consider providing rent assistance to eligible applicants who are on the Waiting List for public rental housing (PRH) for a period of time and do not receive Comprehensive Social Security Assistance (CSSA), until they are allocated PRH flats; and*
- (c) *of the estimated numbers of tenants of caged homes, sub-divided units and cubicle apartments at present; whether it has assessed if*

the enforcement actions taken by the Buildings Department against sub-divided units will result in an increased demand for private domestic units for lease and further push up the rents in the market for private domestic units; what measures the authorities have in place to alleviate the rent burden on such people (including expediting the arrangement for them to move into PRH flats)?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, there are currently 2.35 million households in Hong Kong. Of those, 730 000 households live in PRH and 380 000 in self-owned units acquired with government subsidies. In other words, almost half of the households in Hong Kong are benefiting from some form of housing subsidy by the Government. Of the 1.24 million households living in private properties, 870 000 are owner-occupants. Taken together, nearly 85% of households live in PRH units, subsidized home ownership scheme flats or their own private properties.

As for the tenants living in private accommodation, the level of rent of private accommodation is subject to a host of factors, including the macro-economic environment, market sentiment, district development, market demand, age and quality of the building, and so on. As the current property market situation is unusual, the Government has been responding to the situation through the introduction of long-, medium- and short-term measures to ensure the healthy and stable development of the property market, including increasing land supply to tackle the problem at source, combating speculative activities, enhancing the transparency of property transactions, and preventing excessive expansion in mortgage lending. The Government has set the target of making land available for an average of some 20 000 private residential flats per annum in the next 10 years. We believe that this basket of measures will help stabilize the property market.

After consolidating information provided by the Labour and Welfare Bureau, Financial Services and the Treasury Bureau and the Development Bureau, my reply to the three parts of the main question is as follow:

(a) and (b)

Rent allowance is payable to Comprehensive Social Security Assistance (CSSA) households for meeting their accommodation

expenses. The maximum rates of the rent allowance (MRA) for particular CSSA households is determined with reference to the number of members in the household who are eligible for CSSA. The MRA are adjusted annually in accordance with the movement of the Consumer Price Index (A) rent index for private housing.

The existing mechanism is to provide a safety net for those who cannot support themselves financially through CSSA, such that their income will be brought up to a prescribed level to meet their basic needs.

As for other households who have a pressing need for housing but not taking the CSSA, they can consider applying for Compassionate Rehousing through the Social Welfare Department (SWD), or Express Flat Allocation Scheme for earlier allocation of PRH flats if they are eligible for applying for PRH.

On the suggestion of providing "tax deduction for rents of residence", the Financial Services and the Treasury Bureau has indicated that the Government has taken note of the fact that the community has different views on this suggestion. In formulating the 2012-2013 Budget, the Financial Secretary will, having regard to the Government's fiscal position, the economic situation and needs of various sectors of the community, comprehensively and carefully consider the views and recommendations collected from different channels in relation to the burden arising from different taxes. The utmost effort will be made to strike a balance between relieving the tax burden of taxpayers and maintaining healthy public finances.

The Government has all along been providing PRH to low-income families who cannot afford private rental accommodation through the Housing Authority (HA). People with housing needs can apply for PRH through the Waiting List.

The HA's target is to maintain the Average Waiting Time (AWT) at around three years for general applicants (excluding non-elderly one-person applicants under the Quota and Points System).

According to the latest Public Housing Construction Programme, in the coming five-year period from 2011-2012 to 2015-2016, the HA will build about 75 000 flats in total, that is, an average of about 15 000 PRH flats per year. It is estimated that this level of new production, together with the recovered flats from existing stock, would continue to meet the policy objective of maintaining the AWT for general applicants at around three years.

However, the production of 15 000 new PRH units per year is not a fixed target. Our objective is to maintain the AWT for general applicants at around three years. To this end, the HA will roll forward and review the five-year Public Housing Construction Programme every year. When necessary, the HA will endeavour to adjust and increase the production volume in order to keep the AWT for general applicants at around three years.

- (c) According to the information provided by the Home Affairs Department, there are 360 bedspaces in 13 private licensed bedspace apartments as at 30 September 2011. The Government does not have detailed figures on the number of occupants living in bedspace apartment, cubicles or sub-divided units. As for the enforcement action against sub-divided units by the Buildings Department, the objective of such action is to ensure that these sub-divided units will not pose building safety problems. The Government understands that these sub-divided units provide accommodation for some low-income people and therefore would not ban the sub-divided units across the board. The relevant government departments will ensure that no households are rendered homeless as a result of government action through the provision of appropriate assistance to those in need, which includes the SWD to consider referring such cases to the Housing Department for Compassionate Rehousing according to the individual merits of each case.

MR KAM NAI-WAI (in Cantonese): *President, the Government has always attached great importance to assisting property owners and as we all know, property owners can enjoy tax deduction for the home loan interest. However, the Government has often neglected tenants living in private accommodation. In*

fact, the number of these tenants is not small and according to government statistics, there are more than 300 000 of them in total. In its main reply the Government said that "the current property market situation is unusual". It is obviously unusual because as I mentioned in my main question, the monthly rent of a suite of 170 sq ft costs as much as some \$6,200 now.

I would like to ask the Government this: In respect of the "tax deduction for rents of residence" proposed by us, what exactly are the considerations of the Government? Since the situation is unusual now, can the Government give special consideration to this proposal? What I particularly wish to know is: Concerning the ceiling of \$100,000 proposed by us, has the Government ever calculated how much tax revenue the Government will have to forego as a result of this tax deduction? Will this proposal constitute a heavy financial burden to the Government?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese):
President, as I have just mentioned, we have introduced short-, medium- and long-term measures in the light of the situation of the rental market and the overall residential market to ensure healthy and stable development of the property market as a whole.

Certainly, we will particularly increase the provision of small- and medium-sized units, and some 60 000 new units will be supplied in the next few years, of which over 60% will be units of 70 sq m or below in area. In general, we hope that the property market can develop in a steady manner.

As regards the proposal mentioned by the Member, I have actually made it clear in the main reply that the Financial Services and the Treasury Bureau has taken note of this proposal and in formulating the 2012-2013 Budget, consideration will be given to various factors, including the Government's fiscal position, the general economic situation, whether the proposal can meet the needs of members of various sectors of the community, and so on. Efforts will also be made to strike a balance carefully.

It is certainly our wish to relieve the tax burden of taxpayers. But on the other hand, we need to strike a balance between this wish and maintaining healthy public finances. The relevant Policy Bureau will take into account these views

in the formulation of the Budget, and I believe Members will put forward this proposal when their views are sought during consultation.

PRESIDENT (in Cantonese): Has your supplementary question not been answered?

MR KAM NAI-WAI (in Cantonese): *President, in the last part of my supplementary question I asked the Secretary about the new \$100,000 tax deduction for rents proposed by us, has the Government*

PRESIDENT (in Cantonese): Are you asking the Secretary whether any calculation has been made?

MR KAM NAI-WAI (in Cantonese): *How much tax revenue will the Government forego? Would that be unaffordable to the Government? The Government has not answered this part of the question at all.*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I will refer this question to the Financial Services and the Treasury Bureau, because I do not have information in this respect. But what I have just said is that in principle, they will give consideration to different opinions in formulating the 2012-2013 Budget, including this proposal made by the Member.

MRS SOPHIE LEUNG (in Cantonese): *In part (b) of the main reply, the Secretary said that in the coming five-year period from 2011 to 2015, the HA will build about 75 000 PRH flats in total. But land supply is currently very tight for housing development. May I ask the Secretary whether, in her view, this production target for the next five years can be achieved? Can we have a rough picture of the distribution of these units by districts? Will the Secretary please give us an answer?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, we have formulated a five-year rolling housing construction programme under the HA. In the next five years, we should be able to provide a total of 75 000 flats, or an average of 15 000 flats per year. About 11 000 to 17 000 flats will be built in each of these years. President, I think Members will understand that the number of units that can be produced on each site may sometimes vary, but anyhow, an average of 15 000 flats can be provided per year.

The Member is concerned about the distribution of these units by districts. Of these 75 000 units, about 60% will be provided in urban areas, as a certain number of PRH flats, or about 44 500 flats, will be developed in urban areas in the future. In extended urban areas, we plan to build 23 100 PRH flats, accounting for about 30% of the total volume of production, whereas in the New Territories, some 8 000 flats will be provided, accounting for about a little more than 10% of the total production. Therefore, over a period of time in the future, the supply of PRH flats should be stable, and many newly-completed flats will also be provided in the more popular urban areas and extended urban areas.

MS STARRY LEE (in Cantonese): *President, as all of us can see and feel, the rent has risen at an astonishing rate in recent years, and we all appreciate the pressure of the rent increase on the grassroots, especially CSSA recipients and people on the Waiting List for PRH. As the President may know, there are particularly more sub-divided units in West Kowloon. We have visited the districts very often these days, and many residents told us agitatedly that they really cannot afford the rent increases. They would certainly be greatly disappointed to hear this cold reply from the Secretary.*

May I ask the Secretary whether consideration would be given to the second proposal made in the main question, namely, providing rent assistance to PRH applicants on the Waiting List and asking the Community Care Fund (CCF) to provide special care to these people during the waiting period? The reason is that these PRH applicants on the Waiting List have to live in sub-divided units but the monthly rent of a sub-divided unit is \$3,000 now, which is indeed beyond their affordability. Can the Secretary consider proposing to the CCF that rent assistance be provided to PRH applicants on the Waiting List as soon as possible?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, Ms Starry LEE mentioned the CCF. As far as I understand it, and I think she understands it too, the CCF is positioned to help people who cannot access assistance under the existing systems by providing them with assistance outside the systems. To my understanding, the Fund is considering the provision of certain types of allowances. But from the angle of PRH development, I think the best way to help these people is to enable them to be allocated PRH units as soon as possible.

As I also mentioned in the main reply earlier on, for PRH applicants on the Waiting List who have a pressing need for housing, we can provide assistance to them through two channels. The first is the Express Flat Allocation Scheme, and the second is Compassionate Rehousing through the SWD. Each year, we process many applications made through these two channels. In the year of 2010-2011, 2 400 applications for Compassionate Rehousing were processed; and 1 800 applications were processed under the Express Flat Allocation Scheme last year. So, there are these two channels — of course, the AWT now is only 2.2 years, which is less than our pledge of around three years — If they do have a pressing need, there are channels to help them.

Certainly, for CSSA recipients, the safety net under CSSA can provide assistance to them. I believe the SWD will consider deploying various resources to provide assistance to households with special needs according to the individual merits of each case, such as providing temporary financial assistance for meeting the rent payment and even the cost of moving, and the SWD will also refer the relevant households to various social welfare units for them to receive assistance.

The Member asked whether it is necessary to do more outside the systems. I believe the CCF will take this into consideration.

PRESIDENT (in Cantonese): Has your supplementary question not been answered?

MS STARRY LEE (in Cantonese): *President, in my supplementary question just now, I would like the Secretary to give us an answer as to whether or not she*

would ask or suggest the CCF to provide rent allowance to PRH applicants on the Waiting List.

PRESIDENT (in Cantonese): Ms LEE, the Secretary has already given a reply. Secretary, do you wish to tell Ms LEE categorically whether or not you will convey her proposal to the CCF?

MS STARRY LEE (in Cantonese): *Because I think twice the results will be achieved with only half the effort if the Secretary can raise this point with them.*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I understand that the CCF has already conducted discussions on this. From our viewpoint, my duty is to provide PRH as soon as possible to enable this group of people to be allocated PRH units.

MR WONG SING-CHI (in Cantonese): *President, in her main reply the Secretary mentioned that they do not plan to relaunch the Tenants Purchase Scheme (TPS). I think the "We" that she said in her reply should refer to the HA. But I wish to point out that I am a member of the HA, and I have already proposed in the HA the relaunch of the TPS. Therefore, I hope that this "We" refers to the Government, not the HA, because I did propose that the TPS be relaunched.*

President, the Secretary said that the relaunch of the TPS would affect the turnover and supply of PRH flats. But in fact, we can see that many PRH households even own several Mercedes Benzes and yet, they can still live in PRH flats. This goes to show that it is basically not the TPS that has led to a reduction in turnover. If the TPS can be relaunched and many PRH flats can be put up for sale, the public would feel more at ease. So, why do we not do it? I would like the Secretary to tell me whether this issue will be included in the agenda of the HA, so that discussion can be conducted on the relaunch of the TPS, hence giving PRH tenants a chance to buy their flats for them to build a home where they can live in peace.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I think Mr WONG Sing-chi was referring to my reply to the sixth question, in which I did mention the TPS. As we are discussing the fourth question, I wonder if I should give a response now or further respond to this point later on. But President, it is fine for me to give a response now.

PRESIDENT (in Cantonese): As this main question is also related to the PRH policy, Secretary, you may now respond to this supplementary question raised by Mr WONG Sing-chi.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, the TPS is important to the overall turnover of PRH flats. On the one hand, we will build an average of 15 000 new PRH flats per year but on the other, we need to recover a certain number of flats from the existing stock for the purpose of annual allocation. At present, about 15 000 flats are recovered each year. In other words, newly-built flats and recovered flats each accounts for about half of the flats available for allocation annually. I think it is easy for Members to understand this logic. If the TPS is launched across the board to allow all PRH tenants to buy their flats, that is, if these PRH flats are sold to them once and for all, we would face difficulties in the allocation of PRH flats, and it would also directly affect the pledge of allocating units to applicants in three years on average.

After weighing the priorities of the TPS and the pledge of allocating units to PRH applicants in three years on average, we consider the latter more important. I think members of the public, especially applicants on the Waiting List who very much hope to be allocated PRH units, do not wish that we would in any way fail to fulfil this pledge. If Members insist on holding discussions on the relaunch of the TPS, they are, of course, in a position to do so, and this is all very fine. But we consider that our justifications are very strong.

On the other hand, in the former TPS estates — though no second discount is offered now; as Members who know the TPS so well should understand, a second discount was offered when flats were initially put up for sale — there are still 1 000-odd flats available for sale annually to PRH tenants or green form applicants. Tenants of those estates covered by the former TPS can still buy

their flats. But the relaunch of the TPS to cover all PRH units as proposed by the Member will definitely affect the pledge of allocating PRH units to applicants in three years on average.

MR RONNY TONG (in Cantonese): *President, the Secretary's reply is actually the same as that to be given by her to the sixth question later. It is said that there are 155 600 applicants on the Waiting List but in the next five years, only 75 000 PRH units will be provided.*

President, the Secretary has never clearly explained to us, firstly, how many new applicants will be added to the Waiting List each year, and whether the Waiting List can be shortened with an annual production of only 15 000 PRH units and if so, in how many years it can be shortened. President, the Secretary has kept on saying that units are allocated to applicants in three years, but everyone knows that this is a lie. We hope to have actual figures, based on which we can make calculations. If there will be, say, some 10 000 new applicants added to the Waiting List each year and with an annual supply of 15 000 units only, there would actually be more and more applicants on the Waiting List, not less and less of them. President, may I ask when the Waiting List can be shortened and by how much it can be shortened?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I think I need to explain a bit about the number of applicants. Firstly, the number of 155 000-odd applicants is the overall number, whereas the number of applicants on the General Waiting List is about 89 000. This number refers to household and elderly applicants, who are known as the general applicants. As for other non-elderly one-person applicants, we have in place another system, namely, the Quota and Points System, with which Members are very familiar.

As I said earlier, 15 000 of the flats are new flats, and we have also recovered flats from the existing stock, in the hope that about 30 000 flats can be provided for annual allocation. After discussions, we consider that the household and elderly applicants on the General Waiting List should be given priority in respect of the AWT. From information in the past 12 months, for how long have first-time applicants waited? We have looked up the allocation time and worked out in a most objective and scientific manner that their AWT

was 2.2 years, whereas that of elderly one-person applicants was 1.1 years. However, the Quota and Point System presents another problem which has also been discussed by Members in the HA on many occasions and that is, should priority be also given to non-elderly one-person applicants under the Quota and Point System as well? In this connection, it depends on how the limited resources should be deployed.

So, priority is now given to applicants on the General Waiting List. The pledge of allocation in three years on average under our policy applies to these applicants. As regards when the queues will all be gone, it would depend on the prevailing economic conditions. I think Members will understand that there will be more people on the Waiting List for PRH when the economy is in the doldrums. But we do not have a crystal ball to predict whether there will be more applicants or less applicants for PRH in the future. All in all, for the general applicants on the Waiting List, our policy pledge to them is to maintain the AWT at around three years.

PRESIDENT (in Cantonese): Has your supplementary question not been answered?

MR RONNY TONG (in Cantonese): *President, my supplementary question is very clear, but the Secretary seems to be juggling with the figures in order to confuse us.*

President, my supplementary question is: How many new applicants were added to the Waiting List in each of the past years? We hope that some calculations can be done to find out when the Waiting List can be shortened, so that the target of allocation in three years can be truly attained. I was not asking the Secretary to tell us when there would be nobody left on the Waiting List. President, I think it is impossible to find nobody on the Waiting List. But at least, we hope that the number of applicants can be brought down to an acceptable level.

PRESIDENT (in Cantonese): Are you asking the Secretary how many new applicants will be added to the Waiting List annually?

MR RONNY TONG (in Cantonese): *Yes. By comparing with the new units to be provided each year, we can then work out in how many years the number of applicants on the Waiting List can be reduced accordingly.*

PRESIDENT (in Cantonese): Mr TONG, your supplementary question is very clear already. Please let the Secretary answer it.

MR RONNY TONG (in Cantonese): *President, I already made my question clear just now and yet, the Secretary did not answer it.*

PRESIDENT (in Cantonese): Secretary, can you provide the figures requested by Mr TONG?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I can certainly provide the past figures. But it is indeed very difficult to predict the number of applicants in the future. As I have just said, this is also subject to the economic situation and other factors. As for such past figures as the number of new applicants over the past few years and whether our allocation can meet the target of allocation in three years on average, I can certainly provide them to Members.

However, I wish to tell Members that the applicants' choice of district also has a bearing on these figures. In the allocation exercise, accommodation is offered according to the applicant's desired districts in the three choices he made. Therefore, the waiting time is subject to the adequacy of the units supplied in the district. As I pointed out in response to Mrs Sophie LEUNG's question earlier on, a considerable number of units will be supplied in urban areas in the future and this will slightly reduce the waiting time for units in urban areas. Therefore, this is also subject to the objective circumstances.

PRESIDENT (in Cantonese): Secretary, can you provide the past figures?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Certainly, we can provide the past figures.

MR RONNY TONG (in Cantonese): *President, what we would like to have is the average figures. I do appreciate that it is impossible to predict figures such as how many there will be next year*

PRESIDENT (in Cantonese): Your question is very clear already.

MR RONNY TONG (in Cantonese): *Can the Secretary provide the figures to us in writing?* (Appendix I)

PRESIDENT (in Cantonese): Secretary, please provide the information in writing after this meeting.

We have spent more than 24 minutes on this question. Fifth question.

Work Incentive Transport Subsidy Scheme

5. **MR WONG SING-CHI** (in Cantonese): *President, travelling expenses are an important item of daily expenses borne by the vast number of employees and job seekers in Hong Kong. Although the authorities have recently announced the specific contents and application details for the Work Incentive Transport Subsidy (WITS) Scheme which has been receiving applications since October this year, there are still voices in society calling for further review and improvement of the Scheme, so that more low-income workers and grassroots may benefit from the Scheme. In this connection, will the executive authorities inform this Council:*

- (a) *of the total number of applications received by the authorities since the WITS Scheme started receiving applications in October this year; among such applications, of the number and percentage of those which meet the criteria for receiving the subsidy; the relevant*

figures under the old Transport Support Scheme (TSS) in the past 12 months;

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

- (b) whether they will undertake to consider conducting an immediate review of all the details of the WITS Scheme (including simplifying and improving its application procedure, as well as reassessing and announcing the latest number of people who will benefit from the Scheme), instead of waiting for a year to conduct a mid-term review; if they will, of the details of the specific ideas; if not, the reasons for that; and*
- (c) whether they will undertake to include in the review of the WITS Scheme a study on allowing applicants to choose to be means-tested on an individual or household basis, relaxing the income and asset limits for households, increasing the amount of monthly subsidy for each successful applicant, as well as subsuming the Job Search Allowance (JSA) provided under the old TSS under the WITS Scheme; if they will, of the details; if not, the reasons for that?*

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Deputy President, my reply to Mr WONG Sing-chi's questions is as follows:

- (a) By the end of October 2011, the Labour Department (LD) had received a total of 14 411 applications under the WITS Scheme. These applications are being processed.

With the launch of the WITS Scheme, we have ceased accepting new applications for the TSS, which was applicable to four remote districts in the New Territories only, since 1 October this year. In the preceding 12 months (that is, October 2010 to September 2011), the LD received 3 533 TSS applications and approved 3 378 (that is, 95.6%) of them.

- (b) As the WITS Scheme has just started receiving applications since 3 October, our current priority is to ensure that eligible applicants

can benefit from the subsidy as soon as possible. We will closely monitor the implementation of the WITS Scheme and carry out a mid-term review having regard to the experience gained during the first year of operation. If circumstances warrant, we will consider advancing the review.

I would also like to clarify that the estimated number of beneficiaries provided by the Administration earlier was based on statistics of household income distribution and working hours of employed persons. As the Census and Statistics Department (C&SD) does not have information on household assets, that factor could not be taken into account. As a result, the figure provided at the time was no more than a rough indication for reference and not the exact number of eligible persons or beneficiaries.

- (c) When formulating the WITS Scheme, we did carefully consider the suggestion of allowing applicants to choose to be means-tested individually or on a household basis (the so-called "dual-track approach"). We finally decided to adopt the current approach, and fully explained the reasons when we sought funding from the Legislative Council.

The income and asset thresholds of the WITS Scheme were set having regard to the arrangements for other Government financial assistance schemes and household income statistics. We will closely monitor the changes in these indicators and review the thresholds at an appropriate juncture. As to the subsidy rate, C&SD's statistics in the second quarter of 2010 indicated that the target beneficiaries of the WITS Scheme spent, on average, \$410 each month on public transport for travelling to and from work, while those who had to work across districts spent \$460. Hence, the current subsidy level (that is, full subsidy of \$600 per month) should be able to effectively relieve the burden of transport costs on most of the beneficiaries. We shall update the relevant statistics for reference in due course.

When we sought funding approval from the Legislative Council, we had already explained why the WITS Scheme would not have a JSA.

It was mainly because of the experience of TSS. The demand for JSA under TSS was not strong; most of the TSS beneficiaries had been employed when they were admitted to TSS; and JSA only accounted for a very small part of the amount of subsidy approved. To give the WITS Scheme a clearer focus, our resources will be directed to helping the employed persons.

MR WONG SING-CHI (in Cantonese): *Deputy President, in fact, the WITS Scheme introduced by the Government obviously does not encourage all members of a family to seek employment. Or it only encourages one member of a family to seek employment. Deputy President, as pointed out by the Government in the main reply, the number of beneficiaries estimated earlier is erroneous. The Government estimated then that the number of people with an income of \$6,500 or below was around 300 000-odd to 400 000. In fact, this number was not inaccurate. However, the calculation at that time was based on household assets and the total income of a household which may consist of several members, resulting in the exclusion of many people, being screened out.*

Deputy President, I know that some elderly people rush to lodge applications under the Scheme \$6,000 and 20% or 30% of eligible persons have lodged application in one single day. However, according to the main reply, by the end of October, only 14 411 applications in total have been received, representing only 3% of the 400 000 eligible persons. The proportion is so low because applications under the WITS Scheme are based on household income, the threshold of which was set at a low level. As a result, many people are not eligible to apply. As the Secretary mentioned in part (b) of the main reply that "if circumstances warrant, we will consider advancing the review", may I ask the Secretary when the circumstances will really warrant so? In his opinion, when will the circumstances warrant further consideration?

Obviously, many people have been excluded under the WITS Scheme and many people are not eligible for transport subsidy under the system as a whole. But the Secretary still maintained that a review would be conducted if circumstances so warranted. May I ask the Secretary whether the current circumstances badly warrant so? In our opinion, the current circumstances badly warrant so and the "dual-track approach" should be reviewed and implemented right away. I hope the Secretary will tell me under what

circumstances he would find it necessary to do so. Under what circumstance the review can be advanced? What can be done so that more low-income people will be genuinely benefited from this transport subsidy?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Thanks to Mr WONG for his question and views. Any review should be based on data, and as we all know, we have received more than 14 400 applications since the launch of the Scheme about four weeks ago. In fact, the number of applicants is more than this figure because a family can submit various applications in one form. Hence, the number of beneficiaries may be more than one person. They may be two persons or three persons. We are still collecting relevant data and so the number of beneficiaries is certainly not merely 14 411 people. I believe the number of beneficiaries will be more and we will inform you of the extra number later on. This is the first point.

Secondly, it is an open scheme, which is very different from the Scheme \$6,000. Why do I say that it is open? Because applicants who apply now are entitled to subsidies for the past six months. In other words, those who have got a job since 1 April and met the criteria will receive subsidies for the past six months. Therefore, we hope these applications can be dealt with expeditiously so that a subsidy up to \$3,600 can be deposited into the accounts of the first batch of beneficiaries before Christmas at the end of the year.

However, in some people's opinion, as there is no time limit for filling out an application form, there will not be a problem where the applicants will be rendered ineligible if their applications are lodged after a certain date. In this connection, we have set the deadline at the maximum period of 12 month. In other words, an applicant may still apply for the subsidies for the past 12 months by the end of March or April next year. If the response is lukewarm by the end of April next year, we will be able to get some data which can clearly reflect the situation. However, we cannot conclude that the response is lukewarm on the basis of the current number of applications which is just more than 14 000, because the time for lodging applications is flexible. We will closely monitor the situation.

Regarding the 400 000-odd people, if Members still remember it, we have made it clear when submitting the funding application to the Legislative Council

in February. As I have also given an account on this in my main reply, this number is purely based on working hours and the median household income. The calculation is simply based on these data and we do not have any information on household assets and personal wishes. Similar to Comprehensive Social Security Assistance (CSSA), those who are eligible may not necessarily apply for CSSA. No one will force them to apply by telling them, "You are eligible for CSSA, you must apply for it. Why do you not apply?" They have the right not to apply. There are many factors that defy any anticipation. But I have adopted an open attitude, and I am equally concerned with the Scheme as Mr WONG. We have introduced this Scheme not because we want to make it difficult for the applicants. We also hope that more people will benefit from the Scheme. Hence, as I have undertaken earlier, we will let the Scheme operate for a period of time in order to collect some data for our further consideration.

In fact, I have had the opportunity to review the whole-year meeting schedule and discuss our work in the next eight months with Mr LEE Cheuk-yan and Ms LI Fung-ying, Chairman and Deputy Chairman of the Panel on Manpower respectively, on this Monday morning. Now a timetable has been set and I have undertaken to give a full account to the Legislative Council Panel on Manpower on 16 February next year. Members will then be informed of the data. We need data covering at least three to four months to facilitate an analysis in order to provide a comprehensive account. Adjustments will surely be made if it is considered that the thresholds of wages and incomes need to be modified.

MS LI FUNG-YING (in Cantonese): *Deputy President, I have been strongly urging the Secretary to lift the means test which is adopted as a factor of consideration for the WITS Scheme. May I ask the Secretary whether he will consider abolishing the means test in his forthcoming review? If not, what are the reasons? To abolish the means test is the consensus of the labour sector.*

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Deputy President, thanks to Ms LI for her supplementary question. I am also aware of Members' wish that the WITS Scheme should be open in operation and more flexibility can be built into it. However, we should understand that some basic policy objective should be adhered to strictly and we should clearly understand the policy justifications.

The Scheme has, in many ways, made reference to the Government's existing recurrent and permanent financial relief schemes. General speaking, a means test is essential for these schemes, which are household-based, in order to reflect a family's needs and identify those who are in need. An undesirable phenomenon will arise if a means test is totally abolished. In other words, should the application of an applicant who is earning a meagre income but holds a large amount of assets be approved so that transport subsidy can be granted? Is this an appropriate way of utilizing our limited resources? Should we be responsible to the taxpayers? What explanation could be offered if queries are made by the Audit Commission? Why should transport subsidy be granted to an applicant who holds a large amount of assets and drives a luxurious car?

Nonetheless, I understand that Members have observed the difficulties faced by applicants. Will the asset threshold render many people not eligible? It all depends on the data. As I pointed out earlier, we will conduct an analysis next year after collecting the data. We will look into the situation to determine who have lodged applications. If we can see from the application forms received that some people are not eligible simply because their assets have marginally exceed the threshold, we will consider whether something has to be done in respect of the asset limit. We will adopt an open attitude towards this matter. However, Members should understand that I cannot make any undertaking in respect of a total abolition of a means test at this stage. I hope Ms LI will appreciate my difficulties.

MR IP WAI-MING (in Cantonese): *Deputy President, let me refer to the main reply in which the Secretary said that the 400 000-odd beneficiaries, a figure provided by the Administration earlier, was an estimate. In this case, did the Administration mislead us or the public? However, I am not going to ask a question about this. Rather, I would like to ask a question about the review mentioned just now. The Secretary pointed out just now that after discussing the work schedule for the next eight months with the Chairman and Deputy Chairman of the Panel on Manpower, he would give an account, including the relevant data, at a meeting to be held in February.*

I would like to seek an elucidation by the Secretary who said that he would explain the data at the meeting. Will his explanation include some of the

proposals put forward by us before and the proposal of abolishing the means test by Ms LI just now? Furthermore, the applicants are required to provide too many personal and family details in the application form which looks very much complicated. It is necessary for the authorities to streamline the application form and the procedures. Will the Secretary give us a reply on all this at the meeting?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Deputy President, thanks to Mr IP for the supplementary question. First, I would like to clarify that the figure of 400 000-odd beneficiaries is provided by us in the papers for the Finance Committee. This is purely a figure, a number on the career websites. We have to meet a requirement when making funding applications, that is, the basis of the funding. It means that the amount of money to be required if it is estimated that one half of the people will lodge applications. We at that time did not tell members how many people would benefit from the Scheme because, on many occasions, it depended on the assets held by the relevant parties. However, if they do not apply for the subsidy, we will never know how many assets they have. So Members please understand our difficulty in this aspect.

Secondly, a Member mentioned just now that we would submit the papers to the Panel on 16 February. We hope we can have specific data covering at least three or four months after the launch of the Scheme — from October when the authorities started to accept applications up to the end of this year or early next year — some data can be available for meaningful analysis and more sophisticated assessment before we can discuss the issue with Members in a comprehensive manner.

Advice and views concerning the asset limit, the operation of the Scheme, improvement in respect of the format of the application form, which is considered to be too complicated, or whatever, will be welcome. Under the current policy, we have made everything as simple as possible. We have even abolished home visits, or reduced the number of home visits as far as possible. If applicants have furnished comprehensive information, they will not be required to come to us in person. Additional information can be provided over the phone, if necessary, before subsidy is granted. We hope that such an arrangement will really bring benefits and convenience to them.

However, Mr IP, Members should understand that we need data. How can any subsidy be granted arbitrarily if there is no data? We bear the responsibility in this respect. So, we have to strike a balance between two factors, that is, we have to be accountable on the one hand, and bring benefit and convenience to the people on the other. We have to strike the right balance between the two in an accurate manner and make the procedures as simple as possible. However, if Members have any views concerning what should be deleted and simplified in the application forms, we are happy to listen to your views. Thanks for your suggestions.

MRS REGINA IP (in Cantonese): *Deputy President, I have recently paid regular visits to the local communities. Many low-skilled workers in Tuen Mun and Tin Shui Wai have complained to me that they could not apply for the transport subsidy because of the means test. If it is about applications for CSSA, I would understand that it should be based on household income since a three-person family will need one refrigerator and a four-person family will also need one refrigerator and the expenses involved will not be much different.*

I agree with Mr WONG that if the means test is household-based, this is tantamount to encouraging some people to stay jobless, or else they will not be eligible. The Secretary mentioned that these people would be allowed to apply after a review has been conducted. But the fact is that they cannot benefit immediately. Can the Secretary undertake in a more specific manner that a review of the household-based approach will be conducted expeditiously?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Thanks to Mrs IP for her supplementary question, which is the crux of the issue. As I pointed out earlier, we will explain to the Finance Committee in February why a household-based means test is necessary. A household-based approach will enable a full assessment of the overall financial situation of the household and highlight who are in greater need.

We think this is a rather equitable criterion. As I said earlier, all recurrent support schemes have adopted the same basis. Just now Members asked whether we would consider abolishing the household-based approach in future. I really cannot make any undertaking at this stage. However, as I pointed out

just now, we will conduct a mid-term review after the Scheme has been operated for a period of time. It will be subject to a comprehensive review after three years to allow a more in-depth study of these issues. Nevertheless, data are essential. If I propose a review after it has been implemented for just a month, Members may think that the review is devoid of a basis. However, I believe Members will be convinced if data are collected over a period of time. Consequently, the Government's policy direction as a whole may change. However, it is now too early to say anything. I hope Members will appreciate the difficulties we face.

MR LEE CHEUK-YAN (in Cantonese): *Deputy President, when the relevant papers were submitted to the Finance Committee then, I objected to such a harsh approach adopted by the Government. The applicants would be subject to a household-based means test and individual-based applications would not be entertained. Our proposal that the "dual-track approach" be adopted and the thresholds be relaxed was turned down. The Secretary just now mentioned that more than 14 000 applications have been received and the collection of data has not yet completed. But in fact, applications are submitted once the Scheme has been launched. In my office, we help process these applications every day. So, if more than 14 000 applications have been received, this figure is almost sufficient.*

The Secretary said that the figures in the papers for the Finance Committee were estimates only. Let me tell you that according to estimation, 400 000 people are earning an income lower than the income threshold, and among these 400 000 people, 200 000 people will apply for the subsidy. However, there is a significant point. On the basis that these 200 000 people will apply for the subsidy, the authorities will have to hire 200 people and spend \$500 million in three years. In other words, the annual expenses will be over \$100 million. If the allocation of a \$100 million subsidy will result in an administrative cost of over \$100 million in a year, it means that the administrative costs account for 50% of the total amount of resources. Even though the number of applicants has increased threefold, the administrative costs will still stand at a little over \$100 million, representing 20% or 30% of the total sum. Is this rational, Deputy President? The number of staff to be hired is based on these estimates, which are enormous. The Administration should not say that these figures are estimates only, which are, however, the basis for staff recruitment.

Therefore, I would like to ask the Secretary the following question. As he has undertaken to attend a meeting for a review and discussion of the issue on 16 February, what is the minimum number of applications to be processed in his mind in order to justify the annual costs of over \$100 million for hiring 200 staff? If the applications fall short of this number, will the application criteria be relaxed immediately? May I ask the Secretary how many subsidy recipients will justify the deployment of more than 200 staff? We were told that to justify the costs, the number of recipients should be 200 000 people. Now I would like to ask the Secretary whether such figure is available. What is the number? Because he always mentioned data. How many recipients does the Secretary think can justify the deployment of 200 staff? If the number of applicants is insufficient, will the Secretary relax the criteria and implement the "dual-track approach"?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Deputy President, I cannot give an exact answer to Mr LEE. But I would like to respond to one point he has mentioned. Just now he mentioned that as we have received 14 000 applications, it should be the total number. I consider such a statement rather arbitrary because we have received more applications last night. The figure provided in today's reply is up to the end of October. Yesterday, we received hundreds of applications again. We receive hundreds of applications every day and the applications may reach 800 or 900 daily. Let me tell you that the number of applications will certainly not stand at 14 000. As I said earlier, there may be several individual applicants in a household-based application. Surely, there are more than 14 000 applicants in these 14 411 application forms. This is the first point.

Second, concerning our staff, some are civil servants and some are non-civil service contract staff. I hope Members will not thereby conclude that the Government has a large bunch of idle staff. This is definitely not the case. We hope that the first batch of applications can be processed expeditiously so that funds can be allocated as soon as possible without having to wait until the end of the year. The subsidy will then be approved and granted to the applicants next month, if possible, in order to encourage more applications. As for other details, such as changes due to the implementation of the minimum wage, I know that these may result in some people, who should have the opportunity to apply, being rendered not eligible. So, I have undertaken that a review of the whole set of data will be conducted on 16 February to see whether the implementation of the

minimum wage has rendered some people ineligible due to an increase in income. I will certainly make efforts in this aspect in the hope that the issue can be dealt with in an equitable manner.

MR LEE CHEUK-YAN (in Cantonese): *Deputy President, the Secretary has not replied what the number is in his mind. He has not given any data concerning the minimum number of subsidy recipients in his mind to justify the 200-strong staff*

DEPUTY PRESIDENT (in Cantonese): Your question is clear.

MR LEE CHEUK-YAN (in Cantonese): *Furthermore, I have never said that the number of applications would stop at 10 000-odd. I said even though it has increased by many folds*

DEPUTY PRESIDENT (in Cantonese): Yes, your question is clear. Please sit down, Mr LEE.

MR LEE CHEUK-YAN (in Cantonese): *..... the administrative costs are also very expensive.*

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

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Deputy President, my reply is very clear. I cannot provide a definite answer as to how many staff are needed *vis-à-vis* the application forms received. We do not make such calculation. As I said earlier, our manpower planning at that time was based on a core team of civil servants being assisted by some contract staff. We will deploy our contract staff in a flexible way if the situation requires.

MR LEUNG YIU-CHUNG (in Cantonese): *Deputy President, I would like to tell the Secretary it is rare for Members to ask questions on a scheme which has been implemented for less than a month. This is a very rare phenomenon. Why did Members put questions to the Secretary on a scheme which has been implemented for such a short period of time? It is mainly because the objective of bringing benefits and convenience to the people mentioned by the Secretary cannot be achieved. Basically, it cannot bring benefits to the people. In our regular visits to the local communities recently, we were often told by voters that they did not apply because they were certainly ineligible both in terms of asset and income thresholds. What do I mean by not bringing convenience to the people? It is because the application form is too complicated*

DEPUTY PRESIDENT (in Cantonese): Please come to your supplementary question direct.

MR LEUNG YIU-CHUNG (in Cantonese): *The Secretary mentioned that information would be provided for the discussion of the Panel on Manpower in February. I would like to tell the Secretary that the crux of the issue lies not in discussing these figures but in discussing whether changes will be made and how changes should be made in the future. May I ask the Secretary whether he will submit at the meeting any roadmap and timetable of changes in the future? In other words, if the Scheme should really be modified, when and how adjustments will be made? When will a new scheme be introduced? Furthermore, when a new scheme is introduced, what is the direction? Will it be some minor patch-up of the existing scheme or a major overhaul? Will the Secretary offer some direction for discussion by the Panel on Manpower?*

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Deputy President, I will provide all the data at the meeting on 16 February. As I said earlier, on the basis of relevant data, we will study the actual situation after the Scheme has been implemented for four months in order to make a preliminary assessment. We will surely submit some directional proposal to the Panel at its meeting on 16 February in the hope that we can pool wisdom to achieve a better result.

MR LEUNG YIU-CHUNG (in Cantonese): *Deputy President, the Secretary has not answered*

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

MR LEUNG YIU-CHUNG (in Cantonese): *He has not given me a reply in respect of the timetable.*

DEPUTY PRESIDENT (in Cantonese): Secretary, please give a reply on the timetable.

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Deputy President, the date of 16 February is exactly our timetable. At the meeting, I will listen to Members' views on the proposal and data provided by the Government before discussing the way forward. All these are the outstanding items for discussion at the meeting.

DEPUTY PRESIDENT (in Cantonese): Last oral question.

MR LEUNG YIU-CHUNG (in Cantonese): *The Secretary has misunderstood my meaning.*

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

MR LEUNG YIU-CHUNG (in Cantonese): *Did he misunderstand my follow-up question? My question is: What is the timetable of implementing the relevant Scheme after changes have been introduced?*

DEPUTY PRESIDENT (in Cantonese): Secretary, the Honourable Member asked about the timetable thereafter. Can you answer this question?

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Deputy President, our timetable is very clear. As I said earlier, we will conduct a mid-term review within a year. But I do not rule out the possibility of considering advancing the review when necessary. This is the first point.

Second, a comprehensive review will be conducted in three years as our funding will last for three years only. Under the existing planning, we have been given funding for three years only. Deputy President, the timetable is crystal clear.

DEPUTY PRESIDENT (in Cantonese): Last oral question.

Provision of Public Housing to Grassroots

6. **MR LEE WING-TAT** (in Cantonese): *Deputy President, it has been reported that when the Chief Executive attended a radio programme on 19 October this year, he said that the 2011-2012 Policy Address had endeavoured to solve the housing problem to provide housing for the grassroots. In this connection, will the Government inform this Council:*

- (a) *of the number of non-elderly one-person applicants aged 30 or above among the approximately 150 000 applications for public rental housing (PRH) at present; under the existing Quota and Points System, the average points of those applicants in the age groups of 30 to 39 and 40 to 49 who are allocated PRH; the respective numbers of years for which non-elderly one-person applicants aged 35 and those aged 45 who apply for PRH today will have to wait to obtain the points required for PRH allocation; and how the authorities will help them move into PRH flats as soon as possible;*

- (b) *given that the authorities have indicated that they will appropriately increase the densities and plot ratios of PRH projects, and as the construction of additional new PRH flats will increase the supply of PRH and the resumption of the construction of Home Ownership Scheme (HOS) flats will help vacate more old PRH flats for allocation, whether the authorities will reconsider relaunching the Tenants Purchase Scheme (TPS) at an appropriate time to enable sitting PRH tenants to purchase their PRH flats; and*
- (c) *whether the authorities have considered relaxing the resale restrictions in the HOS Secondary Market to allow eligible white form HOS applicants to apply to purchase those HOS flats, thereby enhancing the vibrancy of the HOS resale market and providing low- and middle-income families with more opportunities to buy their own homes?*

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, my answer to the three-part question is as follows:

The first part of the question:

The Housing Authority (HA)'s objective is to provide PRH to low-income families who cannot afford private rental accommodation. To this end, the HA maintains a Waiting List (WL) of PRH applicants. The HA's target is to maintain the Average Waiting Time (AWT) at around three years for general applicants.

As at end June 2011, there were about 155 600 applications on the WL. Among them, about 66 600 applications were non-elderly one-person applications under the Quota and Points System (QPS). Among the 66 600 non-elderly one-person applications under the QPS, about 35 000 applicants (53%) were aged 30 or above.

The relative priority for PRH allocation to applicants under the QPS is determined by the number of points the applicants receive. Points are assigned to the applicants on the basis of their age at the time of submitting the PRH applications, the waiting time and whether they are PRH tenants. In general, the older the applicant and the longer the applicant has waited, the higher the number of points. The higher the number of points accumulated, the earlier an applicant will be offered a PRH flat.

Among non-elderly one-person applicants housed through the QPS in 2010-2011, the average number of points for those aged 30 to 39 was 140 and the average number for those aged 40 to 49 was 142. However, the lowest number of points accumulated by applicants to be housed through the QPS will change from time to time and vary across Districts, depending on the distribution of points among applicants as well as the overall demand and supply of PRH flats in individual Districts. Accordingly, it is not possible to estimate how many points are required for applicants to be housed or how long would the applicants need to wait before they are housed.

Under the existing arrangements, apart from applying for PRH under the QPS, non-elderly one-person applicants can also apply for PRH as ordinary family applicants together with their family members. To encourage the younger generation to live together with their elderly members, the HA has introduced a number of enhanced housing arrangements to foster family harmony. Under the Harmonious Families Addition Scheme, eligible adult offspring may apply for addition to the tenancy of elderly tenants. Under the Harmonious Families Priority Scheme (HFPS), young people may apply with their elderly member(s) for a PRH flat and enjoy a six-month credit waiting time. Unlike the other non-elderly applicants, the applicants under the HFPS can apply for PRH flats in any Districts, including the Urban District. Eligible non-elderly one-person applicants with a pressing need for housing may apply under the Express Flat Allocation Scheme, or Compassionate Rehousing whereby with a recommendation from the Social Welfare Department they may secure earlier allocation of PRH flats.

According to the latest Public Housing Construction Programme, in the coming five-year period from 2011-2012 to 2015-2016, the HA will build about 75 000 flats in total, that is, an average of about 15 000 PRH flats per year. It is estimated that this level of new production, together with the recovered flats from the existing stock, should continue to meet the policy objective of maintaining the AWT for general applicants at around three years.

However, the production of 15 000 new PRH units per year is not a fixed target. Our objective is to maintain the AWT for general applicants at around three years. To this end, the HA will roll forward and review the five-year Public Housing Construction Programme every year. When necessary, the HA

will adjust and increase the production volume in order to keep the AWT for general applicants at around three years.

The second part of the question:

The TPS was introduced in 1998 by the HA to enable PRH tenants to buy the flats they lived in at a discounted price, thereby helping to achieve the then policy objective of attaining a home ownership rate of 70% in Hong Kong in ten years' time.

In 2002, the Government repositioned the housing policies, and decided to focus on the provision of PRH to low-income families who cannot afford private rental accommodation, with a target of maintaining the AWT for general WL applicants at around three years. As there was no longer a target for home ownership, there were no longer any grounds for continuing the TPS. Accordingly, the HA decided to cease the sale of PRH flats upon the completion of Phases 6A and 6B of the TPS.

We do not have any plans at this stage to relaunch the TPS. There are two main considerations:

First, recovered flats are an important source of public housing supply for WL applicants. There are currently over 150 000 applicants on the WL for PRH. PRH flats, once sold to the tenants, will not be returned to the HA for re-allocation, thereby affecting the turnover and supply of PRH flats and undermining the HA's ability to maintain the AWT of general applicants at around three years.

Moreover, since the introduction of the TPS, the HA has encountered many problems with the management of PRH flats in TPS estates. In the 39 TPS estates, there are some 64 000 rental flats (representing 35% of the total number of flats in the TPS estates). Regardless of the number of flats sold, a TPS estate, as in the case of any private development, is managed by its Owners' Corporation (OC). Empowered by the Building Management Ordinance and the Deed of Mutual Covenant, the OC will decide on the mode of management and how the public areas of an estate are to be managed. In the TPS estates, the HA's estate management policies cannot be fully implemented. As a result, tenants living in the TPS estates and those living in the PRH estates are subject to different management regimes. For example, the Marking Scheme for Estate Management Enforcement is not implemented in the public areas of the TPS

estates. The HA can only deal with the misdeeds committed in rental flats of the TPS estates.

Although we do not intend to relaunch the TPS, under the current policy, the existing tenants in the TPS estates can still opt to buy the flats they are living in. PRH residents who would like to acquire a home may also choose to buy TPS and HOS flats with premium not yet paid in the secondary market.

The third part of the question:

The HOS secondary market allows the existing PRH tenants and other Green Formers to buy HOS flats with premium not yet paid. The objective is to provide them an avenue through which to attain home ownership and at the same time vacate more PRH units for allocation to persons in genuine need.

Allowing those who qualify for White Form status to purchase HOS flats with premium not yet paid on the HOS secondary market requires detailed consideration, including whether the proposal aligns with the objectives of HOS secondary market, which are to promote the mobility of PRH tenants and at the same time to recover PRH units for reallocation. Other issues include whether the supply of HOS flats can effectively match with the demand. All these would have to be looked at carefully.

Nevertheless, in response to the aspirations of low- and middle-income families to buy their own homes, the Chief Executive has put forward two buffering measures, including a new policy for the resumption of the HOS and enhancement of the "My Home Purchase Plan" (MHPP). Those who are interested to apply may choose to do so in accordance with their own needs and affordability.

To conclude, the Government will continue to uphold its long-term commitment of providing PRH to low-income families and persons who cannot afford private rental accommodation, by completing at present around 15 000 PRH units on average per year to meet the target of maintaining an AWT of three years for general WL applicants. However, as I have just mentioned, the production of 15 000 new PRH units per year is not a fixed target. The objective is to maintain the AWT for general applicants at around three years. When necessary, the HA will increase the production volume in order to keep the AWT for general applicants at around three years.

For households with plans to acquire homes, there are diversified choices on the housing ladder, including HOS flats with premium not yet paid on the secondary market, HOS flats with premium paid on the open market, new HOS flats or MHPP flats, and flats of different prices on the private market, including those at prices that are affordable by the general public. Overall, there are choices at various levels on the housing ladder for the prospective buyers. Those who aspire to acquire homes can flexibly arrange their plans to acquire home ownership depending on their individual economic and family circumstances.

MR LEE WING-TAT (in Cantonese): *Deputy President, the existing PRH tenants are in fact victims of the erroneous land and housing policy currently implemented by the Government. Simply put, it is the scarce land supply that leads to the dwindling supply of PRH.*

The Secretary said that we have to rely on the vacation of 15 000 existing PRH flats each year to resolve, maybe to a certain extent, the existing problem of a long WL. The Government further said that the production volume of PRH is not a fixed target. May I ask the Government whether it should take a people-based approach to substantially increase the production volume of PRH, so that the HA no longer needs to rely on the existing flats to solve the problems related to the WL? In this way, you will be able to relaunch the TPS. I do not know whether the Secretary finds this option worth considering? Maybe instead of asking you, I should ask the four likely candidates for the next Chief Executive election, such as Mr LEUNG Chun-ying, who said that 35 000 PRH flats would be built, and Mr Henry TANG, who also said that the supply would be substantially increased. Secretary, both of them are likely to be more proactive than you.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, certainly, my duty is to enforce the current policy. I think Mr LEE also knows very well that the current policy dictates an AWT of approximately three years for general applicants on the WL. However, our new production must also tie in with the recovery of flats. We are not engaged in compulsory recoveries, but rather normal recoveries. For example, when some PRH tenants have bought private properties, or when the elderly tenants have passed away,

their flats will be returned to the HA. These are normal recoveries. With the number of PRH flats reaching more than 700 000, there should be nothing surprising about such normal recoveries.

A review of history suggests that by producing about 15 000 new flats and recovering 15 000 existing flats, we should be able to meet the target of maintaining the AWT at three years. As I repeatedly mentioned just now, this is not a fixed target. I believe that in the next few months, the general public will engage in a lot of discussions on how best to set future targets. However, at this stage, we can actually deliver the policy commitments.

As regards land supply, we will work very hard on it. Under the leadership of the Financial Secretary, there will also be plenty of fresh supply to enable the implementation of PRH construction programme in the future. Therefore, we can implement the five-year extension, so as to build 15 000 flats per year on average, and 75 000 flats over the next five years, thus meeting the existing target of an AWT of three years.

PROF PATRICK LAU (in Cantonese): *Deputy President, the Secretary mentioned in the first part of his main reply that 35 000 applicants were aged above 30, representing 53% of the 66 600 applicants, and there were actually 31 000 applicants aged below 30. These figures are enormous. According to the priority under the points system, they have little chance of being allocated PRH. If they keep waiting, their salary or assets will exceed the ceiling, and their efforts will ultimately be futile.*

May I ask the Secretary what policy is in place in this regard? Are such means as hostels being considered as a solution to the problem?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, the Honourable Member's remarks are correct. At present, among the non-elderly one-person applicants on the WL, 47% (about 31 600 people) are under 30 years of age. As reflected in their distribution, 24% of the 30 000-odd applicants are sitting PRH tenants, 53% have a tertiary level of education or above, more than 90% live with their family members, and 41% were students when they registered on the WL for PRH.

Prof Patrick LAU has rightly said that while they keep waiting, their income may rise, but this is not necessarily a bad thing, especially when they have a tertiary level of education. They are now students. They will be graduates in the future. Recently I attended a radio programme to exchange views with students. There I looked up this year's Joint Institution Job Information System for the eight universities and learnt that among the jobs suitable for university graduates in the past few months, about 64% were salaried at \$8,000 to \$12,000. In other words, 60% of the graduates can earn a salary of \$8,000 to \$12,000 once they start working. Even those with salaries ranging from \$12,000 to \$16,000 accounted for 20%. Let us come back to the existing publicly-funded scheme that subsidizes PRH for the public. After working for a year or two following graduation, the graduates may have exceeded the monthly income ceiling of \$8,740 for one-person applicants. Therefore, they may not be our target beneficiaries. I have said that if they fall into the "safety net" despite their efforts, of course the "safety net" should take care of them, but if so many applicants are students, we may not treat them as a target group in the context of priority setting. After all, our target groups are general applicants or older people.

The Honourable Member mentioned just now whether youth hostels will be a solution to the problem. This option may not be part of the housing policy, because youth hostel belongs to the realm of youth policy and is overseen by the Home Affairs Bureau and certain non-governmental organizations. If this option can be implemented, I think it is a good thing as well. It resembles a continuation of university dormitories. The graduates can afford some time to explore their future directions and build up savings in a stable environment. It may be more desirable than applying much earlier for PRH as a "safety net".

However, having said that, the implementation of the QPS actually aims at achieving high transparency and taking a rational approach to priority setting. After all, the supply of PRH is not unlimited. It should be provided to those who are most in need and really cannot afford private market rents.

MR CHAN KAM-LAM (in Cantonese): *Deputy President, in the third part of his reply, the Secretary said that allowing the green form applicants or PRH tenants to buy HOS flats in the HOS secondary market may facilitate the turnover of PRH flats, but the so-called eligible white form applicants are not allowed to*

buy such flats for fear of losing such turnover effect and thus inhibiting the cushioning function of the HOS. However, may I ask, given that the Chief Executive has already launched the new HOS scheme and the white form applicants will also have the opportunity to buy new HOS flats, why the old HOS secondary market is not opened at the same time under this new policy, so that they can buy old HOS flats with premium not yet paid? In fact, in doing so, what is the conflict, if any? May I ask the Government whether it considers the policies individually or holistically.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, Mr CHAN has pointed out one of the important considerations, that is, if white form applicants are allowed to buy old HOS flats with premium not yet paid, it is inconsistent with our current policy. Of course, if they comply with certain requirements on assets and income, they can buy HOS flats through other channels. For example, the HA will soon discuss the allocation proportion between white form applicants and green form applicants under the new HOS. As reflected by the sales of surplus flats in the past, the ratio between the two was in fact fifty-fifty. Although we said at the beginning that 70% of the flats would be sold to green form applicants and 30% to white form applicants, or different adjustments would be made for each launch, in fact there was a fifty-five ratio between the two. Under the new HOS, will there be more channels for them to apply for the new HOS flats? However, if white form applicants need only meet certain eligibility criteria in order to buy old HOS flats with premium not yet paid, we believe this matter must be carefully studied because there is a very fundamental conflict between this practice and the current policy. In fact, what we need to consider is whether we really have such supply to meet such demand. With the imminent construction of new HOS flats, we hope to meet the target of providing an annual average of 5 000 flats. Overall, we have noted the views of Honourable Members, but we believe this matter warrants very careful study.

MR FREDERICK FUNG (in Cantonese): *Deputy President, I would like to ask questions in respect of the new HOS policy in the third part. The new HOS policy does not require owners to pay the premium before selling their flats in the market, and the subsidy will be treated as a loan for repayment. In fact, this practice would exacerbate the problems mentioned by the Secretary in the second*

paragraph of the third part, that is, the turnover of PRH flats would be affected if white form applicants are allowed to buy second-hand HOS flats with premium not yet paid. The new HOS policy mentioned in the third paragraph will exactly inhibit the turnover of flats, because all the flats can be sold in the private market. Has the Secretary considered requiring under the HOS new policy that the home owners should be allowed to sell their flats only to Green Form and White Form applicants, namely those who meet the income ceiling, so that the new HOS flats remain in the market for low-income people and will not enter the private market?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, I think I have to be careful with my reply. The new HOS flats are not premium-free, but what matters is how to calculate the difference in order to achieve the goal of encouraging upward mobility as stated by the Chief Executive. Certainly, he has also given us a direction, that is, it must be fair to the existing HOS home owners and acceptable to everybody, so the difference must be dealt with. However, how should it be calculated? For example, whether to repay the loan or the loan plus interest is one of the issues that have currently engaged the HA in active and heated discussions.

The Honourable Member has just mentioned whether certain resale restrictions should be imposed. In this connection, our present preliminary idea is to continue with the five-year resale restriction period. Of course, the HA will discuss the practical details, such as whether the period will not be five years, but perhaps a longer period is more appropriate, as Members said. Within these five years, home owners can sell their flats only to green form applicants or the HA. After the HA buys back the flats, it will certainly sell them to other eligible persons according to certain procedures. Therefore, the new HOS is subject to resale restrictions, but we will discuss in detail in the HA as to how the goals can be achieved in practice.

MR FREDERICK FUNG (in Cantonese): *Deputy President, she has not answered my supplementary question.*

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

MR FREDERICK FUNG (in Cantonese): *Deputy President, because the Secretary has added remarks not made by me. She said that within five years*

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

MR FREDERICK FUNG (in Cantonese): *..... My supplementary question is whether the sale of second-hand flats under the new HOS can be confined to white form and green form applicants, and prohibited from sale in the private free market? However, the Secretary always mentioned five years*

DEPUTY PRESIDENT (in Cantonese): May I ask the Secretary to clarify this part, which has not been answered?

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): Deputy President, I have already answered the question, that is, there are presently such resale restrictions in place and that the present preliminary idea is to impose these restrictions in the first five years rather than at a later time because of our consideration that if there is over-regulation, it is impossible to provide flexibility or assistance to these home owners to move upward, or deal with their needs such as moving homes. However, the HA will discuss where to strike the balance.

DEPUTY PRESIDENT (in Cantonese): We have spent more than 22 minutes on this question. Oral questions end here.

WRITTEN ANSWERS TO QUESTIONS**Replacement and Maintenance of Underground Water Mains**

7. **DR PAN PEY-CHYOU** (in Chinese): *President, in recent years, a number of underground water main burst incidents occurred in Hong Kong, which not only caused inconvenience to members of the public, but also wasted valuable water resources. In this connection, will the Government inform this Council:*

- (a) *of the details of the underground water mains replacement works which are currently in progress or have been planned to commence in the next three years in various districts on Hong Kong Island, broken down by District Council (DC) district; and the expected completion dates of the works currently in progress;*
- (b) *of the respective numbers and exact locations of the underground water main burst incidents which occurred in various districts on Hong Kong Island in the past three years, broken down by DC district; and*
- (c) *in the past three years, of the average time required to handle water main bursts between receipt of reports of such incidents by the authorities and completion of the repair works and resumption of normal water supply, and among such incidents which occurred on Hong Kong Island, of the longest and shortest handling time?*

SECRETARY FOR DEVELOPMENT (in Chinese): *President, the water distribution network of Hong Kong has gradually developed in accordance with the growing water demand. It is a massive and complex system, measuring 7 800 km in total length. With the ageing of the network, bursts and leaks are inevitable. We fully understand that suspension of water supplies would cause inconvenience to the public. To tackle the problem, the Water Supplies Department (WSD) is taking a multi-pronged approach, including proactive burst prevention by leakage detection, replacement or rehabilitation of aged water mains under the Water Mains Replacement and Rehabilitation Programme, and pressure management. With these measures in place, the number of water main burst incidents dropped from a peak of 2 500 in 2000-2001 to 609 in 2010-2011. In the first six months of 2011-2012, the number dropped further to 212.*

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

- (a) The Replacement and Rehabilitation Programme for Hong Kong Island is implemented in four stages. Each stage involves replacement and rehabilitation (R & R) works at different locations. While works for Stage 1 and 2 have been substantially completed, we are pushing ahead with works for Stage 3 and 4. The total value of the five works contracts for Stage 3 amounts to \$1.6 billion, two of which involve the replacement and rehabilitation of 71 km of water mains in the Central and Western District. The remaining three contracts, one each for the Eastern District, Southern District and Wan Chai, involve replacement and rehabilitation of water mains measuring 52 km, 39 km and 51 km respectively. All the works have commenced since 2009 and are expected to complete by the end of 2013. As for Stage 4, the works for the first two contracts with a total value of \$1.1 billion commenced in the middle of this year. The work sites are scattered in four DC areas on Hong Kong Island. These two contracts involve replacement and rehabilitation of 156 km of water mains and are expected to complete by the end of 2015.

Details of the R & R works to be carried out in the coming three years in each District on Hong Kong Island are set out in Table 1.

We have been monitoring the progress of these works closely throughout the construction stage to ensure that they could be completed as soon as possible. We have also liaised regularly with departments and utilities companies concerned to overcome various constraints such as traffic, environmental constraints and densely packed underground utility services, so as to minimize the inconvenience caused by the works to the public.

- (b) The number of underground water main burst incidents in each District on Hong Kong Island over the past three years are shown in Table 2.
- (c) In the past three years, the average time required to handle fresh and salt water main burst incidents on Hong Kong Island (between

receipt of reports of such incidents by the WSD and resumption of normal water supply) was about eight hours and 12 hours respectively. The shortest and longest time for handling fresh water main burst incidents were about two hours and 46 hours respectively, whereas those involving salt water main burst incidents were about three hours and 76 hours respectively. Those incidents that required longer handling time were isolated cases mainly caused by the presence of densely packed underground utility services hindering the carrying out of repairing works; confined working time in non-peak hours; the need to remove the concrete surround that encased the burst water mains; the longer time required for setting of the concrete blocks for stabilizing the new water mains before resumption of water supply.

After isolation of the burst fresh water mains, the WSD will maintain uninterrupted water supply for the affected areas by arranging alternative supply from other water supply zones as far as possible. If alternative supply from other supply zones is not viable, the WSD will provide temporary emergency fresh water supply to the affected consumers by provision of standpipes or deployment of water wagons and water tanks.

Table 1

Replacement and rehabilitation programme of water mains for
Each District on Hong Kong Island in the next three years
(from November 2011 to October 2014)

<i>District</i>	<i>Details of works</i>	
Central and Western District	Stage 3	replacement and rehabilitation of approximately 28 km of water mains
	Stage 4	replacement and rehabilitation of approximately 23 km of water mains
Eastern District	Stage 3	replacement and rehabilitation of approximately 22 km of water mains
	Stage 4	replacement and rehabilitation of approximately 33 km of water mains

<i>District</i>	<i>Details of works</i>	
Southern District	Stage 3	replacement and rehabilitation of approximately 14 km of water mains
	Stage 4	replacement and rehabilitation of approximately 16 km of water mains
Wan Chai	Stage 3	replacement and rehabilitation of approximately 28 km of water mains
	Stage 4	replacement and rehabilitation of approximately 36 km of water mains

Table 2

Number of underground water main burst incidents in
Each District on Hong Kong Island
in the past three years (from 2008-2009 to 2010-2011)

<i>District</i>	<i>2008-2009</i> <i>(Number of cases)</i>	<i>2009-2010</i> <i>(Number of cases)</i>	<i>2010-2011</i> <i>(Number of cases)</i>
Central and Western District	76	54	19
Eastern District	46	40	16
Southern District	51	51	46
Wan Chai	61	38	17
Total	234	183	98

Eligibility of Hong Kong People Residing Abroad for Receiving the Sum of \$6,000

8. **MR LEUNG KWOK-HUNG** (in Chinese): *President, I have received complaints from Hong Kong people residing abroad that there are problems with the Government's implementation arrangements for giving a sum of \$6,000 to eligible persons. In this connection, will the Government inform this Council:*

- (a) *given that some Hong Kong permanent residents, who are holders of Hong Kong SAR passports and reside in the United Kingdom, hold*

only the old identity cards issued before 23 June 2003 and have not obtained the smart Hong Kong Permanent Identity Card (HKPIC), whether such persons are eligible for receiving the sum of \$6,000; if not, of the justifications; and

- (b) *given that some eligible Hong Kong people residing abroad do not have any local bank account and the authorities also do not accept their using local joint accounts to receive the sum of \$6,000, thus compelling them to return to Hong Kong in person to collect the sum of money, why the authorities cannot give them the sum of money by cheque; whether the authorities have assessed if the relevant measures will hinder Hong Kong people residing abroad from applying for the sum of \$6,000; if they have, of the results?*

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

- (a) Scheme \$6,000 needs to adopt clear and practicable criteria for determining eligibility for payment. We proposed in the papers submitted to the Panel on Financial Affairs and the Finance Committee of the Legislative Council that a person must meet two criteria to be eligible under the Scheme, that is, aged 18 or above and holding a valid HKPIC on 31 March 2012.
- (b) Under Scheme \$6,000, eligible persons are subject to the same payment arrangements irrespective of whether they are in or outside Hong Kong. Regardless of where they are, eligible persons may choose the timing and platform for making registration according to their own needs. Eligible persons who have a local Hong Kong dollar bank account in their sole name may register through banks and receive payment through their specified bank account. Those who do not have a local Hong Kong dollar bank account in their sole name may register through the Hongkong Post and collect an order cheque, which may then be encashed.

To avoid dispute and prevent fraud, joint bank accounts are not accepted for receiving payment under Scheme \$6,000. This is in

line with the practice of other government schemes that use bank accounts for disbursing payment (for example, Comprehensive Social Security Assistance and Social Security Allowance Schemes).

Eligible persons who register through the Hongkong Post need not submit the registration form in person, but are required to collect their cheques in person at the post office. We will ensure that the personal particulars of the persons who come forth to collect the cheques tally with the information on the cheques before giving the cheques to them. The purpose is to prevent fraud and safeguard the interest and personal data privacy of registrants.

Public Transport Running Between Tuen Mun and Hong Kong International Airport

9. **MR CHEUNG HOK-MING** (in Chinese): *President, some Tuen Mun residents have reflected that quite a number of residents in the district work at the Hong Kong International Airport (the Airport) due to insufficient employment opportunities in Tuen Mun; yet, at present only a few trips are made in the morning and afternoon daily by the buses of route E33P running between Siu Hong Railway Station in Tuen Mun and the Airport, and the service can hardly meet the demand during peak commuting hours. They have also indicated that as the first bus of this route from the Airport departs after 5 pm, people who get off work earlier than that in the afternoon have to take buses of other routes which charge higher fares. In this connection, will the Government inform this Council:*

- (a) *whether it knows the percentage of the working population in Tuen Mun in the past three years who have to work across districts;*
- (b) *in response to the situation that the workers engaged in many types of jobs at the Airport need to work shifts, whether the authorities will request the operator of the aforesaid bus route to arrange for the first bus to depart from the Airport earlier in the afternoon as warranted by the actual situation; and*

- (c) *of the measures to improve the present public transport services between Tuen Mun (that is, Butterfly Estate, Wu King Estate and Tuen Mun Ferry Pier) and the Airport?*

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

- (a) According to the result of the last Population By-census⁽¹⁾ conducted by the Census and Statistics Department in 2006, the working population in Tuen Mun District with fixed place of work in Hong Kong was 212 978. Among them, 154 186 persons (that is, 72%) worked outside Tuen Mun District.
- (b) Currently, there are three franchised bus routes operating in Tuen Mun to and from Chek Lap Kok Airport. Route E33 (Tuen Mun Town Centre—Airport) provides all-day services, whereas the other two routes, E33P (Siu Hong Station—Airport) and A33 (Tuen Mun (Tuen Mun Station of West Rail)—Airport), run in peak hours. Supplementary to Route E33, Route E33P operates seven departures on weekday mornings (five trips on Sundays and public holidays) and three departures every afternoon between Siu Hong Station of West Rail and the Airport.

To enhance the service level, the concerned franchised bus company has planned to deploy one additional double-deck bus to serve Route E33P in the first quarter of 2012 and increase the frequency of the route, including arranging an extra and early departure from the Airport to Tuen Mun during peak hours in the afternoon. The franchised bus company will consult the concerned stakeholders and the locals on the proposed increase in frequency.

- (c) At present, residents in the vicinity of Butterfly Estate, Wu King Estate and Tuen Mun Ferry Pier can take the Light Rail to Tuen Mun Town Centre where they can interchange with Route E33 to go to the Airport. An alternative for them during peak hours is taking the

(1) The Census and Statistics Department conducts a population census once every 10 years, and a by-census in the middle of the intercensal period. The last population by-census was conducted in 2006. As regards the 2011 Population Census, the results will be available by phases as from 2012.

Airport-bound Route E33P at the nearby en-route stop on Wu Shan Road. Given that Tuen Mun Town Centre is the major transport interchange for the Light Rail and various franchised bus routes, the current arrangement can optimize the use of the existing resources of franchised buses in providing residents of various areas in Tuen Mun with the franchised bus services that meet their demand for journeys to and from the Airport. In the first quarter of 2012 when one more double-deck bus runs on Route E33P, the level of franchised bus services between Tuen Mun and the Airport will be further enhanced.

The Transport Department will continue to monitor the transport demand of the residents in Tuen Mun for going to and from the Airport, and will enhance the service of relevant franchised bus routes when necessary.

Provision of Old Age Allowance for Eligible Elderly People who Take up Long-term Residence in Guangdong Province or Fujian Province

10. **MR CHAN HAK-KAN** (in Chinese): *President, in the 2011-2012 Policy Address, the Chief Executive announced the introduction of a new "Guangdong Scheme" under the Social Security Allowance Scheme to allow eligible elderly people who take up long-term residence in Guangdong Province to receive an old age allowance without the need to come back to Hong Kong. Yet, some members of the public have relayed to me that apart from residing in Guangdong Province, more and more elderly people have chosen to reside in the neighbouring Fujian Province in recent years. In this connection, will the Government inform this Council:*

- (a) *whether it knows the respective numbers of Hong Kong elderly people who resided in various cities in Guangdong Province and Fujian Province in the past three years;*
- (b) *whether it will consider extending the arrangements of the "Guangdong Scheme" to Fujian Province, so as to facilitate eligible elderly people residing in that province to also receive the aforesaid allowance without the need to come back to Hong Kong;*

- (c) *what difficulties it will encounter in extending the aforesaid arrangements to Fujian Province; and*
- (d) *whether it has assessed the additional financial commitment involved in extending the Scheme to Fujian Province?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, my reply to Mr CHAN Hak-kan's questions is as follows:

- (a) We do not have information on the exact numbers of Hong Kong elderly people who reside in various cities in Guangdong Province and Fujian Province on a year by year basis. But according to a survey conducted by the Census and Statistics Department in early 2011, around 46 000 Hong Kong residents who were aged 65 or above at that time resided in Guangdong or stayed there substantially (that is, staying for a period of at least one month in the past six months before the time of enumeration). The cities they usually resided in are listed below:

<i>Usual city of residence</i>	<i>Number of persons (Percentage)</i>
Zhongshan	9 500(20.7%)
Guangzhou	7 300(15.9%)
Dongguan	6 600(14.3%)
Shenzhen	6 100(13.2%)
Huizhou	3 400(7.5%)
Jiangmen	3 300(7.1%)
Foshan	3 100(6.7%)
Shanwei	2 600(5.6%)
Others	4 100(9%)
Total	46 000(100%)

Meanwhile, around 15 600 Hong Kong residents who were aged 65 or above resided or stayed substantially in Fujian. However, a breakdown of the number of elders by their usual city of residence was not available from this survey.

(b) and (c)

As the Chief Executive has stated in the recently published 2011-2012 Policy Address, allowing Hong Kong elderly people who choose to move to Guangdong to receive Old Age Allowance under the Guangdong Scheme is based on four special considerations. First, currently Hong Kong elderly people settled on the Mainland mostly live in Guangdong. Second, there are unique and close ties between Guangdong and Hong Kong in geographical, economic and social terms. Third, given the Hong Kong/Guangdong Co-operation Framework and with a number of major transport infrastructure projects coming on stream, travelling between the two places will be more convenient and they will become more closely integrated. Lastly, Hong Kong elderly people who have moved to Guangdong can still maintain close contact with their relatives and friends here and obtain family support easily.

At this stage, we are of the view that only Guangdong Province has the right conditions for implementing this scheme. This is a decision made after fully considering the legal, financial and technical issues.

(d) Given the above considerations, we have not assessed the financial implications of extending the Guangdong Scheme to Fujian Province.

Extension Works of Office of the Commissioner of the Ministry of Foreign Affairs of People's Republic of China in Hong Kong Special Administrative Region

11. **MISS TANYA CHAN** (in Chinese): *President, given that the Government has allocated a government site on Borrett Road in Mid-levels West to the Office of the Commissioner of the Ministry of Foreign Affairs in Hong Kong (OCMFA) for its extension works to provide an official residence for the Commissioner and for other purposes. Regarding the details of the project and its impact on the surrounding community, will the Government inform this Council:*

- (a) *given that the information of the Buildings Department shows that the residential and non-residential gross floor areas of the extension part of the OCMFA are 895.5 sq m and 3 084.1 sq m respectively (that is, the non-residential floor area is about 3.5 times of the residential floor area), of the respective uses and floor areas of the various non-residential facilities; the justifications for the OCMFA to substantially extend the floor area for non-residential use;*
- (b) *given that at the extension part of the OCMFA, there will be some facilities which are open to the public for carrying out community relations and public education work, of the maximum number of members of the public such facilities can accommodate at any one time; what means of transport and routes members of the public are expected to take to travel to and from the OCMFA, of the anticipated increase in traffic flow as well as impact on the nearby road traffic;*
- (c) *of the impact of the extension project on the trees in the neighbourhood (including the number of trees affected, and among them, the number of those required to be removed or transplanted, and so on); whether the Government will take measures to reduce the impact; if it will, of the details; and*
- (d) *given that the extension works will be carried out on the slopes, and that an underground basement with several levels will be constructed, whether the Government has conducted a geotechnical assessment study on the project; if it has, of the results; if not, the reasons for that?*

SECRETARY FOR DEVELOPMENT (in Chinese): President, the Government announced in November last year of the grant of a government site on Borrett Road to the Ministry of Foreign Affairs (MFA) of the People's Republic of China (PRC) for use by the OCMFA. The site will be granted as an extension to the existing lot granted to MFA in 1997 (that is, IL 8893 comprising the office block for the OCMFA on Kennedy Road and a staff quarters block on Borrett Road).

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

- (a) As explained in different occasions in the past on the use of the lot extension (including the press release issued in November last year, my response to a Member's oral question in January this year, and the meeting of the Panel on Development held in the same month), the development will provide additional space such that the OCMFA will be better able to host representational functions and stage their outreach activities and educational programmes within the more convenient and secure the OCMFA's compound. This will further enhance the capacity of the OCMFA in discharging its functions and responsibilities under the Basic Law. The development will also include a new official residence for the Commissioner of the OCMFA. This will replace the Commissioner's quarter currently located on the top floor of the office block and will be more comparable to those of MFA missions of the PRC abroad.

The lot extension measures about 2 100 sq m. The development at the lot extension will be subject to a plot ratio not greater than two and a building height not exceeding 130mPD. As mentioned in our previously issued document, the development will be conducted in the form of four storeys above basements. The current design of the development is one of four storeys above three basements, and which complies with the abovementioned development parameter.

- (b) As mentioned above, the development, which will be subject to a plot ratio not greater than two, is of low density. Suitable development restrictions would also be included in the land grant. As such, the development itself should not give rise to significant traffic impact. As regards the future activities to be held within the development, we trust that the OCMFA would take into account the scale of these activities and discuss with the authorities as necessary on how to deal with pedestrian and traffic flow issues.
- (c) The lease conditions of the existing lot granted to MFA contain a preservation of trees clause, which stipulates that the Grantee shall apply to Lands Department and obtain the prior written consent from the Director of Lands before carrying out removal and transplanting works of any trees growing on the lot and land adjacent thereto. The lot extension is also subject to the same tree preservation

requirement. In addition, the lease conditions of the lot extension contain a landscape master plan clause to ensure that the landscaping works in the development will be implemented in a satisfactory manner.

- (d) For building proposals that involve slopes, the Buildings Department (BD) would, in accordance with the powers vested under the Building (Administration) Regulations (Cap. 123A), require the Authorized Person (AP) of the project to submit a geotechnical assessment of the adequacy of the site for the proposed building works for consideration together with the building plans. The geotechnical assessment is for identifying at an early stage any fundamental geotechnical constraints that could affect the development proposal and to adequately assess the geotechnical feasibility of the development project. Such requirement is applicable to all developments on private land. As regards the development on this lot extension, the BD has considered the geotechnical assessment submitted by the AP and has approved the building plans.

Regulation of Free Newspapers

12. **DR PRISCILLA LEUNG** (in Chinese): *President, I have recently received complaints from quite a number of education bodies and members of the public (including school principals and parents), indicating that the recently launched free newspaper, Sharp Daily, contains indecent contents, and allegedly promotes pornography. Up to mid-October this year, the Television and Entertainment Licensing Authority (TELA) had already received 193 complaints in this regard. In addition, the Obscene Articles Tribunal classified nine articles and their audio recordings on the Internet version of the newspaper as Class II (indecent) articles. The education bodies and members of the public also pointed out that as the newspaper is distributed to the public free of charge, children as well as youngsters can easily obtain and read the newspaper, and are exposed to the erotic and obscene contents therein, thereby causing undesirable impact on their development. In this connection, will the Government inform this Council:*

- (a) *given that at present, even if a free newspaper contains indecent contents, the authorities often cannot promptly stop it from being put on the market, and only classify the contents of the newspaper after it has been published, which cannot prevent people under the age of 18 from exposure to the relevant contents, whether the Government has any measure to plug the existing loophole;*
- (b) *regarding those paid or free newspapers that often contain indecent or erotic contents, whether the Government will study adopting measures or penalties with greater deterrence, so as to prevent them from including erotic contents again;*
- (c) *given that the number of free newspapers which are openly distributed to the public in Hong Kong has been on the increase, whether the authorities will study introducing some new measures to ensure that the contents of this kind of newspaper are suitable for people of all ages; and*
- (d) *given that at present, copies of free newspapers (including the Sharp Daily) are displayed at the lobbies of some housing estates or residential buildings for their residents to obtain and read, some residents have indicated their wish to temporarily disallow placing the Sharp Daily in their housing estates or residential buildings, so as to prevent youngsters from exposure to the erotic contents therein, whether the Hong Kong Housing Authority and the Hong Kong Housing Society (HKHS) will take the lead in disallowing free newspapers that often contain indecent or erotic contents to be placed and distributed in the public housing estates or Home Ownership Scheme estates under their management?*

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

(a), (b) and (c)

The *Sharp Daily* was launched on 19 September 2011. As at 31 October 2011, the TELA has received a total of 197 complaints

against the newspaper for carrying indecent, obscene and violent content. The TELA conducted investigations into the complaints and has submitted 26 articles suspected of contravening the Control of Obscene and Indecent Articles Ordinance (COIAO) (Cap. 390) to the Obscene Articles Tribunal (OAT) for classification. Among these articles, 20 have been classified by the OAT as Class II (indecent) articles as at 31 October 2011. On 18 October 2011, the TELA took prosecution action against the publisher in respect of a number of articles published in the *Sharp Daily*. The TELA also wrote to the publisher requesting it to pay serious attention to the complaints lodged by members of the public against the *Sharp Daily* for publishing indecent articles for a number of days in a row, and reminding it that all articles published should comply with the legal requirements and that the Government would take prosecution actions against any publisher who illegally publishes indecent articles.

On regulating the publication of articles, the Government's longstanding policy is to preserve the free flow of information and safeguarding the freedom of speech while applying standards of public decency to articles, especially those intended for young and impressionable people. Freedom of speech has always been a core value that the Government is determined to safeguard. As such, there is no compulsory pre-censorship before the publication of an article under the law. However the publisher has a clear responsibility to ensure that any publication is in compliance with the law, including the provisions prohibiting the publication of obscene articles to juveniles and on relevant penalties. Section 10 of the COIAO provides that the OAT shall have regard to the following factors in classifying an article:

- (i) standards of morality, decency and propriety that are generally accepted by reasonable members of the community;
- (ii) the dominant effect of an article as a whole;
- (iii) the persons or class of persons, or age groups of persons, to or amongst whom the article is intended to be published;

- (iv) in the case of matter publicly displayed, the location where the matter is to be publicly displayed and the persons or class of persons, or age groups of persons likely to view such matter; and
- (v) whether the article or matter has an honest purpose or whether its content is merely camouflage designed to render any part of it acceptable.

Currently, the Government has no plans to change the regulatory regime for the publication of articles. The TELA will continue to closely monitor all articles published in the market, and will refer any article suspected of contravening the COIAO to the OAT for classification after consideration of such factors as the age groups of persons to whom the article (for example, a free newspaper) is intended to be published or, in the case of matter publicly displayed, the location where the matter is publicly displayed and the persons likely to view such matter. Appropriate follow-up actions, including prosecution, will be taken against articles classified as indecent or obscene.

Under the COIAO, the maximum penalty for publishing an obscene article is a fine of \$1,000,000 and imprisonment for three years. As for publication of an indecent article, the maximum penalty is a fine of \$400,000 and imprisonment for 12 months on first conviction, and a fine of \$800,000 and imprisonment for 12 months on second or subsequent conviction. These penalties are equally applicable to pay or free newspapers. Moreover, we are aware that some members of the public have considered the penalties imposed on publishers of indecent articles in the past too lenient. The TELA will closely monitor the penalties handed down by the Court for a breach of the COIAO, and where necessary, will apply to the Court for a review of penalty.

- (d) The Housing Department does not allow newspaper publishers/distributors to distribute or exhibit free newspapers in public rental housing estates of the Hong Kong Housing Authority. As for whether to allow the distribution or exhibition of free

newspapers in Home Ownership Scheme estates, the decision rests with the relevant owners' corporations or owners' committees.

Similarly, the HKHS does not allow newspaper publishers/distributors to distribute or exhibit free newspapers in its rental housing estates. As for housing estates sold by the HKHS, the decision rests with the relevant owners' corporations or owners' committees.

Rationalization of Allocation of Public Housing Resources

13. **DR LAM TAI-FAI** (in Chinese): *President, it has been reported that the current number of families on the Waiting List (WL) for public rental housing (PRH) in Hong Kong has exceeded 150 000, representing an increase of almost 20% and about 40% when compared respectively with last year and 2007. Under the Housing Subsidy Policy (HSP) (commonly known as "well-off tenants policy") of the Hong Kong Housing Authority (HA), households who have been living in PRH flats for 10 years or more are required to declare household income biennially. Those with a household income amounting to two to three times the corresponding Waiting List Income Limits (WLILs) are required to pay 1.5 times rent, those with a household income exceeding three times the corresponding WLILs are required to pay double rent, and those with assets exceeding 84 times of the WLILs are required to pay the market rent and vacate their flats within one year. The Hong Kong Housing Society (HKHS), which also provides PRH to Hong Kong people, has not yet implemented any well-off tenants policy. In connection with the issue of rational allocation of public housing resources, will the Government inform this Council:*

- (a) *of the number and percentage of PRH tenants who were required to pay additional rent (commonly known as "well-off tenants") in each of the past three years, together with a breakdown by the rent payable by such well-off tenants, namely the 1.5 times rent, double rent and market rent;*
- (b) *of the criteria based on which the authorities determine that a PRH unit is misused or left vacant; the number of PRH units repossessed by the authorities for being found to be misused or left vacant in*

each of the past three years, and how many of them are units allocated to well-off tenants; the measures put in place by the authorities to investigate if PRH units are misused or left vacant; the number of times such measures were taken in each of the past three years; and whether they have assessed the effectiveness of such measures;

- (c) of the reasons or criteria based on which the authorities require households who have been living in PRH flats for 10 years or more to declare their household income and/or assets biennially; the number and percentage of such households at present;*
- (d) of the reasons or criteria based on which the authorities set the 1.5 times or double rent levels payable by well-off tenants and require only those well-off tenants with assets exceeding 84 times of the WLILs to vacate their flats within one year;*
- (e) given the growing demand for PRH from the public, whether the authorities will conduct a comprehensive review of the existing well-off tenants policy (including shortening the 10-year period for first declaration, shortening the one-year period for surrendering the flat, and reviewing the household income and asset limits, and so on); if so, of the details; if not, the reasons for that;*
- (f) whether the authorities will study and introduce some new measures to induce those well-off tenants who are no longer in need of subsidy to surrender their flats early, with a view to expediting the turnover of PRH flats and allocating such units to other people in need in a fair manner; if so, of the details; if not, the reasons for that;*
- (g) whether it knows if there is any queuing system in place for the rental housing of the HS; if there is, of the total number of families on the WL and the average waiting time at present; and*
- (h) given that the HS does not enforce well-off tenants policy, whether it knows how the HS deals with misuse of its rental housing and ensures rational allocation of public housing resources?*

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, the HA is committed to ensuring the rational allocation of limited public housing resources. Tenants who have been living in PRH for 10 years are required to declare their household income and thereafter biennially under the HSP. Those with household incomes exceeding the prescribed income limits are required to pay 1.5 times or double net rent plus rates. For double rent paying households, they are further required to declare their assets biennially under the Policy on Safeguarding Rational Allocation of Public Housing Resources (SRA) to determine their eligibility to continue to stay in PRH. Those whose assets value exceed 84 times of the prescribed income limits or opt not to declare assets are required to vacate their PRH flats. Households who are required to vacate their PRH flats but have a temporary housing need may apply for a fixed-term licence to stay in the flat for a period of not more than 12 months, during which time they are required to pay a licence fee equivalent to double net rent plus rates or market rent (whichever is the higher).

My reply to the eight-part question is as follows:

- (a) The number of PRH households required to pay additional rent during the past three years is as follows:

<i>As at end</i>	<i>1.5 times net rent plus rates</i>	<i>Double net rent plus rates</i>	<i>Market rent</i>	<i>Total</i>	<i>% of PRH households</i>
March 2009	20 180	2 936	18	23 134	3.5%
March 2010	20 560	3 204	37	23 801	3.5%
March 2011	20 848	2 907	23	23 778	3.5%

- (b) The criteria used to define the non-occupation or abuse of PRH flats are:

- (i) Non-occupation, such as staying in proven alternative accommodation and not retaining regular and continuous residence for over three months;

- (ii) Sub-letting to unauthorized persons;
- (iii) Operating illegal activities (for example, gambling or storage of drug); and
- (iv) Non-domestic usage (for example, commercial activities).

The overall number of abuse cases detected and flats recovered during the past three years is as follows:

<i>Year</i>	<i>Number of abuse cases detected</i>	<i>Number of flats recovered[#]</i>
2008-2009	392	254
2009-2010	377	237
2010-2011	444	183

Note:

- # Excluding an average of 2 100 self-surrender cases per annum when some of the households surrendered their flats voluntarily during the course of investigation; and an average of 600 cases per annum of Notice-to-Quit cases as a result of rent arrears when some out-going tenants failed to pay rent on the understanding that their PRH flats would eventually be recovered due to their breach of tenancy conditions.

To safeguard the proper use of PRH flats, the Housing Department (HD) has established a Biennial Inspection System (BIS) to detect tenancy abuses cases. Under the BIS, estate management staff will conduct flat visits to all PRH households every two years and take the opportunity during flat inspection to detect potential tenancy abuses. For the latest Biennial Inspection Cycle starting from 1 November 2010, a total of 345 600 households have been visited as at 30 September 2011. Suspected cases found will be referred to a Central Team for in-depth investigation. The Central Team will also identify tenancy abuse cases through web-patrol, checking of deceased tenant cases as well as investigation of complaint cases and randomly selected cases. Besides, publicity programmes are launched regularly to encourage the public and sitting tenants to report abusive use of PRH flats.

In the past three years, the Central Team has investigated some 7 600 suspicious occupancy-related cases annually. These measures are effective and have a deterrent effect in tackling tenancy abuses and recovering flats for reallocation to those in need.

- (c) The "well-off tenants policies" is to encourage well-off tenants to vacate their PRH flats in order to ensure the rational allocation of limited public housing resources. Households which have been living in PRH flats for 10 years are required to declare their income every two years under the HSP. The rationale is that after 10 years' residence, the income of households may have increased to such an extent that they no longer require the public housing subsidy. Those with household income exceeding the prescribed income limits are required to pay 1.5 times or double net rent plus rates. For double rent paying households, they are required to declare their assets biennially under the policy on SRA to determine their eligibility for continued stay in PRH. Currently, around 380 000 households (55.3% of the PRH households) are required to declare their income and/or assets biennially under the "well-off tenants policies".
- (d) "Income" and "assets" are the two determinants for PRH subsidy. On the income side, PRH tenants with total household income exceeding two times but not exceeding three times of the WLILs are required to pay 1.5 times net rent plus rates. Those with total household income exceeding three times of the WLIL are required to pay double net rent plus rates. The WLILs will be reviewed annually.

On the asset side, the Net Assets Limits (NALs) are set at 84 times of the WLIL. The WLIL is reviewed every year with reference to the latest economic statistics under an established mechanism. Households who opt not to declare their assets or with total net household assets exceeding the prevailing NALs will be required to vacate their flats. If they have difficulty and are unable to vacate on the specified date, the HA may grant them a fixed term licence for temporary stay at the flat they are occupying for a maximum period of 12 months, during which time they will be charged a

licence fee equivalent to the double net rent plus rate or market rent, whichever is higher.

(e) and (f)

The existing policies on income and assets declarations are considered effective in ensuring the rational allocation of public housing resources. In 2010-2011, some 24 000 PRH households were required to pay additional rent. The HA has no plan to change the existing mechanism which has been working smoothly and effectively. As set out in part (b) above, the HD will remain vigilant in checking and investigating as appropriate suspected cases of abuse to ensure proper use of public resources.

(g) and (h)

Currently, the HS provides two types of rental estate units, namely Group A estate units (Group A units) and Group B estate units (Group B units). According to the HKHS's policy, Group A units are for low income families with housing needs, while Group B units target families of relatively higher income as compared to the HKHS Group A estates.

The HKHS's Group A units are mainly allocated to applicants of the WL of the HA. When there are a certain number of vacant flats, the HKHS will inform the HD, and the HD will inform eligible applicants on the WL in writing. The HKHS will then follow up by sending letters to eligible applicants to invite them to apply for Group A units. Eligible applicants may apply direct to the HKHS for those flats on a voluntary basis. The HA has not compiled statistics categorically on the average waiting time for cases allocated with Group A units.

Those who wish to live in the HKHS's Group B units have to apply directly to the HKHS. According to the HKHS, all Group B units are currently rented out. Over the past three years, there were 78 Group B units reallocated to eligible applicants upon the moving out of tenants.

The HKHS does not have a "well-off tenant" policy. It conducts regular home visits once every three years after applicants are admitted into the HKHS' rental units to ascertain the residency situation of the units and update the particulars of the tenants.

Education for Ethnic Minority Children

14. **MS EMILY LAU** (in Chinese): *President, according to the statistics in 2006, 22.4% of the young persons aged 19 to 24 studied full-time post-secondary programmes in Hong Kong, while the corresponding percentage among South Asian young persons (including Filipinos, Indonesians, Indians, Thais, Nepaleses and Pakistanis) was only 5.4%, and they stand a much slimmer chance of pursuing post-secondary education than their local counterparts. Regarding the issue of education for ethnic minority (EM) children, will the Government inform this Council:*

- (a) *given that although the Equal Opportunities Commission (EOC) had, in its report released in July this year, pointed out that our education system did not provide EM children with a level-playing field for education advancement, and had put forward a number of recommendations, the authorities have not yet provided a response or discussed the report with the EOC, of the reasons for that;*
- (b) *whether the authorities will accept the following recommendations put forward by the EOC to the Education Bureau; if they will, of the details; if not, the reasons for that:*
 - (i) *development of a Chinese proficiency testing system with curriculum taught in stages, graded assessment and accreditation, and provision of an alternative language qualification for educational advancement as well as a benchmark for language proficiency required by different trades and job groups; and*
 - (ii) *provision of language and cultural programmes for EM children at pre-primary level;*

- (c) *given that the EOC had pointed out in its report that "while it would be rare that an EM child is refused admission to an educational establishment on the ground of his race, it is more often that he is rejected due to his lesser proficiency in Chinese as compared with other Chinese speaking competitors. The Chinese proficiency requirement, if unjustly administered by individual schools, may amount to indirect discrimination under the Race Discrimination Ordinance", whether it knows if the EOC will, when necessary, consider conducting formal investigations in this regard; if the EOC will do so, of the circumstances under which the EOC will conduct formal investigations; if the EOC will not do so, the reasons for that; and*
- (d) *given that the EOC had pointed out in its report that due to the absence of adequate support in the mainstream schools, some of the parents could only choose designated schools, and there was a view that the policy of giving the choice of designated schools might in itself be discriminatory because it reinforced segregation, whether it knows if the EOC will, when necessary, consider conducting formal investigations in this regard; if the EOC will do so, of the circumstances under which the EOC will conduct formal investigations; if the EOC will not do so, the reasons for that?*

SECRETARY FOR EDUCATION (in Chinese): President,

- (a) The Government is committed to facilitating non-Chinese speaking (NCS) students' early adaptation to the local education system and integration into the community.

Measures to support NCS students have been progressively implemented since 2006. We encourage NCS parents to send their children to mainstream schools like their local counterparts, and facilitate those NCS students who have started late in learning the Chinese Language or have not been given the opportunity to learn the local Chinese Language curriculum to attain an alternative Chinese Language qualification. The number of NCS students sitting for General Certificate of Secondary Education (Chinese)

(GCSE (Chinese)) has progressively increased to about 190 in 2011, as compared with 10 in 2007 when the examination was first administered in Hong Kong. Out of these 190 students, about 170 have attained the alternative Chinese qualification⁽¹⁾. In 2011, 17 out of 64 NCS students studying in Secondary Seven of public-sector and Direct Subsidy Scheme schools who sat for the Hong Kong Advanced Level Examination have received offers from institutions under the Joint University Programmes Admissions System (JUPAS). Separately, about 250 NCS students are taking full-time locally accredited self-financing degree or sub-degree programmes.

The support measures for NCS students are developmental in nature and subject to refinement, as appropriate, to meet the changing circumstances and needs. The Education Bureau is considering seriously the Report on Education for Ethnic Minorities published by Working Group of the EOC on 11 July 2011 and will maintain dialogue with the Working Group. We are examining the support measures, having taken into account views of stakeholders, with a view to effectively enhancing NCS students' learning effectiveness.

- (b) (i) To address the practical needs of NCS students in learning the Chinese Language, the Education Bureau issued the "Supplementary Guide to the Chinese Language Curriculum for NCS Students" (the Supplementary Guide) and dispatched a series of learning and teaching materials to schools in late 2008. The Supplementary Guide, including four curriculum modes of "immersion in Chinese Language lessons", "bridging/transition", "specific learning purposes" and "integration", caters for the diverse needs and aspirations of NCS students and supports their learning of the Chinese Language at different stages of development.

Our strategy of providing multiple curriculum modes under a common curriculum framework, based on local pedagogical

(1) A Grade D or above attained in GCSE (Chinese) Examination is considered as satisfying the corresponding subject result requirement at Level 2 in the Hong Kong Certificate of Education Examination, that is, in lieu of the general Chinese Language requirements for JUPAS applications under specified circumstances.

practices as well as experiences of other places, has been widely accepted by schools. Offering an alternative Chinese Language curriculum and assessment with pre-set simpler contents and lower standards for NCS students will only limit their learning opportunities and development. In other words, it will hinder the development of those NCS students who are able to learn at a pace comparable to their local counterparts. Research findings also suggest that given the support and empowerment, the learning pace of some NCS students can be on a par with that of local students.

To further support NCS students in learning the Chinese Language, and cater for the needs of schools for more Chinese learning and teaching materials that are suitable for NCS students, we have developed two sets of "textbooks" covering different learning stages of the primary and secondary levels by adapting and consolidating those learning and teaching materials collected from experienced schools which are found effective. These "textbooks" were dispatched free of charge to schools for use by teachers and NCS students in 2009 and 2010.

Based on a study on NCS students' performance in Chinese Language, we have commissioned the University of Hong Kong to develop assessment tools covering the dimensions of characters recognition, characters writing, listening, speaking, reading and writing for schools' internal use. These assessment tools have been uploaded onto the Education Bureau's website for schools to assess the learning outcome of Chinese Language of their NCS students with a view to setting specific learning objectives so as to enhance the effectiveness of learning and teaching with reference to the assessment results.

Besides, to enhance NCS students' competitiveness in the workplace, we are planning to launch a Pilot Scheme on Workplace Chinese Language with programmes pegged to the Qualifications Framework.

- (ii) Our pre-primary curriculum design is underpinned by an integration approach with kindergartens to create a language-rich environment in which children, including NCS children, can develop their language abilities through try-outs, exploration and interaction. The teaching contents and pace would also be adapted according to their needs.

NCS parents are encouraged to send their children to kindergartens offering a local curriculum to enable them to learn the Chinese Language as early as possible. When examining our support measures for NCS students, we will also consider extending our support to NCS children in kindergartens to facilitate their early adaptation to the local education system.

- (c) We will meet the EOC in November 2011 to discuss the contents and recommendations of its report. We understand that the EOC is not considering a formal investigation for the time being since the matters are now at a stage of mutual interaction. According to the EOC, if there is information showing that the Chinese proficiency requirement may constitute systematic discrimination against EM students, and the Administration refuses to examine or consider improvement measures, the EOC will take further actions, including formal investigations.
- (d) According to the EOC, it will carry out investigations if there is information showing that a school refuses to admit a student on racial grounds. It will also consider formal investigations if there is information showing that racial segregation has arisen out of inadequate support by the Administration.

Complaints on Excessive Fees Charged by Telecommunications Service Providers

15. **MR ALBERT CHAN** (in Chinese): *President, in reply to my question on 8 December 2010 on the issue of excessive service fee-charging by telecommunications service providers, the Government said that when there was*

evidence to indicate that a service provider might breach the Telecommunications Ordinance (Cap. 106) (TO) or the licensing conditions, the Office of the Telecommunications Authority (OFTA) would carry out investigation and penalize the service providers in substantiated cases. Yet, I have still received complaints recently from a number of members of the public that they were charged by telecommunications service providers for services they did not apply for. In addition, some members of the public pointed out that the service charges of the telecommunications service providers were much higher than what they should actually pay, thus causing them to suffer huge losses. In this connection, will the Government inform this Council:

- (a) whether it knows the number of complaints, received in the past 12 months by the OFTA and the Consumer Council (CC) respectively, which involved excessive fee-charging by telecommunications service providers and the names of the service providers concerned, broken down by the type of telecommunications services (for example, fixed-line telephones, mobile phones, external telecommunications and broadband Internet access, and so on) and the nature of complaints;
- (b) whether it knows, among the cases in part (a), the number of those in which the complainants sought compensation successfully, as well as the names of the telecommunications service providers which were prosecuted and the number of prosecutions instituted against them; and
- (c) apart from continuing to implement the existing measures to regulate telecommunications service providers, whether the authorities will adopt new regulatory measures to better protect consumers' interests; if they will, of the details; if not, the reasons for that?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, Hong Kong's telecommunications market has been developing rapidly. Fixed, mobile and broadband services are highly pervasive and competitive. At present, there are about 21 million users of telecommunications services in Hong Kong. The OFTA and the CC receive complaints in respect of the billing of telecommunications services from time to

time. Normally, such complaints will be referred to the service operators concerned direct for follow-up action. The OFTA is empowered by the TO to regulate the telecommunications sector. When there is evidence indicating that an operator may have breached TO or the licensing conditions, the OFTA will conduct an investigation and penalize the operator if the case is substantiated.

My reply to the question is as follows:

- (a) Since it takes time to process the relevant data, the Administration is unable to provide the number of complaints on billing disputes received in October 2011. The number of complaints on billing disputes⁽¹⁾ received by the OFTA from October 2010 to September 2011, broken down by the type of services, is set out below:

	<i>October 2010 to September 2011</i>
Fixed services	115
Mobile services	1 122
Internet access services	113
Others (for example, external communications services)	32
Total	1 382

The number of complaints on billing disputes⁽¹⁾ received by the CC from October 2010 to September 2011, broken down by the type of services, is set out below:

	<i>October 2010 to September 2011</i>
Fixed services	354
Mobile services	1 214
Internet access services	774
Others (for example, external communications services)	1 512
Total	3 854

- (1) While some complaints on billing disputes involve overcharging, some may involve other billing disputes such as consumers not being clear about the details of their tariff plans. As such, the figures in part (a) are not limited to complaints about overcharging. Neither the OFTA nor the CC further categorizes complaints on billing disputes received.

Not all complaints are substantiated and some of them may be service enquiries only. Moreover, the numbers of complaints against individual operators may be affected by their customer bases. Therefore, in line with the established practice of handling consumer complaints, the OFTA and the CC will not disclose the names of the telecommunications service operators involved in the complaints.

- (b) As most complaints in respect of billing disputes are contractual disputes between individual consumers and operators, the OFTA and the CC do not have the right to intervene directly in such cases. However, the OFTA and the CC have always endeavoured to help resolve contractual and billing disputes between consumers and operators through mediation. Among the complaints set out in part (a), the OFTA referred to the operators and mediated in 1 100 cases with the consent of the complainants, and 578 (53%) of them have been settled. The CC referred to the operators and mediated in 3 441 cases with the consent of the complainants, and 2 564 (75%) of them have been settled. For the remaining cases, the OFTA and the CC have requested the operators to handle them properly. In the past year, insofar as complaints on billing disputes are concerned, the OFTA did not find any substantiated breaches of TO or licensing conditions on which the imposition of a penalty or fine was required.
- (c) At present, licences issued by the OFTA to the telecommunications service operators include conditions for protecting consumers. For instance, the licensee is required to ensure the accuracy and reliability of its metering equipment and billing system related to service usage. In addition, section 7M of TO expressly provides that a licensee shall not engage in misleading or deceptive conduct in providing telecommunications services, including promoting, marketing or advertising such services. If there is evidence indicating that an operator is in breach of TO or the licensing conditions, the OFTA will commence investigation and penalize the operator if the case is substantiated.

The OFTA has been closely monitoring the market situation by analysing consumer complaints and media coverage of

telecommunications services, so as to understand public concerns and formulate timely measures for consumer protection. In June 2010, the OFTA requested mobile network operators to implement a series of measures, including allowing customers to opt out of mobile data services and setting a charge ceiling and a usage cap, to prevent "bill shock" caused by unintentional or inadvertent use of mobile data services. As regards telecommunications service contracts into which consumers enter, the OFTA has been in active discussion with the telecommunications industry on measures to improve such contracts. In July 2011, the industry formally implemented the Industry Code of Practice for Telecommunications Service Contracts (the "Industry Code") issued by the Communications Association of Hong Kong, an industry organization, in collaboration with the major telecommunications service operators. The Industry Code provides guidelines on drawing up telecommunications service contracts for personal or residential users, and introduces improvements in such aspects as contract details and arrangements for contract termination and renewal.

The above measures have proved to be effective. From January to September this year, the numbers of complaints on billing disputes received by the OFTA and the CC have dropped substantially by nearly 30% and by around 29% respectively as compared to the same period of last year. So far, the OFTA has not found any breaches of the Industry Code since its implementation.

In addition, to enhance the transparency of pricing in respect of chargeable items in telecommunications services, the OFTA issued in October this year the Code of Practice in Relation to Billing Information and Payment Collection for Telecommunications Services, which provides guidelines on the information to be included in bills and on the arrangements for payment collection, for compliance by operators on a voluntary basis.

The OFTA will closely monitor the implementation and effectiveness of the above measures, and consider enhanced or new measures to protect consumers, in the light of operators' experience

and consumers' views. The OFTA will continue to actively monitor the market situation with a view to identifying problems and formulating corresponding strategies in a timely manner.

Overall, the Administration attaches great importance to enhancing consumer protection. To tackle unfair trade practices more effectively, the Administration intends to amend the Trade Descriptions Ordinance (Cap. 362) to prohibit commonly found unfair trade practices in consumer transactions, including false trade descriptions of services, misleading omissions, aggressive practices and bait-and-switch tactics. The amended provisions will be applicable to telecommunications services. We are now pressing ahead with the relevant law drafting work.

Group Purchase of Ferry Tickets and Other Travel Related Products and Services

16. **MR PAUL TSE** (in Chinese): *President, I have learnt that online group purchases are popular in recent years, with many consumers buying various kinds of travel related products and services, including land travel tickets, ferry tickets, admission tickets for tourist attractions and even group tours, and so on, through group purchase websites. Yet, such group purchase companies are, in general, neither licensed travel agents nor subject to regulation by the relevant regulatory authorities. In this connection, will the Government inform this Council:*

- (a) of the policy and measures put in place by the authorities to protect those consumers who purchase travel related products and services through the aforesaid group purchase companies;*
- (b) whether it knows the number of complaints received by the Travel Industry Council of Hong Kong, the Hong Kong Tourism Board and the Tourism Commission in the past two years, which involved group purchase travel products and services; and*
- (c) whether the authorities will alert consumers, by means of media publicity, to stay vigilant, or take other precautionary measures to*

avoid, as far as possible, consumers incurring losses as a result of buying travel related products and services through group purchase companies?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, our replies to the questions raised by Mr Paul TSE are as follows:

- (a) The Trade Descriptions Ordinance (Cap. 362) (the Ordinance) prohibits any person from applying false trade descriptions to goods in the course of trade. The Ordinance applies to both conventional and online trades. We are now preparing a bill to extend the application of the Ordinance from goods to services and to prohibit common unfair trade practices other than false trade descriptions, such as the practice of accepting payment without the intention or ability to supply goods or services contracted for.

Regarding the purchase of travel packages or tour group services through group purchase companies, the traveller concerned, after payment, has to contact directly the licensed travel agent offering the product for redemption of the product and confirmation of details, including the itinerary, date of departure, as well as transport and accommodation arrangements. The traveller should ask the licensed travel agent concerned for an official receipt franked with the levy stamp of the Travel Industry Compensation Fund (TICF) for the TICF protection.

- (b) In the past two years, the Travel Industry Council of Hong Kong and the Hong Kong Tourism Board did not receive any complaints about group purchase travel products and services. Among the complaints received by the Travel Agents Registry under the Tourism Commission during the same period, a total of nine cases were related to group purchase travel products and services.
- (c) With regard to general online group purchases, the Consumer Council published, in the April 2011 issue of the "*CHOICE*" magazine, a feature article introducing the operation of online group

purchases, possible transaction risks and issues to pay attention to (for example, the need to understand the rights and obligations of these group purchases portals, the history of transactions conducted through such portals and the terms of transactions, and so on). We will continue to work with the Consumer Council to strengthen consumer education. Moreover, the Government has been broadcasting Announcements of Public Interest regularly to remind outbound travellers to patronize licensed travel agents and check their receipts to confirm whether the travel products concerned are covered by the TICF protection.

Salaries of Teachers in Government and Aided Schools

17. **DR PAN PEY-CHYOU** (in Chinese): *President, regarding the salaries of teachers in government and aided schools, will the Government inform this Council:*

- (a) *given that according to the recommendation of the Hong Kong Standing Commission on Civil Service Salaries and Conditions of Service in 1989, non-graduate teachers should be granted two increments after obtaining Post-graduate Certificate in Education (PGCE) or teachers' certificate or equivalent qualifications, whether all non-graduate Certificated Masters/Mistresses (CMs) who had obtained such qualifications while in service and appointed on transfer as Assistant Education Officers (AEOs) in government schools or Graduate Masters/Mistresses (GMs) in aided schools had been granted the two increments so far; if not, of the reasons; the number of them not granted the two increments;*
- (b) *in each year since 1999, of the number of teachers not granted any increment for relevant experience (ICE) as their accumulated recognized experience fell short of one year when they first joined government schools; whether the authorities have any plan to amend the existing requirements and make reference to the practice of aided schools of counting recognized experience for granting ICEs by the number of months;*

- (c) *in which financial years since 1999 the authorities adjusted the starting salaries of AEOs in government schools and GMs in aided schools, and of the details of the changes in pay points; whether it knows if there were CMs who were appointed on transfer as AEOs in government schools or GMs in aided schools after the downward adjustment of the starting salaries, and their present salaries are lower than that of other teachers with the same years of service as well as of the same rank but were appointed in different years; if so, of the details; if at present the authorities do not have the relevant information, whether they will plan to conduct studies and surveys accordingly in this regard;*
- (d) *given that some teachers' associations reflected that due to appointments on transfer and salary adjustments, the salaries of some government school teachers are lower than that of aided school teachers with the same years of experience, whether the authorities have assessed if this contradicts the objective of encouraging the movement of teachers between schools under the "healthy turnover" policy and has split the teachers; in addition, how the authorities will deal with and assist those government school teachers who were affected by appointments on transfer as well as salary adjustments; and*
- (e) *whether the authorities have considered conducting a comprehensive review of the existing method for calculating the salaries of government school teachers and aided school teachers (including studying whether the salaries of the two groups of teachers should be aligned)?*

SECRETARY FOR EDUCATION (in Chinese): President, at its meeting on 20 June 2011, the Panel on Public Service of the Legislative Council discussed in detail the salaries of teachers in government and aided schools (LC Paper No. CB(1)2436/10-11(01)). My reply to each part of the question raised by the Member about this matter is as follows:

- (a) The entry pay of teachers appointed to the Civil Service is determined in accordance with Civil Service Regulation (CSR) 130.

According to CSR 130(1), the entry pay of an appointee (including a new recruit and a serving civil servant appointed on transfer from one civil service grade to another) shall normally be offered at the minimum pay point of the civil service grade to which the appointee is appointed. Individual grades may offer a higher entry pay to an appointee to take account of relevant qualifications and/or experience above the prescribed levels in accordance with any prevailing arrangement promulgated by the Secretary for the Civil Service. In addition, CSR 130(2) sets out the method for calculating the pay of serving civil servants upon transfer to another grade. A serving officer appointed on transfer to another grade shall be offered a pay determined in accordance with CSR 30(1) or 130(2), whichever is the higher.

A CM appointed on transfer as an AEO may be offered an entry pay higher than the minimum pay point of the AEO rank to take account of his relevant qualifications and/or experience at the time of appointment. Since the implementation by the Civil Service Bureau of the recommendations set out in Report No. 26 of the Standing Commission on Civil Service Salaries and Conditions of Service, the Education Bureau (that is, the ex-Education Department) has all along granted two increments to such CMs with recognized professional qualifications in accordance with CSR 130(1) on their transfer to the AEO rank.

Subsequent to the 1999 Starting Salaries Review, the Administration lowered the starting salaries for degree and related grades (including the Education Officer grade) with effect from 1 April 2000 to bring them more in line with the entry pay levels in the private sector. For the AEO rank, the starting salary was adjusted downward from Master Pay Scale (MPS) Point 17 to MPS Point 12. To ensure that serving teachers on transfer among public sector schools would not be adversely affected by the downward adjustment of the starting salary of AEO, the Administration put in place a "carry forward arrangement", under which the pay of a serving teacher appointed as an AEO on or after 1 April 2000 may be set at a level determined in accordance with CSR 130(1) or the "carry forward arrangement", whichever is the higher. If the teacher receives a higher entry pay

under the "carry forward arrangement", the granting of increments under CSR 130(1) for relevant qualifications and/or experience will not be applicable.

The Education Bureau has been adhering to the above mechanism in determining the entry pay of AEOs.

A similar arrangement has also been adopted in determining the salaries of teachers in aided schools. Serving CMs appointed on transfer as GMs in aided schools will be offered the prevailing starting salary of the GM rank plus increments for relevant qualifications (that is, PGCE or equivalent) and/or experience, or a pay determined under the "carry forward arrangement", whichever is the higher. If the teacher receives a higher entry pay under the "carry forward arrangement", the granting of increments for relevant qualifications will no longer be applicable.

The Education Bureau does not have the number of cases in which salaries were determined in accordance with the "carry forward arrangement" where granting of increments for relevant qualifications was not applicable.

- (b) According to CSR 130(1), the entry pay of an appointee to the Civil Service shall normally be offered at the minimum pay point of the grade to which the appointee is appointed. However, when a department has to recruit officers with specific working experience due to operational needs and has recruitment difficulty at that particular rank, it may consider offering incremental credits for experience (ICE) to new recruits with experience above the basic entry requirements. Under the principle of prudent use of public funds, the recruiting department should not offer ICE if there are sufficient suitable candidates willing to join the service at the normal entry pay. Likewise, it should not advance the annual incremental date of a new recruit to take account of the remainder of his working experience that falls short of one whole year. Since there was no recruitment difficulty in the open recruitment of AEOs in recent years, the ICE arrangement was not applicable to newly appointed AEOs.

- (c) The Administration conducted reviews of starting salaries in the Civil Service in 1999, 2006 and 2009 respectively. Adjustments made to the starting salaries of AEOs in government schools after these three reviews are tabulated as follows:

<i>Year of Starting Salaries Review</i>	<i>Adjustments to starting salaries of AEOs (Pay Points on MPS)</i>	<i>Effective date</i>
1999	From Point 17 to Point 12	1 April 2000
2006	From Point 12 to Point 17	1 August 2007
2009	From Point 17 to Point 15	1 October 2010

According to the established practice, findings of starting salaries reviews in the Civil Service are also applicable to teachers in aided schools who are paid according to the civil service pay scales. Therefore, the above adjustments to the starting salaries of AEOs are also applicable to GMs in aided schools.

When a CM in a government school is appointed on transfer as an AEO, he will be offered a pay not lower than that before his transfer, no matter whether his entry pay is determined according to CSR 130(1) or the "carry forward arrangement". A similar arrangement is also adopted in aided schools. When a CM in an aided school is appointed as a GM, he will be offered a pay determined under the "re-assessment method" or "carry forward arrangement", whichever is the higher, to ensure that he will not be paid less than before. In sum, the existing entry pay determination arrangements already provide salary protection for individual CMs in government and aided schools on transfer.

Apart from the starting salaries effective at the time of appointment, the rank concerned and the experiences, the salary of a teacher may also be affected by the effective date of appointment, the prevailing pay determination rules and the individual appointment profiles. It is therefore inappropriate to make a general comparison of the salaries of teachers appointed at different times. The Education Bureau has not conducted any survey on the terms and conditions of appointment of teachers on transfer in different years.

- (d) Although government school teachers appointed on civil service terms and aided school teachers belong to the education profession and are remunerated according to the same pay scale, they are employed under two different operational and management systems and governed by different rules and codes. While different terms of appointment, including pay determination rules, have been adopted by government and aided schools for their teachers, such terms have all along been consistently applied in the respective systems.

"Healthy turnover" is an administrative measure, aiming to ensure that a serving teacher will not be paid less upon transfer between schools within the public education sector unless the transfer is from a graduate teaching post to a non-graduate teaching post. The existing pay determination arrangements already provide salary protection for individual teachers on transfer.

We would like to reiterate that "healthy turnover" does not guarantee or require that the terms and conditions of appointment for government school teachers should be strictly the same as those for aided school teachers. Therefore, the existing pay determination arrangements do not contravene the objectives of "healthy turnover".

- (e) As mentioned above, officers in the Education Officer and CM grades in government schools are civil servants. Their salaries and other terms and conditions of appointment are determined in accordance with the relevant CSRs and other rules and regulations promulgated by the Civil Service Bureau. On the other hand, aided school teachers are not civil servants. Their salaries and other terms and conditions of appointments are determined by the Codes of Aid and rules and regulations issued by the Education Bureau. When accepting an appointment offered by a government school or an aided school, a teacher should be aware of the differences in the terms of appointment offered by these two types of schools, including salary arrangements and fringe benefits. Since the above pay determination methods have been consistently applied in the respective systems, the Administration has no plans to revise the existing arrangements.

Measures to Promote Green Transport

18. **MR KAM NAI-WAI** (in Chinese): *President, the Financial Secretary proposed in the 2010-2011 Budget that a \$300 million Pilot Green Transport Fund (the Fund) be set up to encourage the transport sector to introduce green and innovative transport technologies, with a view to improving air quality. The Environmental Protection Department announced last month that the first batch of 13 applications under the Fund had been approved, which covered the trial of 16 electric buses and nine electric goods vehicles with a total subsidy of about \$50 million. In this connection, will the Government inform this Council:*

- (a) *whether the authorities have, when putting forward the proposal for the Fund, set different indicators such as the number of applications submitted, the number of applications approved, or air quality data, and so on, for monitoring and assessing the operation and effectiveness of the Fund; if they have, of the details; if not, the reasons for that; and of the improvement measures to be adopted by the authorities when the Fund receives lukewarm response and fails to yield satisfactory results;*
- (b) *given that it has been reported that as at March this year, two applications which involved the trial of electric motorcycles had been rejected on the ground that motorcycles did not satisfy the definition of "public transport", how the decision on the scope of the Fund had been made by the authorities in the first place; whether they intend to examine extending the scope of the Fund (such as covering trial projects which do not meet the definition of "public transport" and those on "electric commercial vehicle"); if so, of the details; if not, the reasons for that;*
- (c) *given that it has been reported that six applications submitted by the member companies of one particular bus group were approved for subsidy under the Fund, involving a total of 12 electric buses and a grant of about \$30 million, and that some members of the Steering Committee of the Fund who participated in the vetting and approval of the applications pointed out that the Steering Committee might not have carefully scrutinized the background of the applicants and as a result, the subsidies might be granted predominantly to one*

particular operator, whether the authorities have looked into the vetting and approval process to see if approval was granted in a rash and careless manner, and whether there are mechanisms or guidelines in place to prevent subsidies under the Fund from being granted predominantly to one particular operator; if so, of the details; if not, the reasons for that;

- (d) *given that the Chief Executive has put forth in his policy addresses for 2010-2011 and 2011-2012 respectively the proposal to fund the full cost of procuring six hybrid buses for use by the franchised bus companies along busy corridors in Hong Kong on a trial basis, as well as the proposal to earmark \$180 million for franchised bus companies to purchase 36 electric buses for trial runs on a number of routes to assess their performance in different conditions, whether the authorities have considered extending the scope of the Fund to cover these proposals; if not, of the reasons for that; and the latest progress of the trial of the six hybrid buses; and*
- (e) *whether the authorities know how the current price of an environment-friendly bus (including hybrid, electric and supercapacitor double/single-decker buses) compares to that of an ordinary diesel bus (including double/single-decker buses which meet the European Union's emission standards); and the existing number of buses (including hybrid, electric and supercapacitor buses) in each franchised bus company's vehicle fleet, broken down by the emission standards which the buses meet?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

- (a) The purpose of the Fund is to encourage the transport sector to test out green and innovative transport technologies by way of subsidy so as to improve roadside air quality and avert global climate change. After consulting the Legislative Council, the relevant stakeholders and the Steering Committee of the Fund, we have drawn up details of the subsidy arrangements under the Fund. We anticipate that the Fund would test out various green transport technologies through subsidizing different transport trades in the coming two to three

years, thereby promoting wider use of more environment-friendly and less polluting green transport technologies in the trades.

Since the set up of the Fund on 30 March 2011, we have been actively introducing the Fund to the green and innovative transport product suppliers and the transport trades, and also encouraging them to make use of the subsidy under the Fund so that more green transport products can be used and tested in Hong Kong. The Fund has now successfully attracted many overseas green and innovative transport product suppliers, particularly electric vehicle suppliers, to promote their products in Hong Kong. In just half a year after its set up, the Fund has received enthusiastic responses with 30 applications received, which shows that the suppliers and transport trades are eager to make good use of the Fund to promote green transport. Among the 30 applications received, two thirds are on electric vehicles while others are on hybrid vehicles and after-treatment emission reduction devices. The total subsidy for these applications amounts to about \$90 million or about 30% of the total allocation for the Fund. We will continue to actively encourage the transport sector to make use of the subsidy under the Fund to test out green and innovative transport technologies, as well as to encourage innovative transport product suppliers to introduce their products to the local market so as to promote green transport.

- (b) To deliver the objective of improving the air quality effectively, the subsidy targets of the Fund are the public transport and goods vehicles, which have greater impact on our roadside air quality, as well as ferries. As the two applications quoted by Mr KAM involve electric motor cycles, which are not public transport, they are not eligible for the application.
- (c) In the first batch of approved applications, there are six applications from different companies from the same parent group. According to the Transport Department's advice, these six companies are operating as independent business entities. As such, they meet the eligibility criteria for application under the rules of the Fund.

- (d) As franchised buses are the major source of roadside air pollution on busy corridors, the Government proposes to fund the full cost of procuring hybrid buses and electric buses for trial by the franchised bus companies. Through the trials, we will be able to understand the performance of these buses and collect operational data, henceforth paving the way for promoting the franchised bus companies to use more environment-friendly buses in future. As for non-franchised bus companies, they are eligible for subsidy under the Fund to test green transport technologies. This two-pronged strategy can effectively promote both franchised and non-franchised bus companies to adopt green transport technologies in response to the public aspiration for better roadside air quality.
- (e) The number of buses owned by the franchised bus companies as at end of August 2011, classified by emission standards, is shown at the Annex.

Currently, the respective costs of a new double-deck diesel bus and a new single-deck diesel bus are in the region of \$3 million and \$2 million. However, the costs quoted above would be affected by market conditions such as foreign exchange rates, the number of buses purchased, and so on, and are therefore subject to changes.

As hybrid buses and electric buses are still new transport products, their prices are higher than those of the conventional diesel buses. As the franchised bus companies do not have these kinds of buses in their fleets, and the procurement for the relevant trial programmes has yet to be completed or started, we do not have the exact prices of these buses at this moment. Nevertheless, according to preliminary information provided by bus suppliers and franchised bus companies, the price of a double-deck hybrid bus is about \$5.5 million and that of a single-deck electric bus, including relevant charging facilities, is about \$5 million. We do not have the pricing information for single-deck hybrid buses and double-deck electric buses.

The Number of Buses Owned by the Franchised Bus Companies
(Classified by Emission Standards) as at End August 2011

	<i>The Kowloon Motor Bus Company (1933) Limited</i>	<i>Citybus Limited (Franchise 1)^(Note)</i>	<i>New World First Bus Services Limited</i>	<i>Long Win Bus Company Limited</i>	<i>Citybus Limited (Franchise 2)^(Note)</i>	<i>New Lantao Bus Company (1973) Limited</i>	<i>Total</i>
Pre-Euro	10	2	0	0	0	0	12
Euro I	898	268	68	0	4	0	1 238
Euro II	1 513	370	481	108	162	8	2 642
Euro III	1 099	10	75	16	0	67	1 267
Euro IV	105	28	38	32	0	15	218
Euro V	265	86	44	9	2	14	420
Total	3 890	764	706	165	168	104	5 797

Note:

"Citybus Limited (Franchise 1)" refers to the franchise held by the Citybus Limited for the provision of Hong Kong Island and cross-harbour bus services, while "Citybus (Franchise 2)" refers to the franchise held by the same company for the provision of North Lantau and Chek Lap Kok Airport bus services.

Community Care Fund

19. **MR FREDERICK FUNG** (in Chinese): *President, the Chief Executive announced in his 2010-2011 Policy Address the setting up of a Community Care Fund (CCF), to which the Government and the business sector would each contribute \$5 billion as the seed capital to support in various aspects the grassroots facing economic difficulties. The Finance Committee of this Council subsequently approved the injection of \$5 billion into the CCF. A deposit of \$5 billion from the CCF seed capital is placed with the Hong Kong Monetary Authority to earn an investment return that is linked to the performance of the Hong Kong Exchange Fund, while the remaining amount of CCF funding will be deposited with banks. The operation of the CCF is funded by investment returns on the capital, but the Steering Committee on the CCF may authorize the use of the seed capital in response to special needs that may arise. In this connection, will the Government inform this Council:*

- (a) *of an update of the accumulated balance and the use of the CCF, as well as the latest progress of soliciting donations from various sectors (including a list of donors, the amounts of donations committed and the actual amounts of donations received, and so on);*
- (b) *whether the authorities have assessed if, based on the current positions of injections and donations, the CCF can achieve the target of using investment returns to fund its operation; whether the CCF has used its seed capital so far; if it has, of the reasons and whether this has deviated from its mode of operation as originally formulated; and*
- (c) *how the existing fund-raising situation has fallen short of the target of raising \$5 billion from the business sector; and of the ways to be adopted by the authorities to achieve the target and when they anticipate that the target can be achieved?*

SECRETARY FOR HOME AFFAIRS (in Chinese): President,

(a) and (b)

Since the establishment of the CCF, the Steering Committee on the CCF has launched 12 assistance programmes⁽¹⁾, covering the education, home affairs, medical and welfare areas. These programmes are expected to benefit more than 300 000 people/households at an estimated full-year expenditure of around \$760 million. As at end October, eight of them have been rolled out by the CCF.

Apart from the Government's injection of \$5 billion into the CCF, the amount of donations pledged is about 1.8 billion, some of which are committed to be made by yearly instalments over three years. The actual amount of donations received so far is around \$680 million. We will announce the list of donors at an appropriate juncture, having regard to the wish of individual donors.

(1) Excluding the programme to provide a one-off allowance of \$6,000 to new arrivals, with an additional injection of \$1.5 billion into the CCF as approved by the Legislative Council Finance Committee in July 2011.

A deposit of \$5 billion has been placed with the Hong Kong Monetary Authority to earn an investment return that is linked to the performance of the Hong Kong Exchange Fund, the rate of which is 6% for 2011. The remaining amount of funding has been deposited with banks to earn interest income.

At the inception of the CCF, the Steering Committee on the CCF has decided that the implementation of the assistance programmes and other cashflow requirements will be mainly funded by investment return and interest income, but the seed capital can also be used in a financially prudent manner in response to needs. The priority of the CCF is to launch various assistance programmes as soon as possible to help more needy people, and the CCF has disbursed around \$110 million to the implementing agencies as at end October.

- (c) The current priority of the CCF is to implement various assistance programmes to benefit more people. As the CCF's assistance programmes are launched in phases, we will demonstrate its concrete accomplishments to the community, seek recognition for its work, enlist continued support for its development and continue to accept donations from various sectors.

Services Provided by Protocol Division of Government Secretariat

20. **MR PAUL TSE** (in Chinese): *President, regarding the services provided by the Protocol Division of the Government Secretariat for the 59 Consulates-General, 62 Consulates and five Officially Recognized Bodies in Hong Kong, will the Government inform this Council:*

- (a) *whether specific guidelines have been formulated to let the aforesaid three categories of bodies know the facilities and support services which may be provided by the Protocol Division to them;*
- (b) *whether the facilities and support services provided by the Protocol Division to the aforesaid three categories of bodies are classified into different grades or are different according to protocol*

requirements; if so, of the actual differences and the justifications for such differences; whether such differences will have any impact on the treatment received by the representatives in Hong Kong's overseas offices under the principle of reciprocity; and

- (c) *how and through what channels members of the public and the media can monitor the operation of the Division?*

CHIEF SECRETARY FOR ADMINISTRATION (in Chinese): President,

- (a) The Protocol Division has already provided detailed information in respect of its facilities and supporting services to relevant Consulates-General, Consulates and Officially Recognized Bodies.
- (b) The Protocol Division provides supporting services to members of the Consular Posts and Officially Recognized Bodies in Hong Kong in accordance with the Vienna Convention on Consular Relations, Regulations of the People's Republic of China Concerning Consular Privileges and Immunities, Regulations of the People's Republic of China Concerning Diplomatic Privileges and Immunities and relevant bilateral agreements signed between the Central People's Government and the respective sending States or International Organizations (IOs). The level of privileges and immunities enjoyed by members of the Consular Posts and IOs are matters of foreign affairs for which the Central People's Government is responsible. Hong Kong government officials who work in overseas offices are not consular or diplomatic staff. Therefore, their entitlements in the receiving States are not linked to the privileges and immunities enjoyed by members of the Consular Posts and IOs in Hong Kong.
- (c) Same as any other government department, the Protocol Division is subject to internal monitoring and monitoring by independent bodies such as the Audit Commission and the Office of The Ombudsman. The Protocol Division will also positively respond to enquiries and comments of the public and the media.

MEMBERS' MOTIONS

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

DEPUTY PRESIDENT (in Cantonese): First motion: Alleviating the financial burden of middle-class people.

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

I now call upon Mr LAU Kong-wah to speak and move his motion.

ALLEVIATING THE FINANCIAL BURDEN OF MIDDLE-CLASS PEOPLE

MR LAU KONG-WAH (in Cantonese): Deputy President, the motion sponsored by me today is "Alleviating the financial burden of middle-class people". Deputy President, this motion is a timely one. If we look at the situation nowadays or recently, we will find that the debt crisis in Europe is escalating and in Hong Kong, the group of people who will ultimately fall victim or fall victim the soonest to it is the middle class. Moreover, from this month onwards, the Financial Secretary will consult various political parties and groupings on the Budget of the next financial year. The motion debate today is timely in that apart from Members of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB), it also enables friends in various political parties and groupings to voice some views.

(THE PRESIDENT resumed the Chair)

President, we can see that a few days ago, the Government announced a figure on the income and expenditure situation in the past six months. This figure is quite important: The fiscal deficit in the first half of this year was \$5.4 billion. Compared with the same periods in the past few years, the deficit last year was \$18.4 billion, that in 2009 was \$64.8 billion and in 2008, it was \$48.5 billion. In other words, the deficit so far this year has been significantly less. A comparable year is 2007, when the figure for the same period was \$5.6 billion. If the amount this year is \$5.4 billion and that in 2007 was about \$5.6 billion, and when the books were closed in 2007, the total surplus was as high as \$120 billion. For this reason, many analyses predict that when the books are closed in the future, the fiscal surplus this financial year will be quite substantial.

Of course, we may have a great deal of revenue and surplus, but it is not necessary to spend them all. The most important thing is to make good use of them. Therefore, although this is the last Budget of the present Government, I hope the Government can formulate a longer-term plan by seizing the opportunity of recording a potentially huge fiscal surplus to ease the financial burden of the middle class in the short term. This will be really helpful to them.

When I proposed this motion initially, some commentaries alleged that I was trying to take advantage of the situation. I also agree that I am taking advantage of the situation. If the coffers are overflowing with cash, I think it would be most appropriate if we can take advantage of the situation by siphoning some off it and giving it to the middle class. The middle class always have to make payments but they do not receive anything. This has always been the situation. Given the present surplus, it would only be fair and proper to offer some financial relief to them.

President, to the middle class, Hong Kong has become a city of three categories of troubles, that is, troubles in housing, troubles in child raising and troubles in retirement. Members of the middle class have to face these troubles and hassles. Housing is troublesome whether they have their own homes or not: Those with their own properties have to service their mortgage and those without have to look for a dwelling place. Of course, servicing mortgages is quite a burden. It is still bearable given the present low interest rate but if the interest rate rises, the burden will become heavier, whereas those without their own properties are still waiting. Certainly, the Policy Address published recently

proposes the introduction of a new Home Ownership Scheme (HOS) and the My Home Purchase Plan, and they have our total support.

Some commentaries say that if the current premium is not used in calculating the value of new HOS flats, this would not be fair. President, I do not quite agree with this view. The reason is that the financial capacity of people who want to buy their own homes has fallen too far behind land prices. If the current premium is used in the calculation, even though discounts are given, they will only be left out in the cold, or left outside buildings. Therefore, if the Government wants to build new HOS flats, they must be both available and affordable. If they are only available but not affordable, it would be just as pointless.

President, on the trouble of child raising, we can see that many young parents, and even older parents, have to provide for their children's education. In particular, the expenses on their children's activities, and so on, are all very exorbitant. If we look at the prices of goods like diapers and milk powder, they are expensive and make the middle class feel very hard pressed. Even for members of the middle class who are close to retirement, if they do not have much savings, in the face of high property prices, high prices of goods and the longer life expectancy, they are also feeling very much troubled. Therefore, looking ahead, the Government has to step up its efforts to do something in housing, child raising and retirement.

People in the middle class also have another characteristic, that is, they often complain about only having a share in paying taxes but not in welfare benefits. This is indeed the case. They have no share in receiving the transport subsidy, in the allocation of public housing, and not even in receiving assistance from the Community Care Fund. In these circumstances, if we do not care about them in some way, their grievances will grow even greater.

Yesterday, an organization announced that the rate of pay increase next year may be 4% or 5%, but if we look at some figures more closely, we will find that in fact, the lower the income of a member of the middle class, the more difficult it is for him or her to catch up with inflation. These days, it is very difficult for the middle class to catch up with inflation by securing real-term wage increases. Moreover, we can see increasingly clear that real-term wages are seeing a trend of downward adjustment.

The thinking of the middle class is that the Government is unable to offer any assistance to them but they themselves cannot cope either, so they have fallen between two stools. I think the Government must take this tide of grievances very seriously. In fact, when the Government introduces certain policies, for example, those on healthcare insurance and retirement protection, there are always voices of opposition from the middle class, and herein lies the reason. Therefore, since the middle class is a major pillar of political stability, it is very important to take this tide of grievances very seriously and channel them by introducing some measures in earnest.

Today, the DAB will raise several areas for discussion, including taxation, housing, healthcare, education and transport. Mr CHAN Kam-lam of the DAB will talk further about taxation later; Ms Starry LEE will focus on education and Mr CHAN Hak-kan will voice the DAB's views on healthcare. Yesterday, we also announced the results of our survey, in the hope that the Government will make reference to it.

I wish to focus on the issue of transport. Today, Secretary Eva CHENG has answered a very important question raised by Ms Starry LEE. The question asked by Ms Starry LEE covers such issues as whether monthly passes are available, whether sectional fares will be introduced and whether the dividends collected will be allocated to passengers of the MTRCL or not, but it seems none of these will be offered. In fact, it can be said that the views on policies in Hong Kong are very pluralistic and divergent, but there is one voice which is fairly unanimous, that is, transport fares are too high. If the Government does not take this matter seriously, it will miss an opportunity that has presented itself.

I once pointed out that a conclusion in the Policy Address of the Chief Executive, Mr Donald TSANG, was that when the market fails, the Government should intervene as appropriate. However, I would amend it as: Before the market fails, the Government should also intervene. In fact, this issue of transport fares has also come to a point where the market is about to fail. We can see that the Government has to provide some sort of financial support to the ferry services. This is a beneficent measure but if the MTRCL increases its fares every year and rejects all proposals on the ground that the formula in the fare adjustment mechanism can be reviewed, I think this is not advisable.

Take the dividend as an example, the Government is still a major shareholder of the MTRCL and each year, it receives dividends from the MTRCL. Where do the dividends come from? They come from passengers of the MTRCL. Take this year as an example, the dividends that the Government received from the MTRCL amounted to \$1.3 billion and under the fare adjustment mechanism, the fare increases made by the MTRCL can generate an additional \$200 million of revenue. In other words, if the Government foregoes \$200 million, there is actually no need for the MTRCL to increase its fares. Let us look at the previous years. How much in dividends did the Government receive? In 2007-2008, it received \$700 million, then \$800 million and \$900 million in the following years. This year, the sum amounted to \$1.3 billion. In fact, this trend will continue. If the Government can put on a new thinking hat, so that the dividends can be returned to MTRCL passengers, thus spending on the people what is taken from them, this will only be fair and proper. It is only necessary to change the thinking a little to accomplish this. Moreover, there is no need for the MTRCL to increase its fares in the next five to 10 years. Under these conditions, the public will surely applaud rapturously.

Maybe some people will ask if this is a kind of subsidy. We can take a look at whether or not water and electricity charges in Hong Kong are subsidized. In fact, they are. When the market fails and it is felt that transport expenses are getting more and more expensive, and if fare increases are made each year, the public will have grievances. Therefore, I hope the Secretary can hear this. Maybe many Members are not at all satisfied with the reply given by Secretary Eva CHENG today, but I think one may as well give this a try in the Budget, may one not? It is only necessary to forgo \$200 million in the \$1.3 billion of dividends received by the Government to obviate the need to increase the fares.

In addition, the DAB has also raised the issue of monthly passes. Monthly passes are helpful to the general public. Not only will they enable the public to plan their budgets, they also offer a convenience. Some of our Honourable colleagues have bought the monthly passes of the East Rail, Ma On Shan Rail or the West Rail. Since they have to take buses to cross the harbour, they have to interchange. If a monthly pass scheme for all lines is introduced, it will no longer be necessary for them to interchange to buses at all. And to the MTRCL, this is also a tactic and method to attract patronage, so this is a win-win approach. Of course, when the Secretary gave her reply this morning, she said that this may affect the fare structure. In fact, it is possible to make adjustments

to these technical issues and the crux of the matter lies in whether or not a monthly pass scheme is adopted. Monthly passes are quite popular. If a monthly ticket scheme for all lines of the MTRCL is introduced, they will be even more popular. Therefore, I hope that the Government, as the major shareholder of the MTRCL, can take on board the public opinion in this regard.

President, recently, Members are getting in touch with members of the public in the street and in the middle class areas. Of course, most of the views that I have heard are related to the issue of the right of abode of foreign domestic helpers. Apart from this, quite a number of people in the middle class told me that they felt the Government had provided more assistance to the grassroots but cared less about them. I believe every Member must have heard this kind of voices, so I hope very much that the Government can also hear these voices and respond to them.

Thank you, President.

Mr LAU Kong-wah moved the following motion: (Translation)

"That, given that uncertainties persist in external markets, Hong Kong faces the risk of economic downturn at any time and, coupled with worsening inflation, middle-class families are under heavy financial pressure; in this connection, this Council urges the Administration to put forward effective measures in the Budget for the new financial year, so as to relieve their financial burden, including:

Salaries tax —

- (a) increasing the personal allowance, child allowance, dependant brother or dependant sister allowance, dependant parent or dependant grandparent allowance and disabled dependant allowance under salaries tax according to inflation rates;
- (b) permitting children to share the dependant parent or dependant grandparent allowance;
- (c) reducing salaries tax and personal assessment by 50%;

- (d) introducing tax deduction for voluntary Mandatory Provident Fund contributions with a ceiling of \$12,000;
- (e) raising the tax allowance for new-born infants to \$100,000;

Housing —

- (f) introducing a residential rates deduction of \$8,000 for each household modelled on the operation mode of the electricity charge subsidy;
- (g) extending the entitlement period for deduction for home loan interest from 10 years to 15 years;
- (h) providing each residential electricity account with an electricity charge subsidy of \$3,600;

Education —

- (i) introducing tax deduction for children education with a ceiling of \$10,000;
- (j) lowering the annual interest rate for loans under the Non-means Tested Loan Scheme for tertiary students to 2.5% and replacing the means-tested loans with interest-free loans;
- (k) fully subsidizing pre-primary education, raising the subsidy amount under the Pre-primary Education Voucher Scheme and directly subsidizing the remuneration of kindergarten teachers;
- (l) increasing the salaries tax deduction for expenses of self-education from \$60,000 to \$100,000 and raising the subsidy under the Continuing Education Fund by 100% to \$20,000 per person;

Healthcare —

- (m) introducing tax deduction for private medical insurance contributions with a ceiling of \$12,000;

- (n) increasing the categories of drugs supported by the Samaritan Fund, relaxing the eligibility requirements and lowering the proportion of drugs costs to be shared by patients;

Transportation —

- (o) using the dividends received by the Government from the MTR Corporation Limited ('MTRCL') to lower MTR fares as a form of passenger reward;
- (p) urging MTRCL to introduce monthly ticket schemes for all the lines of its system; and
- (q) reducing the unleaded petrol duty by 50%, ensuring that oil companies fully reflect the tax concession in pump prices, and closely monitor pump price changes to avoid the occurrence of oil companies being 'swift in increasing but slow in decreasing prices' and 'making big price increases but small price cuts'."

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

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

I will call upon Mr WONG Kwok-hing to speak first, to be followed by Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr WONG Sing-chi, Mr KAM Nai-wai, Ms Miriam LAU, Ms Audrey EU and Dr LEUNG Ka-lau; but no amendments are to be moved at this stage.

MR WONG KWOK-HING (in Cantonese): President, although I know that you have already had your lunch, I have brought along this "social-class sandwich", as the object of my speech today.

Look, Secretary, the top slice of this sandwich is the upper class, also the affluent class, in society. I shall put it aside for the time being. Let us look at this slice, the most fundamental level of society, or the grassroots, who are invariably taken care of by the Government through revenue and expenditure measures in various areas, including social welfare, public housing, healthcare, education, and so on. As today's theme is focused on the middle class, or the middle stratum, I will take away the top and bottom slices from the sandwich first.

President, I would like to remind Members to look carefully at this middle slice, or the sandwich class, which can actually be sub-divided into the upper, middle and lower strata. Many of the 350 000-odd members of our Hong Kong Federation of Trade Unions (FTU) belong to the middle or lower strata of the middle class or the grassroots. After listening to our speeches today, I hope the Secretary can refrain from telling us to trust him, as he did this morning. President, the Secretary is not trustworthy. I hope the Government can, apart from listening seriously to the requests we made on behalf of the middle class, particularly the requests of the middle and lower strata of the middle class, which I would like to talk about later, study our requests in a detailed manner.

President, here I would like to formally urge the Government to establish a select committee under which a dedicated research body should be set up to study the problems encountered by the middle class, or the sandwich class, and submit a report to the Legislative Council for discussion rather than simply making some contingency responses to individual specific matters. Instead of having its officials make promises, telling Members to trust them, the Government must act in this manner before the middle class can restore some confidence in it.

President, in order to help me deliver my speech, I have also brought along another prop today. In addition to this sandwich, which is clearly seen by Members, I have also brought along this table to demonstrate the problems encountered by the middle class. I have left out the top and bottom rows of the table. Let us now look at the upper, middle and lower rows.

President, according to a survey conducted by a university this year on the index of happiness, people earning a monthly income between \$10,000 and \$20,000 are the least happy with a happiness index of 6.78 only, whereas people with a monthly income between \$20,000 and \$30,000 are the next least happy

group with a happiness index of 7.03, compared with the territory's average happiness index of 7.11. President, the median income for an individual is now standing at approximately \$11,000, whereas the median household income is at approximately \$19,600. Those people in these two groups are the least happy in society. I find this survey very interesting. It has also pointed out that the happiness index of people living in private buildings has continued to fall. Has the Government considered the reasons for it?

President, because of the time constraint, I would begin with — I turned it upside down just now — the lower and middle strata in particular. Members, the lower stratum of the middle class has only one source of income but hundreds of expenditure items. Having no property of their own, they have to pay rent in order to live in private housing. If they disagree with the indiscriminate rent increases demanded by their landlords, they have to move elsewhere. In addition to their tight income, as I mentioned just now, their expenses on raising children, especially on childhood education, are particularly high, too. Furthermore, they might have to support their parents or grandparents, who might already be advanced in age, and pay for exorbitant medical expenses. How can they talk about saving up money for retirement? In particular, if they have to save up for a down payment for home purchase, which is actually out of their reach, they will have to face countless miserable days. Hence, the middle and lower strata are the most miserable. In the event of an economic crisis, they will fall to the grass-roots stratum. This explains why they are the least happy.

The situation of the middle stratum of the middle class is not much better either. Although they might own their properties, mortgage repayments might take up 40%, 50% or 60% of their income. Frankly speaking, they are already suffering a lot. During our visits to the grassroots, we found that the income of people living in private residential areas, particularly those who bought a flat not long ago, is very tight. These people are unwilling to spend because of the pressure to service home mortgages. Expenses on education and healthcare are also exorbitant. Whenever they manage to save up a little money, they will fall sick. Should they wish to consult a better doctor, they will have to pay exorbitant medical fees. Everything requires money. In the event of an economic adjustment, these people will easily fall to the lower stratum of the middle class.

Therefore, President, I think that the middle and lower strata of the middle class particularly deserve the Government's attention, consideration and study. As for the upper stratum of the middle class, as time is running out, I will not do any more explaining because their children might already have a job and they might have more than one source of income and so they are more financially stable. Hence, I would like to urge the Government to set aside more resources and time to focus on studying this and formulating a timetable, and place the problems faced by the middle class on the agenda.

President, the motion proposed by Mr LAU Kong-wah today is very good. I have added a few more items to the 17 items proposed by him and turned them into 23 items with 11 amendments and six major areas. In the remaining time, I would like to highlight the theme of my amendment because I do not have time to make a detailed elaboration. There are six major areas. First, regarding the income of the sandwich class, the FTU recommends that tax reduction be introduced. We also hope for "across-the-board" reduction after assessment, which means that people whose final tax is under \$10,000 are not required to pay tax, and people whose final tax is over \$10,000 are required to pay tax for the amount in excess of \$10,000. If the Government accepts this proposal, it is estimated that 1 million wage earners, or about two thirds of the more than 1.4 million taxpayers, in Hong Kong will enjoy tax reduction.

Second, we hope a tax allowance can be offered for renting private residential units to alleviate the rental burden of households with no property. The proposed ceiling for the allowance is \$100,000.

Third, we hope the Government can expeditiously implement 15-year free education and, furthermore, increase the child allowance for the second child of a family.

Fourth, we hope that local households, especially households purchasing medicines for treatment of critical illnesses, can enjoy more tax deduction and allowance in the healthcare area. Furthermore, in addition to expenses on supporting parents and grandparents, medical charges and charges for private homes for the elderly, home care, day care, and so on, should also enjoy tax deduction.

Last but not least, we hope the Government can expeditiously take measures to resolve the problem with the three harbour crossings because the burden of travelling expenses on members of the public has become increasingly heavy. Lastly, I still hope that the Government can expeditiously set up a committee to study these matters.

Thank you, President.

MR PAUL CHAN (in Cantonese): President, as the motion involves the reduction of duty on unleaded petrol, I wish to declare that I am a vehicle owner and motorist.

President, the Policy Address this year is devoid of measures catering for the needs of middle-class families. Therefore, we are all very anxious about how middle-class families can be assisted in coping with high inflation and serious economic uncertainties. I believe Members will agree that the most practical and effective method to help the middle class is to start with taxation with a view to relieving their burden.

President, I cannot help become upset whenever a topic on taxation is raised for debate in this Council. This is because, in the context of the original motion from Mr LAU Kong-wah and the amendments proposed by other Members and me respectively, the taxation proposals as well as the three points which I am going to explain later were all conveyed to the Financial Secretary before when he hosted consultations for the Budget. It is unfortunate that he did not accept these proposals.

President, there are three points in my amendment today. First, I think that the tax band for salaries tax should be widened, say, from the present \$40,000 to \$50,000. And the marginal rate for each tax band should be reduced by one percentage point to two percentage points. This is because the marginal band of \$40,000 has been in use for a very long time and it makes many middle-class people fall into the marginal tax rate of 17% very easily. As compared to the standard rate of 15%, the tax burden for the amount of income taxable at that rate is very heavy.

Second, I suggest abolishing the residence requirement of at least 180 days imposed on parents for the purpose of claiming the dependant parent allowance. Many people in my sector have told me that they support their parents' living but since many people find that leading a retirement life here in Hong Kong is not so attractive and entails a heavy financial burden, so their parents will choose to retire on the Mainland. If it is due to this reason that these people are not allowed to claim the dependant parent allowance, it will be unfair actually. Since we have changed the absence limit applicable to the Old Age Allowance, if the children are so piety-minded as to support the living of their parents, they should be allowed to claim this allowance even if their parents do not satisfy the 180-day residence rule.

President, as for the other point, it may be rather complicated as seen in my amendment. So I will use more time to explain it. I propose that with respect to the election for personal assessment of income tax, a married couple should not be required to have their incomes combined for the purpose of assessment. The explanation which I now give can hopefully make members of the public and Honourable colleagues understand the related background to my proposal and the justifications for the amendment. Even if this amendment is not accepted, I hope that the authorities will not just say that it is unacceptable but give a good analysis and the reasons for not accepting it. They must not try to muddle through.

President, under the current Inland Revenue Ordinance, there are three types of direct tax. The wage earners will pay salaries tax; those with properties for lease will pay property tax; and those who run a business, be they sole proprietors or joint partners carrying out a business mainly in the form of a company with limited liability, they will pay profits tax if they make any profits. In other words, different people will pay different kinds of tax according to the nature of their income. This tax regime whereby the taxable income and the tax payable are computed separately is different from the approach used in many overseas countries where tax assessment is done after adding up all the incomes of a taxpayer.

There are advantages to the approach used here in Hong Kong. This is because Hong Kong started as a small fishing port and if this kind of approach was not used, it would be hard to attract people to come here to make investments. This approach of separate assessment could also protect the

privacy of the taxpayers in the past because no one would know what the total income of a person was. However, as this approach has been in use for such a long time, certain shortcomings have come to light now. The most obvious is that if the income of a person assessed does not come from his salary, then he may not be able to get the allowances and other tax deductions to which he is entitled under salaries tax, such as the interest deduction for mortgage loans applicable to owner-occupied flats, and so on.

Unfairness would arise. An example is someone who has a monthly salary of \$9,000 and an annual income of \$108,000, so after claiming the allowances, he will not have to pay any tax. But just imagine, an old man has worked hard all his life and upon retirement, he leases a flat in an old building to someone and earns \$9,000 a month from the rent. He also has an income of \$108,000, but because he cannot claim any deductions under personal allowances, in the end he has to pay \$12,960 in property tax. Likewise, a stall owner who runs a small and medium enterprise earns \$9,000 a month on average cannot claim any deductions under personal allowances and so he has to pay tax at a rate of 15%, that is, \$16,200. So under the present tax regime, people making the same income have a big difference in tax burden owing to the nature of their income.

For this reason, the Hong Kong Government introduced the personal income assessment some decades ago, the aim of which was to allow people to put together their income from various sources. Taxable income can be deducted if there is any loss in business and the personal allowances can also be claimed for further deductions. The case is like tax deductions and allowances for the wage earners before salaries tax is computed according to a progressive tax rate. Put simply, for someone with an income in the middle range, even if his income comes from different sources, he will get the same treatment like a wage earner. This would be fair because with a similar income, their tax burden is the same.

President, then where is the problem? The problem is that when electing for personal assessment now, a couple has to make a joint election and their incomes will be added together for the purpose of assessment. In the information I have given to Members, I have cited an example like this: there is this couple and the wife earns \$300,000 a year while the husband has an income from the rent collected from a property he owns, the rent of which is also

\$300,000 a year. He also runs a small business. The profits made are \$120,000 a year. The couple has a combined income of \$720,000. If they do not elect personal assessment and submit their tax returns separately, then they will have to pay \$4,080 in salaries tax, \$36,000 in property tax and \$18,000 in profits tax. Altogether they will have to pay \$58,000. If they elect personal assessment and claim the tax deductions thereof, plus the deduction for mortgage loan interest, then they will have to pay \$53,960 in tax. This election for personal assessment helps them save some \$4,000.

The question is that the couple must make a joint election for personal assessment, then their case will be what I have just said. But if they are allowed to make separate elections, then the wife will not have to elect personal assessment and she will just have to pay salaries tax amounting to \$20,640. The husband can elect personal assessment and the income from the property can be added to his profits made, then with the mortgage loan interest deduction and the personal allowance, when calculated according to the relevant tax band in the salaries tax, he has to pay tax amounting to \$21,320. In other words, the total tax burden for the couple is \$41,960. When this amount is compared to the mandatory requirement to make a joint election for personal assessment, they can pay \$12,000 less and that translates into a difference of some 20 percentage points.

From this it can be seen that it is unfair if a couple is required to make a joint election for personal assessment because their tax burden will be increased unnecessarily. In fact, when the requirement was made in the past to oblige a couple to submit a joint tax return, a similar situation had happened. But then the Government could realize the unfairness of the practice and that times had changed — in those days in many families only one person had an income and now most families have two persons having an income — then the regulations regarding salaries tax were amended to allow a couple to elect separate assessment and tax payment. However, with respect to personal assessment, the Government has not made any changes and so this personal assessment is most unfair to taxpayers.

I have checked the records of the Legislative Council and found that in 2003 the Government had responded to this issue. It was said that the reason for not amending the practice in those days was the concern that there would be tax evasion, such as by conveying properties to another party or transferring the

income to another party. But President, this is pure nonsense. As we all know, for conveyance in properties, even if the parties are a husband and a wife, and even if no consideration is paid, they will have to pay solicitor's fees and stamp duty all the same. The fees involved are very substantial. On the other hand, no one doing a business will want to run into losses and make use of that situation to reduce his tax liability. Therefore, I urge the authorities to reconsider this and give us a well-thought answer.

President, owing to the time constraint, there is not much I can say about other areas covered in the motion. I only wish to state my position clearly. I may not entirely agree to some demands raised in certain amendments, but I can agree with the spirit and major direction of the motion as a whole. I will therefore support it. In the case of medical charges, for example, I do not agree to the idea that there should be tax deduction without a ceiling imposed. But on the other hand, I agree with Ms Audrey EU that more resources should be allocated to the Hospital Authority. However, I would think that at this moment in time, there may not be a need to take out the sum of \$50 billion which is earmarked for the voluntary health protection scheme. But due to the fact that I subscribe to the spirit (*The buzzer sounded*)

PRESIDENT (in Cantonese): Mr CHAN, speaking time is up.

MR PAUL CHAN (in Cantonese): so I will support it. Thank you, President.

MR ALBERT HO (in Cantonese): President, the purpose of the original motion proposed by Mr LAU Kong-wah today is to call on the Government to take measures to alleviate the financial burden of the middle-class people. Hong Kong is now faced with a widening wealth gap, while the middle-class people suffer from shrinking finances and the poverty population is ever increasing. But in the Policy Address that he delivered last month, the outgoing Chief Executive seemed to have concluded that it would be impossible to ameliorate the wealth gap problem.

That this motion is proposed for debate today is indicative of the urgency of this problem. But why did Mr LAU Kong-wah and the pro-establishment camp nevertheless vote against the amendment proposed by us in the pan-democratic camp last week expressing regret at the Government's failure to effectively resolve the disparity between the rich and the poor? This is indeed incomprehensible to me.

President, in the remaining time, I will focus on taxation and education in my speech. As for housing, transport and other aspects, my party comrades, Mr LEE Wing-tat, Mr WONG Sing-chi and Mr KAM Nai-wai will give elaboration respectively.

Let me first talk about salaries tax. Of all the expenditures incurred by the middle-class people, salaries tax has imposed a very heavy burden on them. Every year, the days of salaries tax payment will trouble many taxpayers. Some middle-class people even have to take out loans to get over it.

It was more than three years ago when the allowances under salaries tax were last adjusted. In April 2008, the basic allowance was increased from \$100,000 to \$108,000. Let us look at the current economic situation. Given that the Hong Kong dollar is pegged to the United States dollar and the United States dollar has remained weak, the exchange rates of Hong Kong dollar against various currencies have continued to fall. In the meantime, Renminbi has appreciated 11% in its exchange rate against the Hong Kong dollar, and Hong Kong thus has to face increasing inflationary pressure from the cost of importing food from the Mainland.

On the other hand, the inflow of foreign capital (which obviously includes capital from the Mainland) has caused the local asset markets, including property prices and rent of residential units and shops in shopping malls, to surge continuously, giving rise to structural inflation which has added to the plights of Hong Kong people in their living.

According to the information of the Census and Statistics Department, between April 2008 and June this year, the Consumer Price Index registered a cumulative increase of 9.1%. We, therefore, support the proposal in the original motion of adjusting the basic allowance and other allowances under salaries tax according to inflation rates.

We propose to increase the basic personal allowance from the present \$108,000 to \$118,000, and it is estimated that the Government will receive \$1.8 billion less in revenue per year. Given the very healthy financial position of the Government now, we consider that a small reduction in revenue from salaries tax will not put great pressure on the finances of the Government. And, as we all know, despite so much cash in the Treasury of the Government and successive years of fiscal surplus, nothing has been done to help relieve the plights of the people further. Moreover, we think that if members of the public have more money to spare, consumer spending can be boosted among them, thereby stimulating the growth of the retail market which will, in turn, benefit the economy as a whole.

Salaries tax is a major source of tax revenue to the Government and provides the Government with a stable income. In the four financial years from 2006-2007 to 2009-2010, the revenue generated by salaries tax accounted for 18% to 24% of the total revenue, with around \$40 billion being received in each financial year.

We support point (c) of the original motion which proposes to reduce salaries tax and personal assessment by 50%, because this measure can, at this point in time, effectively alleviate the burden of the middle-class people. Certainly, we also have to ensure healthy finances of the Government, in order for it to have the ability to assure the economic development of Hong Kong and to cushion the impact of global economic volatility. Meanwhile, pursuant to the principle of "those who have the means pay more", we have proposed an amendment to require that the reduction of salaries tax and tax under personal assessment should be subject to a reasonable ceiling.

On the education front, the Democratic Party has set out in detail its proposals on education in my amendment, and Mr CHEUNG Man-kwong will speak on these proposals in greater detail in his speech later on. In my speech on this part, I will mainly focus on the more important concepts of education and the Government's principles of governance in this respect.

The education expenditure accounts for 20% of the total government expenditure. This Council has consistently urged the Government to make greater commitments and put in greater efforts to make this long-term investment for society. However, we do not wish to see the public having to spend too high

a percentage of their total monthly household expenses on education, because we consider that the promotion of education and the provision of education to our next generation should be the duty of the Government.

We have in the past moved motions proposing the implementation of 15-year free education and small-class teaching in secondary schools, an increase of subsidized places, and relaxation of the means test for loan schemes for post-secondary students. All these are the key proposals of the Democratic Party on the education policy. The Democratic Party has insisted on the need to improve and upgrade basic education because of a principle that we always uphold, and as I have just said, the Government has the duty to make long-term investment in the training of talents for society and only in this way can the quality of Hong Kong citizens (especially the next generation) be effectively enhanced. This will facilitate social mobility and promote equal opportunities to enable each and every member of the community to have the chance to enjoy the fruits of economic prosperity while helping to eliminate inter-generational poverty.

I think Members must have also taken note of a news report recently which has aroused deep feelings in me. Its title is: "Kindergarten application war starts before birth". In a paragraph of this report, it is said that a middle-class mother, Ms NGAI, has a one-year-old son, and she submitted an application for a place in a playgroup for her son as early as in the seventh month of her pregnancy and yet, she still lost to other parents. She eventually said that she dared not cherish the extravagant hope that her son would outsmart other children, just that she did not want her son to lose because of the starting line. She found that over 300 people were already waiting in the queue and that some mothers had submitted applications even in the fourth month of their pregnancy.

So, President, it is now the wish of many parents not to see their children lose the race because of the starting line. In this society of Hong Kong which stresses competition and is orientated towards the business, many parents can only feel helpless. It turns out that the starting line for the next generation has already been advanced to before their birth. Competition starts as soon as the child was born and so, competition is indeed inter-generational. We consider that the Government should truly address the problem in education properly, so that our children can have a healthy education system without having to bear such heavy pressure.

We consider that the provision of free education can precisely serve this purpose. This is why we have been making the utmost effort to fight for such policies as 15-year free education and relaxation of the means test for student loan schemes. We understand that the implementation of these policies requires good planning by the Government, but the early implementation of these measures will enable the children of our citizens to receive quality education. This is most important to our next generation, and this is also what a Government with vision must do. We absolutely do not wish to see the Government harbour the mindset of a sunset government and sit on the education problem, feeling complacent.

President, I so submit.

MR LEE WING-TAT (in Cantonese): President, on behalf of the Democratic Party, I would like to focus my discussion on the financial burden and the Government's work in housing in this motion debate.

President, the Chief Executive said in a recent interview that Hong Kong's high land and rental costs are the price we pay for success. On hearing his remark, I cannot help rising despite my short height because he has unequivocally pointed out that high land and rental costs are the price we pay for success. However, among the so-called "ten major cities" in the world, not every city has such high rental and land costs. Sometimes, I really want to ask these questions. Why does the general public have to pay the price? And why do the middle-class families have to substantially reduce their quality of life and service their mortgages for their whole life as if they were "mortgage slaves" for the success of developers?

As I pointed out in the last debate, I lived in a hut when I was a kid. But I moved to a public rental housing (PRH) unit very soon. I knew that I could purchase my own home a few years after graduating from the university. Nevertheless, the quality of housing throughout the community has been dropping. We rarely discussed problems about sub-divided units, cubicles, caged homes and coffin-sized units a few years ago. But now we all know these problems. I have discussed the phenomena with Secretary Carrie LAM, telling her that even though land supply would be further increased by the next-term

Government, such undignified and even inhuman living conditions could not be eliminated in the short term.

The Government and developers are vested interests of the high land price policy. Will the Government earnestly consider changing its policy to cease the over reliance on proceeds from the high land price policy as a major part of its revenue? I really hope that whoever the next Chief Executive will be, he will no more regard the tremendous proceeds from the high land price policy as an important part of the Government's planned recurrent revenue.

President, the surge in residential rental in the past few years is really alarming. For instance, compared with the same period two years ago, the rental in August this year has increased by almost 40%. The rent for a flat on Hong Kong Island is \$33 per sq ft while the rent for a flat in the New Territories has also risen to the range of \$15 to \$19 per sq ft. In other words, a tenant of a 400-square-foot unit in the New Territories or extended urban areas will have to pay \$8,000 to \$13,000 as rent. What is the median household income in Hong Kong? The median income for a two-person household is \$15,000, while the median income for a family of four is \$26,000. If they give up the flats on Hong Kong Island that they cannot afford and then rent a 400-square-foot unit in the extended urban areas or New Territories as I said earlier, they will have to set aside almost 40% or 50% of their income as rent.

On one occasion, I bantered with Secretary Eva CHENG and said that the Bureau Directors sometimes really could hardly feel the poignant agonies unless it has become their "keenly felt pain". Imagine if anyone of the Bureau Directors or Prof K C CHAN himself has to spend \$80,000 to \$100,000 out of a monthly salary of \$200,000 to \$300,000, would he then feel a strong pinch on them? Mind you, they are the group of people who earn \$200,000 to \$300,000 monthly. If it is a strong pinch on them, how about an ordinary middle-class or grass-root family who has to set aside 40% of its \$20,000-odd monthly income for rent? Naturally, they have to extensively tighten up all the other expenses.

What are our suggestions then? Insofar as the problem of high property prices is concerned, I will not give further elaboration as I have discussed it many times already. But I consider it necessary to relieve the financial burden of middle-class families in housing. I believe this is also the reason why the discontent held by the grassroots or the middle class against the Government has

remained at a high level as reflected in all opinion polls for a long period of time. Housing is certainly the least satisfactory in the past two years.

Firstly, we propose the resumption of the Home Ownership Scheme (HOS), which has been dealt with by the Government this year. However, even though the Government has taken on board our suggestion, it will never devise any radical solution but always leave room for criticism. No one from any political party here has not expressed the demand for constructing 5 000 HOS units each year. However, the Government, in defiance of their request, has decided to construct only 2 500 units in the first year. The production will only rise to 6 000 units in the second year. Why did the Administration not handle the issue in a more appropriate manner by identifying some more land so that 5 000 units could be produced in the first year?

Secondly, as for families who live in private housing rather than PRH flats and who are not eligible for PRH, their chances of buying HOS flats would actually be very slim even if the construction of HOS flats was resumed. Yesterday, I analysed some figures with Secretary Carrie LAM and found that, after meticulous calculation, among those 100 000 to 130 000 eligible households, their chance of success would only be about 5% even if the annual construction of HOS flats could reach 5 000 units, implying that 95% of the eligible families would be unsuccessful. Certainly, the Administration may argue that not all the 100 000-odd families will make applications. But let us assume that 50 000 applications were received, the chance of success would only be 10% and 90% of the applicants would be disappointed. In this case, what can we do?

We have proposed that eligible white form applicants be allowed to purchase existing HOS flats on the ground that they already meet the criterion of earning an income below \$30,000. Moreover, their purpose of buying HOS flats must not be speculation. Why is the Administration reluctant to accept this advice? The Secretary in her reply to my oral question today said that it was a very complicated issue which would require further consideration. I hope the Secretary will understand that the decision of resuming HOS flats has already raised their expectations. The Government should pre-empt a situation in which these aspiring middle-class families are unsuccessful in buying new HOS flats while the option of purchasing secondary HOS flats should also come to naught.

As for residential rates concession, it is an initiative implemented by the Government every year. Furthermore, it seems that it is a relatively well-received benevolent measure of the Government which should take credit for it. Recently, I have paid regular visits to the local communities and found that local residents often mentioned some government measures such as the one-month or two-month rent waiver for all PRH households and rates concession. We suggest that the rates concession limit for this year be substantially increased to \$2,000 per quarter or a maximum of \$8,000 per year.

Finally, President, I would like to discuss the practice of the Government in the future. Whenever questions on such issues are put to the current-term Government, it will always respond that the current-term Government will not consider such measures. I very much hope that those people who have indicated their intentions of running in the next Chief Executive election I certainly hope that Mr Albert HO will win and become the first Chief Executive from the Democratic Party. Although he has to resign from the Party, it does not matter. Even so, I will still support him as the Chief Executive.

Nevertheless, Mr LEUNG and Mr TANG had indicated on several public occasions that they had new ideas about the housing policy. This is also my sincere wish. Politically, my views are very much different from theirs in respect of the 4 June incident, democratic development, and so on. However, I am most disappointed with the extremely stubborn style of the Donald TSANG Administration. I have known Donald TSANG for 20 years. We came to know each other in 1991 when he served as the Director of a department and I was a Member of the former Legislative Council. But I have never seen anything done by the Donald TSANG Administration which can please the public, and this is actually not a difficult task. It is not necessary for the Government to hand out \$6,000 in order to make people happy. It may adopt other measures that are within its capacity and will not upset the basis for its long-term policies. These are initiatives within the control of the Government.

In my discussions with various Bureau Directors recently, I was always told that the current-term Government would not consider adopting certain measures which should be dealt with by the next-term Government. If the Government has really come up with new ideas, I hope that the first measure to be adopted is a change in its previous policy on housing and land supply which

has been led by the private sector all along. The Government should regain the lead and strive for a bigger say.

According to my recent observations, some liberal economists, including Prof Richard WONG whom we know very well, have substantially adjusted, if not abandoned, their views on housing matters under the liberal economic policy in many of their articles. In a reply to my question about such a change, he said that there were many social conflicts in this aspect which justified the Government's intervention. Hence, I hope the Chief Executive of the next-term Government will deal with this problem with a fresh mindset or else the conflicts and crises in this area will never vanish. Thank you, President.

MR WONG SING-CHI (in Cantonese): President, today's motion is about "Alleviating the financial burden of middle-class people". Just now, Mr LEE Wing-tat said very clearly that the current property prices reflected the fact that many people in the middle class were subjected to tremendous financial pressure. I work in a remote area and have moved to Yuen Long now. This makes me understand better that the present situation relating to property prices is really shocking. Even the price of residential flats in Yuen Long, Tuen Mun and Sheung Shui is as high as some \$5,000 to \$6,000 per square foot and the square foot price of new property developments is as high as some \$9,000 to \$10,000, so the public are feeling the heavy pinch.

Since a lot of people in the middle class have to run away from the high property prices in the urban area, they have moved to the New Territories and so have I. Apart from facing the problem of property prices, we also have to face the problem of transport expenses. At present, it costs me more than \$20 to take the West Rail from Yuen Long to the urban area or Hong Kong Island. Since I have to travel to various places a lot, I have now switched to driving a hybrid petrol car that does not cost me much. I really support the appeal of Secretary Edward YAU not to drive so much, but I have no alternative, so I drive an environmentally-friendly car instead. If I drive from Yuen Long to the urban area without using Route 3, the distance to Kowloon is about 42 km. Calculating this at 70 cents per km, it only costs \$28. It only costs me 20-odd dollars if I drive, but if I take the West Rail, it costs over \$10 or almost \$20.

At present, to residents in the remote areas, transport expenses are really most exorbitant. In order to avoid high property prices, a lot of people have moved to the New Territories to improve their financial situation and after moving there, it costs them some \$10 to \$20 if they use the West Rail, so a round trip costs them over \$40 and in fact, this is very expensive. Even though the MTRCL has introduced a monthly pass scheme for the East Rail, or for the section from Sheung Shui to Tsim Sha Tsui East as well as for the West Rail — in fact, the scope of the scheme is confined to these two railway lines only — if I interchange to the MTR, that is, the older MTR lines, the pass cannot be used on these lines. Therefore, in my case, I practically cannot benefit from the monthly pass scheme at all, unless I get off at the Tsim Sha Tsui East Station and interchange to the MTR lines there, but in this way, my transport expenses will be higher.

Therefore, President, we think that the Government should come up with more new ideas in this regard or ask the public transport operators to come up with more new ideas. Unfortunately, although Mr Andrew CHENG had asked a question earlier on and Ms Starry LEE also asked a question today, the responses of the Government were perfunctory, only saying that it would leave it to public transport operators to think about how to offer concessions to the public. Regarding these public transport companies, what can we expect anything from them?

First, the Government does not have any sincerity in giving its responses and worse still, in these circumstances, we can see that basically, the MTRCL does not have any conscience. Why do I say so? We asked the MTRCL if it would also introduce monthly passes on its other railway lines and the response we got was that due to concerns about other economic activities, it would not introduce monthly passes. What kind of economic activities are they? It means those elementary workers in the logistics sector who work very hard to deliver letters or items. Perhaps the majority of the economic activities are such activities. In that case, how many people are there? Even if there are some 1 000 people, compared with the millions of passengers who take the railway lines of the MTRCL daily, the number is simply negligible. It was due to these some 1 000 people working in these humble or physically demanding jobs, who may be able to save a little in their personal travel expenses, that the MTRCL or the Government said they would not consider introducing the concession of

monthly pass to the other lines of the MTRCL. Does such an argument not reflect the extreme heartlessness of the Government and the MTRCL?

In fact, regarding the amendments on this occasion, the Democratic Party also supports making more arrangements in respect of transport expenses, so that the financial pressure on those people in the middle class living in remote areas or wanting to avoid high property prices can also be eased.

President, we can also see that the heartlessness of the MTRCL is not just limited to not letting the small number of low-income workers in the logistics sector save some transport expenses. In fact, in many cases, the MTRCL also does not care about the burden of transport expenses on the Hong Kong public.

In fact, the present fare adjustment mechanism that allows fares to go upwards or downwards (the fare adjustment mechanism) is very rigid, that is, after the Government and the MTRCL have done a series of calculations according to a formula, it is then decided by how much the fares would be increased. However, no consideration is given to the fact that the MTRCL is making large amounts of profits and if the fares are increased further, the onerous burden on the public will be increased further. Therefore, I hope the Government can also include the factor of affordability of the public in the formula of the fare adjustment mechanism. For this reason, the Democratic Party also proposes in this amendment that the Government conduct a review of the fare adjustment mechanism.

President, I also find that in addition to the transport expenses the operation of the MTRCL also affects workers seriously, and this may affect us in the middle class even more. Many members of the public have great trust in the services of the MTRCL and they use it daily. However, it turns out that service disruptions often occur in the services of the MTRCL and after such disruptions, it seems both the MTRCL and the Government are indifferent, as though they have nothing to do with such disruptions and being late for half an hour is only the public's business. Some members of the public may face the pressure of losing their jobs due to their being late for work, or many other financial losses may be incurred. However, the Government remains indifferent to them.

Here, we demand that in the event of disruption to the MTRCL's services, thus affecting the confidence of the general public in using its services and in the

MTRCL, the MTRCL should offer some compensation, or at least, the Government should establish a penalty system. Unfortunately, all along, the Government has done nothing in this regard. In fact, according to the Mass Transit Railway Ordinance (the Ordinance), in case of a substantial or persistent failure to comply with the Ordinance or the Operating Agreement, the Chief Executive in Council may impose financial penalty on the MTRCL. In extreme cases, the Government may suspend or even revoke the franchise of the MTRCL. Of course, I do not wish to see such a situation arise, otherwise, transportation throughout Hong Kong may be paralysed. However, although the Government has the power to impose penalties on the MTRCL, it seems it has never done so. When problems have occurred, it would only issue letters to threaten the MTRCL a little bit, but what purpose would this achieve? We all know that no penalty would be imposed.

Therefore, the Democratic Party demands that, in order to ensure that the public can plan their travel time more accurately, and to avoid non-compliance with the legislation by the MTRCL and the occurrence of delays, a demerit points system for railway incidents should be established to introduce objective standards, so that the public can carry out monitoring and the Government can make the MTRCL assume its responsibilities more clearly.

On many issues, the MTRCL makes one wonder why, despite its being such a large company that monopolizes transportation throughout Hong Kong, it is still so heartless. On the issue of railway fare adjustment, we hope that the Government can play an even more proactive role and include affordability of the public as one of its considerations under the fare adjustment mechanism.

President, we in the Democratic Party have also mentioned the fare stabilization fund before, but our proposal does not advocate an injection of funds by the Government because if the Government does so, it means the Government will subsidize the revenues of those private corporations, which is not reasonable. This being so, where can the funds come from? Let me cite the MTRCL as an example. In 2000-2010, the aggregate profits of the MTRCL were \$84.4 billion, with its revenue from properties accounting for \$52.8 billion, so some 60% to 70% of its revenue came from properties. With such handsome profits, why were the fares increased despite a profit of \$12 billion last year, as well as the substantial profits in previous years? It is obvious that the MTRCL is very heartless. In view of this, can the MTRCL set aside about 5% of its total

revenue of \$52.8 billion derived from properties — this is not the profits generated by its major transport operations, rather, it is the money made from its sideline operations — which amounts to \$2.6 million, and put this amount into its fare stabilization fund to ease the pressure of fares on the public?

President, although the Government proposes the concession of travel on the railway lines and buses at a fare of \$2 per trip, should the \$2 be paid by the Government? Of course, many members of the public think that it should be. However, the Democratic Party thinks that apart from making the Government bear the costs, in fact, some major public transport operators should also use the profits made by them from their non-transport-related businesses to resolve the present situation of excessively high fares or an increasingly heavy burden on the public, so as to provide some relief to them. Therefore, I hope the Government can listen to the voices of the public. Thank you, President.

MR KAM NAI-WAI (in Cantonese): President, on this motion of "Alleviating the financial burden of middle-class people", on behalf of the Democratic Party I wish to voice some views on the part concerning environmental protection. However, before doing so, I wish to talk about the subject of easing the burden of the middle class from a general perspective.

First, let me cite the views of the editor-in-chief of an investment magazine. The thrust is that the Budget this year (that is, 2010-2011) has changed from a Budget prepared by an economist to a Budget of political and pressure groups. Although he thinks that the Budget of 2010-2011 is a great departure from past budgets, in sum, the Budget still shows no care for and commitment to the middle class.

I believe his view is similar to that of the Hong Kong public on the 2010-2011 Budget and past budgets, that is, they do not show any care for and commitment to the middle class. What does this mean? Some people say that people in the middle class have to pay large amounts of taxes but the welfare benefits they enjoy are very limited. However, they do not complain about this or make any noise, saying that although the middle class in Hong Kong pays large amounts of taxes, compared to European and American countries, the amounts cannot be considered very large, yet, Hong Kong can still take care of its

grassroots. However, there are now more and more complaints among middle-class people.

Just now, Mr LEE Wing-tat said that let me cite an obvious example. This morning, I asked a question about the rents of private domestic units and just now, Mr LEE Wing-tat also cited the rent of a private domestic unit on Hong Kong Island as an example. He said that the rent of a private domestic unit of 170 sq ft was \$6,200. Recently, when I visited the local communities, I also learnt about other examples. Do Members know how much rent is charged for a unit of about 300 sq ft in Sheung Wan? It is \$16,000.

The owner of the unit told me, "Mr KAM, I do not have to worry about nobody renting my flat because as soon as the present tenant moves out, another new tenant will rent it immediately." Just now, Mr WONG Sing-chi also said that although the rents for flats in remote areas were lower, the transport expenses are very high. For those who work in Central, they want to live in Sheung Wan because they can walk to their offices, but the price is to pay rents that are almost \$40 per sq ft.

For people with the means to buy a flat on mortgage Secretary Eva CHENG is not here now. I remember she once said that young people, after graduating from university and beginning to work, should not think that they could buy a flat or buy a flat on mortgage right away, rather, they had to save money first. After they had built up the savings for home purchase, the Government would then offer them home loan interest deduction.

The Government has not made any response to the demand made by many Honourable colleagues today that the Government should introduce a tax deduction for residential rentals. At present, there are over 300 000 according to the information provided by the Secretary to us this morning, at present, there are almost 370 000 tenants and they are all bearing very great rental pressure. This morning, the Secretary said in the main reply that "the current property market situation is unusual". This being so, has the Government taken any "unusual" measure to help the middle class? It has not. Many people in the middle class have complained about this.

Second, many people in the middle class also have complaints about education. Mr Albert HO and Mr CHEUNG Man-kwong will comment on this

later. No matter if their children are studying in local schools, international schools or schools overseas, the Government does not offer any financial assistance to them.

Moreover, they are also profoundly dissatisfied with the education system and the Government's measures to provide assistance financially are also quite limited. Although the Government has raised the child allowance over the past few years from \$30,000 to \$40,000, then to \$50,000 and to \$60,000 recently, we all remember the advertisement that says "raising a child costs \$4 million". We all know that the financial burden, in particular, that of education expenses borne by couples with children are tremendous. In that case, how should the Government ease their burden? Today, many Honourable colleagues have raised many proposals here, so I am not going to dwell on this in detail.

Of course, apart from easing the financial burden of taxation and education on the middle class, the Democratic Party has also proposed relief measures relating to the environment. Many people in the middle class say that the transport network in Hong Kong is convenient and well-developed and that it reaches all corners of Hong Kong. However, the problem of environmental pollution is worsening in Hong Kong. Some surveys in the last couple of years indicated that some expatriates who had originally worked or made investments in Hong Kong had chosen to leave or relocate to other places due to the serious air pollution here. Therefore, improving the environment in Hong Kong is one of the major tasks of the Government.

In this connection, in the amendment, the Democratic Party although the proposals put forward by us in this regard are not that many and there are only two of them, we hope that the Government we only want to elicit even better opinions by making those suggestions. Our two proposals are, firstly the original motion proposes to provide each residential electricity account with an electricity charge subsidy of \$3,600. In this regard, some green groups pointed out that — if I remember it correctly, the Council for Sustainable Development also said so — that this measure would induce the public to use more electricity because the more the subsidy on electricity tariffs, the more extravagant the public will be with power consumption. Nevertheless, the Government does not agree with this view, so its view is totally at odds with that of green groups.

For this reason, the Democratic Party proposes "..... offering an additional electricity charge subsidy of \$1,200 to an account whose electricity consumption in a half-year period is 5% or more lower than its consumption in the corresponding period of the previous year". It is easy to know if electricity consumption has increased or not. It is only necessary to look at the electricity bills of households to know this clearly. For example, has the electricity consumption from 1 April to 30 September this year increased or decreased compared to the same period last year? If it has decreased by 5%, the household can receive an additional \$1,200 in electricity subsidy. Apart from encouraging the public to save electricity, this measure can also ease the burden borne by the middle class.

We have also made another proposal, that is, "offering tax allowance to people who purchase energy efficient products with Grade 1 energy label". If Members have had the experience of buying electrical appliances, they will know that energy labels can be found on many electrical appliances. We hope that the Government can offer tax allowance to people who purchase energy efficient products with Grade 1 energy label, subject to a ceiling of \$5,000.

We all know that new electrical products are launched on the market all the time and the public will also replace their electrical appliances. For this reason, if the Government offers tax allowance to people who buy energy efficient products with Grade 1 energy label, this will encourage the public to buy products of higher energy efficiency. This will be conducive to energy conservation and emission reduction to some extent. Therefore, the Democratic Party has put forth this and suggested the tax allowance ceiling of \$5,000.

Of course, in putting forward the two foregoing proposals on environmental protection and energy conservation, we only wish to throw a sprat to catch a mackerel. I know that an Honourable colleague has put forward proposals like offering tax deduction to owners of electric vehicles. I think the Government should consider them because, at present, many members of the public are very concerned about ways of energy conservation.

Just now, Mr WONG Sing-chi also put forward a proposal concerning hybrid vehicles. I also believe that electric vehicles will become the global trend and direction worldwide. I hope the Government can come up with proposals at an early date, so that owners of electric vehicles can be given more concessions.

I understand that, incentives are already offered currently, but I hope the Government can offer even more concessions.

Thank you, President.

MS MIRIAM LAU (in Cantonese): President, given the prevailing high inflation, uncertainties in external markets, and the risk of an economic downturn in Hong Kong, the Liberal Party greatly supports the motion proposed by Mr LAU Kong-wah today. In fact, after the delivery of the Policy Address, we came out at the first opportunity to criticize the Policy Address for disregarding the interest of the middle class and called on the Chief Executive and the Government to address this squarely.

The motion proposed today by Mr LAU Kong-wah of the DAB has put forward many proposals on how best the economic burden on the middle class can be relieved. Mr LAU has also set out some specific proposals put forward by the DAB on ways to alleviate the difficulties of the middle class. All these literally represent the DAB's own aspirations.

The amendment proposed by me today is intended to all the matters brought up by colleagues today are actually excellent proposals. Nevertheless, various parties and groupings have their own views, and they are divided over the relevant amounts and way of implementation. For instance, some parties and groupings propose \$12,000 while others \$24,000. This is why so many amendments are seen today. Nevertheless, is it absolutely necessary for a proposal put forward by a Member to be supported by another party/grouping or Member? In fact, there are practical difficulties. Therefore, I have proposed this amendment today in the hope that Members can act in the spirit of seeking common grounds while preserving differences by avoiding, by all means, quoting or proposing specific figures. If Members have already agreed to pursue a relevant cause, then they should discuss the minor details, such as the level or how to go about it — whether the level is too high, too low or intermediate — later rather than imposing their own views on other colleagues in the motion debate. This is my objective of proposing the amendment. I hope Members can make concerted campaigning efforts after deciding on a common direction. Only in doing so can we fight more effectively for measures considered by members of the public to be most helpful to the middle class.

President, as of the end of this October, the Government's revenue from land sales and premiums had reached \$80.7 billion, breaking the highest record since 1985. Despite hoarding a huge surplus, the Chief Executive did not show that he had learnt a lesson properly in the Policy Address unveiled last month. Instead, he still adheres to the principle of penny-pinching, as was the case with last year's Budget, in total disregard of the needs of middle-class families and silent on any relief or support measures for them.

The Liberal Party believes that the vast majority of middle-class people do not expect the Government to be a "spendthrift" by distributing benefits indiscriminately. However, when the Treasury is flooded with money, should there be appropriate flood relief measures, or else there is a chance for flooding to occur in Hong Kong, as in the case of Thailand? I would like to emphasize once again that middle-class people, who have all along been working hard silently, are an important force in maintaining social stability. They have also paid a lot while receiving little protection. They should definitely not be neglected as a result.

Earlier, the Financial Secretary issued a warning to us in this Chamber, that the economic outlook for this year and the next can hardly be optimistic. There is also a fall in recruitment desire locally. I think that the Financial Secretary's warning is not alarmist talk. In an economic forecast published by the University of Hong Kong in October, it was also pointed out that, in view of the European debt crisis and the economic slowdown in the United States, the economic growth rate for the fourth quarter this year would come down to 3.3%, which is a far cry from the 7.5% recorded in the first quarter, with the situation next year probably getting even worse. The findings of a survey conducted in October by a human resources company, Hudson, have also revealed that 14% of the banks and financial services institutions interviewed are poised to lay off staff in this quarter, whereas less than 40% have the intention to employ additional staff.

Meanwhile, there is a tendency for inflation to worsen, with the inflation rate reaching 5.8% in September and not expected to fall slightly until early next year. In the face of the slowing economy and the threat of soaring prices, middle-class families can only suffer in silence.

As with the message conveyed by the electoral slogan used by the Liberal Party in this Legislative Council Election, "Releasing surpluses; sharing resources; curbing inflation; and acting in the interest of the people", the Government must stop acting like a miser. In our opinion, the most direct way to help the middle class is to offer them tax rebates, widen the tax bands and marginal rate, and raise the personal allowance, child allowance, dependant parent and dependant grandparent allowance, thereby alleviating their tax burden.

In fact, the personal allowance under salaries tax was last adjusted in 2008-2009, and the existing tax bands and marginal rate have not seen any adjustment since 2008-2009. This year's Budget has proposed a mere 20% adjustment to the personal allowance, dependant parent and dependant grandparent allowance, which is a far cry from the expectation of members of the public. A comprehensive review is indeed warranted.

According to the Liberal Party's internal projection, if the existing three-tier tax bands are raised by \$5,000 from \$40,000 to \$45,000 and the last two tiers of the marginal rate lowered by 1% each, then middle-class people earning a monthly income between \$20,000 and \$30,000 will be able to save 12.5% in tax, and those earning a monthly income between \$30,000 and \$40,000 will be able to save 10.4% and 8.5% respectively in tax. Coupled with tax rebates and other tax allowances, the tax burden on middle-class families can thus be relieved effectively.

President, when it comes to the expenditure of middle-class people, I believe mortgage payments or rents for private residential housing are a major item of expenditure in their daily lives. As pointed out recently by the Financial Secretary, despite a slight fall in recent years, property prices are still 5% higher than those in 1997, and 74% higher than the low prices recorded in 2008. At such a high level, property prices can hardly fall. Furthermore, the 2009-2010 Household Expenditure Survey conducted by the Census and Statistics Department reveals that the weight of housing expenditure to inflation data has risen from 29.17% five years ago to 31.66% now, a new high in recent years. The fact that the index for private housing rentals in the Consumer Price Index (B) has also risen from 8.7% in August to 9.1% in September also shows that middle-class people have to spend a lot on housing.

The Liberal Party has also taken the lead in proposing the idea of introducing a rental allowance in expressing our expectation for the budget and making recommendations for the policy address. We are very pleased that many parties and groupings and Members echo our views and make many similar requests in a number of amendments. This shows that the relevant proposals are in line with public aspirations and absolutely merit the Government's serious consideration.

To middle-class families who own properties, the home loan interest deduction scheme introduced in 1998-1999 has a significant meaning in the sense that it is literally like the fire obtained by Prometheus for the benefit of mankind. This is why the Liberal Party hopes that the Government can extend the entitlement period of the scheme preferably up to the end of the entire loan tenure.

In our opinion, the Government should assist young middle-class people who face difficulties in home ownership through housing supply. In addition to providing new HOS flats, the Government should also relax the eligibility for purchasing HOS flats in the secondary market, so as to enable eligible white form applicants to make immediate purchases. Furthermore, the Government should set the stage for the market to roll out "flats with limited floor areas" solely for purchase by Hong Kong people who are first-time home buyers, thereby separating the speculative market and the user market and preventing property prices from being pushed higher and higher by speculators as a result of the entry into the market by overseas or Mainland investors which is doing harm to local users.

Most middle-class families attach great importance to child education and inject a lot of resources at all costs. However, they bear an enormous pressure as a result of the sharp rise in expenses on textbooks, miscellaneous teaching fees, after-school interest classes, and so on, in tandem with inflation. The Liberal Party holds that a non-discriminatory approach should be taken to offer a one-off anti-inflation education allowance to students of all primary and secondary schools and kindergartens in the territory, as well as introducing deduction for education expenses with a view to alleviating the education burden on middle-class families.

As middle-class families generally subscribe to the private healthcare system, their medical insurance expenses are definitely not low. I believe the middle class can be benefited if the Government can introduce tax deduction for private medical insurance contributions to slightly alleviate the pressure of inflation on them.

For many marginal middle-class people, travelling expenses will actually add up to a heavy burden. The Liberal Party has all along called on various public transport operators to offer monthly tickets to passengers on all routes. Moreover, we have no objection to the Government considering and studying ways to reward passengers with the dividends received from the MTRCL to alleviate the pressure arising from upward adjustment of MTR fares. Meanwhile, the petrol duty payable by vehicle owners should also be lowered substantially, so as to relieve the burden of high oil prices on vehicle owners.

President, I so submit.

MS AUDREY EU (in Cantonese): Regarding this motion today, 10 Members in total, including the sponsor of the original motion, Mr LAU Kong-wah, and nine other Members including me, have made a number of concrete proposals in respect of the situation of the middle class.

President, it is simply impossible for Members to debate specific views within a few minutes of speaking time. The Civic Party's position is the same as that of Mr Paul CHAN and Ms Miriam LAU, who spoke just now, in the sense that we do not consider it necessary to debate the specific levels or measures, but we are all in favour of the major direction. I add "considering" in my amendment because, in considering a number of measures, we might really need to consider the whole picture before making a final decision.

President, I think it is most important to first make it clear if the Government faces up to this issue squarely. In my opinion, we can note from several points that the Government does not address this issue squarely, despite the fact that the issue has become more and more serious. First, the Chief Executive often says that the disparity between the rich and the poor is the natural product of capitalist society. The more advanced a society is, the more unlikely it is for such a situation to be avoided. However, does it mean that the Government can do nothing at all or even help the bad to bully the weak? In

fact, the current situation precisely demonstrates the polarization between the rich and the poor, the shrinking of the middle class and downward mobility, which are denied by the Government. Therefore, I hope to cite a few sets of figures to discuss this issue.

President, the first set of figures, which is provided by the Hong Kong Council of Social Service (HKCSS), shows that between 2001 and the first half of 2010, the poverty rate has been on the rise, hitting 18.1, or this red line, in 2010. As regards the poverty population, according to the information provided by the HKCSS, this blue line represents the poverty population. As of the first half of 2010, the poverty population stood at 1.26 million. This means that the poverty population has been on the rise during the period when Donald TSANG is the Chief Executive. Let us look at the figures on households in poverty as revealed in the information provided by the HKCSS. As of the first half of 2010, the number of households in poverty has also hit a new high of 470 000.

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

Deputy President, the second set of figures is provided by the Census and Statistics Department (C&SD). As Members know, a survey was conducted by the Government in 2006 and findings were published in 2007. As for the Census conducted recently, we do not yet have the relevant figures. Now let us look at these diagrams. Here it refers to 1996 and 2006 respectively. Of the three colours shown on the diagram, the blue line at the bottom represents households earning a monthly income below \$10,000, the middle one represents households earning a monthly income between \$11,000 and \$39,999, and the one at the top represents households with a monthly income of \$40,000 or above. We can clearly see the remarkably small increase in the number of households with a monthly income of \$40,000 or above from 15% in 1996 to 17% in 2006. The line in the middle is shrinking because of the significant increase in the number of households with a monthly income below \$10,000 from 440 000 in 1996 to 620 000 in 2006. However, the C&SD indicates that this does not mean an M-shaped society has emerged in Hong Kong because, according to the definition of an M-shaped society, as given by the Japanese expert, Dr KENICHI Ohmae, the number of temporary jobs and the income gap between different types of work have to be factored into calculation as well. Therefore, Hong Kong is not considered an M-shaped society even in terms of household income.

Deputy President, next I would like to examine another set of figures relating to the public's subjective perception of whether they belong to the lower, middle or upper stratum — the middle stratum can also be divided into the upper-middle, middle-middle or lower-middle stratum. We find that, compared with 1997, the percentages of people who consider themselves belonging to the upper-middle, middle-middle or lower-middle stratum (or equivalent to the middle class) in 2006 was actually lower, but the percentage of people who considered themselves belonging to the lower class rose by 10.3%. It is clearly evident that people who originally considered themselves middle-class have in fact slipped into the grass-roots stratum. No matter how adamant the C&SD is in denying this and how the Commissioner for Census & Statistics argues for her proposed definition, the impression of the public is the most concrete.

Deputy President, we may also examine another set of figures obtained by The Chinese University of Hong Kong in a survey on the quality of living in Hong Kong, with the higher the figures the better. The index was 108.93 in 2006, but dropped by 4.75 to a mere 104.18 in 2010. In other words, the index of living was also falling. Although the Government has often told us that Hong Kong's overall Gross Domestic Product is rising, the quality of living is actually falling.

Deputy President, let us examine yet another survey not conducted by Hong Kong. In April 2010, the Economist Intelligence Unit conducted a survey on the sandwich generation in several Asian cities. By sandwich generation, it means people who have to support their parents as well as their children. The survey interviewed 100 members of the so-called sandwich generation from each city and found that the sandwich generation in Hong Kong is under the greatest stress, with 53% of the respondents describing themselves as "struggling for survival". This is actually quite miserable or difficult.

Deputy President, what do these people find the most difficult? The answer is education. They consider education the heaviest burden. Precisely for this reason, the Civic Party has been campaigning for small-class teaching, 15-year free education (including free early childhood education), increasing university places, and reviewing the grant and loan system, for all these measures can help the middle class direct. As a colleague pointed out just now, middle-class people have often complained of education. Some people have

told me during my visits to the districts that they will send their children to better schools or even overseas. This reflects the aspiration of the middle class.

Deputy President, education apart, healthcare is also an enormous burden, which explains why I propose in my amendment injecting the \$50 billion. Just now, Mr Paul CHAN said that it might not be necessary to inject the entire sum of \$50 billion. I think we need not argue about the figure. Anyway, there is a need to provide additional funding on this front. Furthermore, I also propose that manpower be strengthened and self-financed drugs be reviewed in particular. For instance, if patients need to purchase these drugs, the Government may consider offering them tax concessions or even include the drugs in the Formulary. These measures are very specific and practicable.

Deputy President, on the environmental protection front, as pointed out by Mr KAM Nai-wai just now, the Government will only fuel wastage of electricity if an "across-the-board" approach is adopted to subsidize all electricity users. For the purpose of saving energy, the Government may consider Mr KAM's proposal or even offer discount coupons to electricity users who can meet certain energy-saving standards. This is also a viable option.

The same goes for petrol. If the Government purely reduces some duties, oil companies may not benefit members of the public. Therefore, we hope the Government can consider offering tax concessions. For instance, should the Government not offer more concessions to owners of electric vehicles or green vehicles when they cross the harbour? It is absolutely necessary to consider *(The buzzer sounded)*

DEPUTY PRESIDENT (in Cantonese): Speaking time is up.

MS AUDREY EU (in Cantonese): Thank you, Deputy President.

DR LEUNG KA-LAU (in Cantonese): Deputy President, the amendment proposed by me is mainly about healthcare and on the arrangements for medical insurance. Most people including me would agree that contributions to medical

insurance should be tax deductible. However, I would think that the relevant arrangements can be made better.

First of all, by making contributions to medical insurance tax deductible is not merely a request for some benefits from the Government. This is because the medical insurance for employees, if it is taken out by the employers for the employees, is a kind of fringe benefit provided by employers to employees. The employers can regard the money in question as part of their expenses and it is tax deductible. If an employee takes out a medical insurance policy because his employer has not done that for him, or if a self-employed person makes contributions to a medical insurance policy, why can this not be tax deductible? Therefore, due to the equity principle, it is only right that contributions to medical insurance should be tax deductible.

Apart from making contributions to medical insurance tax deductible, are there any better and more satisfactory ways that can serve to assist the middle class people? I suggest that not only contributions to medical insurance but also all medical expenses not covered by medical insurance should also be tax deductible. Of course, contributions to medical insurance should be tax deductible, but we may consider the case of other people who may not be able to take out medical insurance policies because they have made some claims before or their age is too advanced and so they are not insured. Then how can these people get the protection they need? I therefore suggest that all medical expenses should be tax deductible.

Is this a novel idea? No, because this arrangement is already available in places like the United States, Australia, Canada, Taiwan and Ireland. A very interesting point is that in most of these countries or places where there is tax deduction for medical expenses, the amount imposed is not a ceiling but a lower limit. That is to say, the people there are not encouraged to make a tax deduction application if the expenses are too small, because the administrative fees are likely to be very high. And if the amount is too small, it would be seen as trivial and that even if tax is deducted, it would not help the middle class people in any great measure. But if the medical expenses concerned reach a certain amount, such as in the case of the United States, when the amount exceeds 7.5% of the person's income, then there can be tax deduction. Come to think about it. If medical expenses reach 7.5% of a person's income, it would be quite a substantial amount and the medical condition would be quite serious. Then a

large sum of money is required to treat the condition. If the middle-class people are given assistance under such circumstances, it can really be said that the approach is target-based and genuine help is provided to people in need.

As a matter of fact, this idea was raised as early as in 2009. In February 2009, I commissioned the Center for Communication Research at The Chinese University of Hong Kong to conduct an opinion poll. A total of 1 000 people were interviewed. More than 80% of the respondents agreed that contributions to medical insurance should be tax deductible. A similar percentage of respondents agreed that all medical expenses should be tax deductible. Of these 1 000 respondents, 35% said that if the Government made this tax deduction arrangement, they would take out medical insurance if they had not yet done so. Those who had already taken out medical insurance would increase their coverage in order to make themselves more responsible for their own health.

In addition, these respondents also said that they would use less public healthcare services. It was not that they would stop using them but they would not use them so often. A conservative estimate made out of these findings is that once this policy is introduced, the number of visits made by people who seek consultation from the Hospital Authority (HA) would be reduced by 12 million. Sorry, I have made a mistake. Now the number of visits made by people who seek medical consultation from the HA is 12 million. As I have just said, 30% of the responds said that they would use less of the services provided by the HA. Suppose one half of these respondents, that is 15%, would really do what they have said and use less of the services from the HA, the reduction in the number of visits will be as many as 2 million. Provided that the management of the HA is sound enough, and fixed costs can be reduced, then that would mean a reduction or a saving in healthcare expenses to the tune of \$4.5 billion. It makes sense in money terms.

Other Honourable colleagues, like Mr WONG Kwok-hing, have also made similar suggestions, such as requesting that medical expenses for parents or grandparents above the age of 65 should also be tax deductible. I do not know if the proposal would include great-grandparents as well. He also suggests that there should be tax deduction for the purchase of expensive drugs. I do not oppose such proposals because everything can proceed gradually and in order. But I think we may not necessarily have to set these restrictions. This is because if an elderly person who is 63 years and nine months old or someone who is 64

and nine months old has to undergo a major operation, should that person wait for another three months before getting the operation?

There is an interesting piece of information which I would like to share with Members. Ireland has also implemented tax deduction for medical expenses. But do you know what kind of people are entitled to that? In the United States, Australia, Canada and such like places, the persons covered are usually the taxpayer, the spouse, the dependants, and so on. But in Ireland, it has an interesting requirement and that is, the coverage includes the taxpayer and also other people. In other words, if I pay for your medical bills, then I can also get tax deduction. This is really a utopia.

As to what items should be covered, Mr WONG Kwok-hing suggests that expensive drugs should be included. But if expensive drugs are included, why should major operations be left out? It can be said that there are no guiding rules for that and it will have to depend on the particular needs of the society in question. In some places, even contact lenses are covered, provided that they are for medical purposes. In Taiwan, even laser vision correction operations are covered and we must say that it is good. But things may be different in Hong Kong.

On the question of possible abuse, an assistant from a Democratic Party Member called me the other day and asked if there would be abuse if the amount was not capped. I do not believe such a problem would arise. This is because tax deduction will at most be granted for 15% of the medical expenses. I do not think people will abuse the mechanism because they want to have more tax deducted. If an operation costs \$100,000 only, the tax deduction is \$15,000. There is no reason why people will opt for an operation which costs \$200,000 when the operation can be performed for \$100,000 in order to get more tax deduction. This is because he will have to pay an extra \$80,000 in the end.

Another issue is the implications on public revenue. If I am correct, the total amount of insurance payments made in Hong Kong every year is \$8 billion and \$4 billion is on insurance policies taken out by companies and the other \$4 billion is for policies taken out by individuals. I hope I have not got these figures wrong. This is because my assistant has not put down the related information for me. If companies can get tax deduction from the medical insurance they take out, and as the money spent is part of the operating costs, the amount arising from contributions to medical insurance alone and for which tax deduction can be obtained is \$4 billion, and for the Government, it will mean

\$600 million less in tax revenue. If all medical expenses are tax deductible, what would be the result? The total amount of money spent on personal medical expenses is about \$30 billion and if the coverage of policies taken out by companies is not counted, and suppose that amount of medical expenses is \$15 billion, then this amount of \$15 billion is tax deductible. The amount of tax in question is only \$5 billion. So this proposal from me is not made recklessly. I have made the calculations and done some study.

In the remaining time which is not much, I would like to talk about the suggestion made by Ms Audrey EU on the voluntary Health Protection Scheme (HPS). She suggests that the fund of \$50 billion earmarked for the HPS should all be injected into the public healthcare system. Actually, since the Government proposing to inject \$50 billion into the fund two years ago, it has subsequently increased its annual funding to the HA every year since then. The amount of funding increased over the years has gone up to \$5 billion a year now. Had the Government started to provide the additional resources then, as much as two thirds would have been injected into the HA already while the remaining one third can be used to finance the launch of the HPS, the targets of which are precisely the middle class people. If this sum of \$50 billion were expanded on people who are unable to take out medical insurance and have high health risks, the idea would be basically only to balance out the distribution of benefits in society so that everyone can get a certain share. There is no need to inject all the money into the public healthcare system.

As for the public healthcare system, about 10 years ago, a study with a random sample of about 5 000 persons was undertaken by the Harvard consultants and the findings showed that 85% of the people in Hong Kong wanted to use the out-patient service of the private doctors. On hospitalization, about 70% of the people wanted to use a private hospital because they thought that private hospitals were more comfortable and they would not have to wait for a long time and they could choose the doctors they preferred. As a matter of fact, Ms Audrey EU does not have to cram everyone into public hospitals because these public hospitals may not necessarily be cost-effective. It is because public hospitals do not have to consider cost-effectiveness that they often lack efficiency.

I will stop here for the time being. Thank you, Deputy President.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Deputy President, first of all, I thank Mr LAU Kong-wah for proposing this motion today. The discussion on this motion by the Council while the Financial Secretary starts to prepare the 2012-2013 Budget (the Budget) will further our understanding of Members' expectations as well as those of the public.

We met with Members, academics, think tanks, financial institutions, local communities, and so on, in August and September respectively to consult their views on the Policy Address and expenditure part of the Budget. All sectors of the community have actively raised a lot of proposals to which the Chief Executive has responded in his Policy Address. The Financial Secretary will start to launch a consultation exercise on the revenue part of the Budget in late November. I hope that all sectors will continue to submit their views.

In Mr LAU's motion, the financial burden of the middle class is mentioned. I understand that this is the concern of many people. We very much agree that the middle class has made important contribution to society and great commitment to the development of Hong Kong. Therefore, the Chief Executive, when attending a question and answer session on the Policy Address last month, also reiterated that the Government would not forget the contribution of the middle class to the community, nor its pledge to render support to them. Today, I would like to listen to Members' specific proposals in this regard.

Besides, Mr LAU has pointed out that amidst the uncertainties of the external environment and a worsening inflation, the risks of an economic downturn exist in Hong Kong. As the Financial Secretary pointed out in the Motion of Thanks debate in the Legislative Council last week, factors unfavourable to the performance of external economy have intensified since this year. While the local economy fared quite well in the first half of the year with a year-on-year growth of 6.3% in GDP in real terms and the unemployment rate fell to the 13-year low of 3.2%, the deterioration of the external environment in recent months has a direct impact on Hong Kong's foreign trade performance. Under the constraints of high unemployment, sluggish property market and the deleveraging process, the recovery process of the United States economy remains unstable. Furthermore, the sovereign debt problems of individual countries in the Euro zone have recently further deteriorated, causing volatility in global

financial markets. Both of these factors have adversely affected our economy as a whole and the local employment situation.

On the inflation front, the public will continue to face inflationary pressures. We expect that the rate of underlying inflation for 2011 full year will be slightly below 5.5%. The Government is very concerned about local inflation and proposed some measures in the Budget published in early this year, including paying the rent for public housing households, providing an extra allowance to recipients of Comprehensive Social Security Assistance and Social Security Allowance, increasing the tax allowances, rates concession and electricity tariff subsidies. I believe these measures will help ease the inflationary pressures borne by all walks of life.

As the global food prices have stabilized over the past few months, coupled with the fact that local economic growth is expected to be decelerating amidst a tough external environment and the property market has started to cool down recently, it is believed that external and domestic inflationary pressures will ease next year.

Given an uncertain economic outlook and the looming inflationary pressures, we fully understand that the public feel the pinch of their financial burden. In Mr LAU's motion and various amendments by several Members, a series of measures have been proposed to alleviate the financial burden of the middle class. After this speech, I would like to listen to the views of Members before responding to their proposals.

Deputy President, I so submit. Thank you.

MR RONNY TONG (in Cantonese): Deputy President, I was shocked enormously when I heard the short response from the Secretary earlier. He said that he hoped the debate today could make the Government better understand the difficulties faced by the middle class. It seems that the Government did not understand at all the kind of difficulties faced by the middle class over the past 10 to 20 years. I am very disappointed to hear a Director of Bureau say such things in the Legislative Council.

Deputy President, I do not think the Secretary needs to listen to our debate today. All he has to know is that there are as many as nine Members who have proposed amendments respectively to the motion. It is nine Members. The Member who has made the largest number of suggestions is you, Deputy President. And there are 24 items in your amendment. These include matters like taxation, education, healthcare and even transport — almost all the economic problems that the people would have to face. Deputy President, it is 24 items. Just what has happened? Deputy President, honestly, I do not know if the Secretary is living in Hong Kong like every one of us. There is a saying in Hong Kong now which goes like this: It is no better than our forbearers but it is not sure whether it is better than our next generation. The saying compares people now with those of the previous generation, that is, it is true that the middle-class people are no better than those of the previous generation. And no one dares to make a definitive remark about the next generation. And there is another remark which says to this effect: The middle-class people are getting more and more lowly. It does not mean that they use vulgar language, throw things at people or have got any problem in conduct. It refers to the fact that there is degentrification of the middle class. Very soon we will not have the middle class anymore. There will only be two classes left. Deputy President, they are the indecently rich and the middle class — but the so-called middle class has in actual fact blended with the grassroots and they are one.

Deputy President, I recall that 40 years ago, that is, in our times — Deputy President, I do not dare to say that I am as old as you because this may affect how people would look at your age — but I do remember that after I had finished my studies and returned from overseas, I was able to save up and buy a flat with a size of 700 sq ft when I was 28 years old. But I do not think people can dream of that now before they reach 40.

Deputy President, when I visited the residents in the districts I got many complaints from them. They said to me something like this, "Although I live in a middle-class neighbourhood, I live a life of the grassroots. I have a daughter who wants to study in the university, but I cannot afford her tuition fees. Now I cannot even meet the transport costs. Then would you say that I belong to the grassroots or the middle class?" Deputy President, I was speechless for a reply. If you look at the figures released by the Government on the Internet, you can see that in the previous generation, that is, during the 1980s — not to say in the 1960s and in the 1970s — in the 1980s, the expenses on home ownership only took up

30% of one's income. Now in 2000, Deputy President, the proportion has gone up to nearly 50%. And there are people who cannot hope to buy a flat in any case. Deputy President, in 1997, those of us who were at the eighth band of income — I am talking about figures which divide up the income of the Hong Kong people — that is, those with a median income, would have a starting point at \$15,000. In other words, a couple with a monthly income of \$30,000 could be considered as belonging to the middle class. When it came to the year 2006, the figure only climbed to \$17,000. There was only a rise of \$2,000 after 10 years. But the increase in living expenses has gone far beyond 15%. That is to say, people cannot make ends meet. It is impossible for them to maintain a quality of life that can truly be considered middle-class.

Deputy President, back in the 1980s, there was free education for nine years and very few people would take out an insurance policy as an education fund or education insurance. Now many of these so-called middle-class people cannot even afford to send their kids to a good kindergarten, let alone an elite school. Now the sum of money they spend on education is very large. We have got 12 years of compulsory education, but it is obvious that the huge amount of expenses on education has made us unable to maintain a quality of life that can be called middle-class. So Honourable colleagues who come from all sorts of political parties and groupings have one common understanding and that is, we have got to move in the direction of 15-year free education. Deputy President, just what has happened during these years? Deputy President, I would think that the greatest problem is that ever since the reunification, the Government has totally overlooked the financial problems faced by the middle class. And for every year, there would be some minor patchwork efforts made by the Government. Exempting taxpayers from paying one quarter of government rates, for example, would be seen as a shower of blessing. The problems are thought to be solved. But what we need is investment over time and in the long term. There should be some sustainable development which enables the middle class to keep its role as the pillar of society. Deputy President, in most societies around the world, the middle class is the lynchpin of society, meaning that the middle class is the social class with the largest number of people in a society. But in Hong Kong, things are getting more and more out of place. An M-shaped society is formed. Deputy President, we already said a number of years ago that our development into an M-shaped society was getting more and more marked. That is to say, wealth is being polarized and there is only the extremely poor and the extremely rich. The middle is getting thinner and thinner, and it has become

a minority. Deputy President, I can assert that this is no good for keeping our society stable and peaceful. When a society is full of people from the grassroots and when they are leading a life which is very hard, it would be impossible to make a society like this ever stay peaceful.

Deputy President, I dare not venture to say that this is one of the reasons why the parliamentary culture in this Council is getting more violent. But doubtless an atmosphere of violence has filled our society.

Deputy President, now even the issue of foreign domestic helpers fighting for the right of abode here has sparked off great discontents in the middle class. This is also a seed of destruction sown by the Government.

DR PRISCILLA LEUNG (in Cantonese): Deputy President, insofar as the policy of the Hong Kong Government is concerned, it has always been the case that middle-class people only have the duty to pay tax, not the right to enjoy welfare. The financial turmoil has rendered many middle-class people unemployed, negative-equity asset owners or even bankrupts. This is why many people said that middle-class people are the most tragic group of people caught in the middle in society. Why? Members need only pay a little more attention to them and they will see the reason. The middle class or middle-class households are often the sandwiched class supporting the economy and social stability of Hong Kong. Our friends in the middle class have to serve the richest people in Hong Kong above them, and they also have to take care of the grass-roots beneath them. Most middle-class people are the breadwinner of the family and they are an important group of people contributing to the economic take-off in Hong Kong. I believe middle-class people absolutely agree that social harmony is very important and so, some social resources should be distributed for providing support to the grassroots and even recipients of Comprehensive Social Security Assistance (CSSA), and also for assisting the vulnerable and other disadvantaged groups. Having said that, I think I must express some views for the middle class.

While shouldering their social responsibilities, middle-class people also hope to have the understanding of the community. When it comes to social welfare, middle-class people are not just the "five nos" or "10 nos", but they are often the "all nos". The Policy Address this year has once again reflected that

middle-class people are neglected. I remember that when I joined the Legislative Council, I very much hoped that there could be one more voice in the Legislative Council speaking up for the middle class. At that time, I noticed that after the middle-class people had paid their share, they often found that society had no policy to help them when they were in dire need of help. Examples are victims of the Lehman Brothers incident, the small shareholders of the PCCW, and even many middle-class people doing business in the Mainland who run into difficulties. Legal aid is entirely beyond the reach of these people.

Therefore, the first motion that I moved after joining the Legislative Council precisely aimed to broaden the legal aid system by extending the scope and raising the threshold of legal aid services. After several years of efforts, there have been some slight responses made by the Government to address the legal aid problem. However, many middle-class people have often told me that they still do not dare get involved in legal proceedings in Hong Kong because to them, judicial justice seems to be exclusive to the richest and poorest people only. In Hong Kong, legal aid services are easily accessible to the poorest people, including illegal immigrants, foreign domestic helpers or people at the lowest level of society. But for middle-class people who are involved in legal disputes, there is often no way for them to initiate proceedings. This has, therefore, prompted them to ask why they are kept so far away from judicial justice. These are also the specific difficulties faced by middle-class people.

I very much agree with the many proposals made by Mr LAU Kong-wah today, especially the implementation of 15-year free education. In the education session of the debate on the Policy Address, I already expressed the view that there are actually two major problems being most important to middle-class families. The first is the housing problem, and the other is the education of their children. With regard to education of their children, in my proposals on the policy address for the past few years, I have proposed to increase the tax allowance for children education for middle-class people. With regard to rental housing, I also agree that in most cases, we are not asking that the people should be provided with housing immediately, but among the middle-class families, there is still a group of sandwiched-class people who may not be allocated housing in 2016 even under the new policy and may hence need to rent their accommodation. This is why I have all along called on the Government to consider providing a rent subsidy for middle-class people.

In this motion debate today, Members have tended to propose a tax allowance for residential rentals. I agree that consideration can be given to providing this tax allowance but a more direct option is a rent subsidy. To some sandwiched-class people and even middle-class "snails" who are denied access to any social welfare, members of the community should recognize their past contribution to society as they have never ceased to pay tax. I think the \$10,000 children education allowance for middle-class families proposed by Mr LAU Kong-wah is far too low indeed. Given the prevailing inflation, many middle-class families actually have to spend a considerable proportion of their expenses to meet the costs of education for their children. I think the tax allowance for children education should be set according to the income of middle-class families.

I have with me here a list of information on rental. The rent for residential units on Hong Kong Island was \$19.9 per sq ft in January 2009, and it rose to \$30.7 in September 2011; in Kingswood Villas in the New Territories, the rent was \$6.6 per sq ft back then and it is \$10.5 per sq ft now; in Whampoa Garden in Kowloon, the rent was \$15.9 per sq ft back then and it is \$23.6 per sq ft now; in Mei Foo Sun Chuen, the rent back then was \$13 per sq ft and now, it is \$18.8 per sq ft. To people who do not own any property, their rent has actually taken up a significant share of their expenses. For this reason, I absolutely agree that insofar as rental is concerned, members of the community should express their recognition of middle-class families and their contributions.

Besides, as economic volatility prevails today, I have consistently proposed that the Government should earmark \$1 billion for setting up a loan fund for unemployed middle-class people to switch occupation. Middle-class people absolutely do not wish to become CSSA recipients or unproductive. Even if they become jobless in the midst of economic volatility, they still wish to be able to switch occupation. The Government should give encouragement to these people who do not wish to live on CSSA. In fact, many people have told me that they can get over the difficulties as long as they can take out loans. So long as they can switch occupation, they would very much wish to repay their loans to the Government, and they do not wish to become the burden of society.

Furthermore, I have always insisted that the Government should help the small and medium enterprises (SMEs) to overcome the financial difficulties that they face during the transitional period after the minimum wage came into effect,

and that the Government has to make preparations for the possible impact on SMEs after the enactment of the Competition Ordinance. In this connection, members of the community should lend them a helping hand in advance. But the Policy Address this year has made very little mention of the middle class and the SMEs — especially the SMEs.

Deputy President, the place where I am teaching is located in Yau Yat Chuen¹. As the saying goes, "where hills bend, streams wind and the pathway seems to end, amidst the green willows and the blooming flowers lies another village". I hope that middle-class people and the sandwiched class who are at the end of the pathway can find a way out. I very much hope that the Government can hear our voices and do more for middle-class people. *(The buzzer sounded)*

DEPUTY PRESIDENT (in Cantonese): Your speaking time is up.

DR PRISCILLA LEUNG (in Cantonese): Deputy President, I so submit.

MR CHEUNG MAN-KWONG (in Cantonese): Deputy President, today, many colleagues have mentioned the polarization between the rich and the poor or the development of a "M-shaped society". But we can assert that the golden age of the middle class in Hong Kong has gone by, as they have to put up with a heavy burden in many aspects, such as meeting the mortgage loan repayments or rental payments, and paying for their children's education and their parents' medical bills. They have not thought about their own retirement; they do not wish to fall sick after retirement, and they all the more do not wish to fall sick with chronic diseases, still less having to take expensive medicines for chronic diseases.

So, what I am going to talk about today is not education, but healthcare issues. Many friends in the middle class (including headmasters and teachers) have told me that they used to be quite well-off when they were working, and that they had lived frugally and made their own savings. But at a certain age, a

¹ Yau Yat Chuen (又一村) can have its origin traced to a line of a poem, "柳暗花明又一村" (amidst the green willows and blooming flowers lies another village), meaning that every cloud has a silver lining.

chronic disease that happened to them ate up all their savings. They said that not only had they caused troubles to their family and not only must they endure the sufferings by themselves, they, in their twilight years, did not know the path ahead. All the money that they had saved when they were young, and all their hopes and plans may have vanished into thin air because of a chronic disease. When life comes to such a sorry state, can we not gasp in despair?

Their first concern is medication indeed. Dr LEUNG Ka-lau asked earlier why major surgeries are not covered. They certainly wish to have these surgeries covered, but would that be possible? If they cannot even solve the problem with medicine but are asked to cover major surgeries, would they be willing to do so? Therefore, it is pointless to talk about this in a high profile. Let us be practical and talk about medicine first.

In recent years, given the implementation of the Drug Formulary and the surge in the cost of private-sector healthcare services, medical expenses have imposed an extremely heavy burden on middle-class families. As I have just said, when we ourselves or our family members fall prey to a serious illness, all the medical expenses will rise drastically and many middle-class families will find the bill very hard to foot. The Government has often said that subsidies are already allocated for the public-sector healthcare services to provide the public with a healthcare safety net that the middle class, like other members of the public, can enjoy the right to access too. The fact is that the Government is gradually expanding the list of means-tested medical items and drugs and this has, in effect, deprived the middle class of subsidies for healthcare services in the public sector.

Since the introduction of the Drug Formulary by the Hospital Authority in 2005, many of the so-called "life-saving drugs" with proven efficacy are no longer included as subsidized general drugs due to their exorbitant costs. A dozen of these "life-saving drugs" for treating cancer have to be purchased by patients out of their own pockets. Recently, the Community Care Fund has subsidized six of these drugs but the provision of subsidies is subject to an income and asset test. Besides, 20 expensive drugs, including drugs for treating cancer and a number of treatments, such as the balloon angioplasty procedures and the intraocular lens required in cataract surgeries, are made self-financed by patients. Similarly, the Government has determined the amount of expenses payable by each family through the income and asset test. A friend of mine told

me before he passed away that the drug he was taking cost \$600 per pill. Just when I was greatly shocked by it that another friend of mine told me that it cost him \$3,000 for each pill of the drug that he was taking. I have no idea how much these drugs, of which more and more have been marketed, can cost at the most. I only wish to ask: For a drug costing \$600 per pill, how many pills can a person in the middle class afford? As an old Chinese proverb goes: With a household savings of two thousand, spend two qians a day; without further earnings, for how many years can the savings last? But the case now is not spending two qians a day, but several thousand dollars a day. This is only the cost of the drugs, not to mention surgeries.

Human beings are amazing. If I were told that I were incurable, I would certainly have to live my last days freely and calmly, but if I were told that my illness was curable, just that the treatment would cost a certain amount of money per day, human beings should at least have the will to live on. Even if the patient himself does not want to live, he would not admit so for the sake of his family. This is human nature. This is the love of family. This is why these people would spend all their fortunes and their relatives and friends would make every effort to find drugs to prolong their life, though the chance is slim. The process itself is painful. It is in itself a torture. Therefore, the problem concerning the drugs must be addressed. Moreover, while the poor can obtain subsidies, the better-off are nonetheless denied subsidies or given only discounted subsidies. We must not allow this to happen. Under such circumstances, middle-class people really have to ask a question: I have worked so hard for all my life and I have paid tax for all my life, but what for? I have saved up money for all my life and have to spend it all in the end, but what for? This question must be answered.

About the amendments proposed today, with regard to Ms Miriam LAU's proposal to delete the \$12,000 ceiling for tax deduction, we consider that it is open to discussion as to whether the ceiling for tax deduction should be set at \$12,000. But a ceiling should be, and it must be set. As we can recall, there was a case when we found out that the medical insurance plan for the Executive Director of the Hong Kong Tourism Board could be as extravagant as costing \$180,000. So, why can we not set a ceiling?

Moreover, on the question of not setting a ceiling for tax deduction for medical expenses, I remember that Stanley HO was attended to by five

well-known doctors during his hospitalization. He stayed in a suite in a private hospital and paid tens of million dollars for his medical bill. Considering such extravagant medical expenses, a ceiling should certainly be set for tax deduction, or else it would be even more unfair. But anyway, I call on the Government to seriously look into the problem concerning the drugs. *(The buzzer sounded)*

DEPUTY PRESIDENT (in Cantonese): Your speaking time is up.

DR PAN PEY-CHYOU (in Cantonese): Deputy President, the Hong Kong Federation of Trade Unions (FTU) is keenly concerned about the motion debate proposed by Mr LAU Kong-wah today. In fact, Members may be unaware that the FTU comprises many trade unions established by the middle class and professionals, such as teachers, nurses, civil servants, doctors, lawyers, accountants, securities traders, bank staff and so on. Insofar as I am concerned, I may be regarded as a member of the middle class. Hence, we are naturally concerned about the problems faced by the middle class.

Some people say that the term "middle class" actually means "sandwich class". They are a group of people who will never be affluent and influential. Nor are they entitled to welfare and benefits, such as public rental housing and Home Ownership Scheme flats, for the grassroots. In fact, though we in the middle class are not the best, we are certainly not the worst. This is the value of moderation. The middle-class people have always led a life in which they work after sunrise and rest after sunset. They are autonomous and independent.

Before the reunification, the middle-class people were the happiest group of people in Hong Kong. We worked diligently and earned a handsome income. After the reunification in 1997, the mother-tongue teaching policy, which was rather rigid and loose, was rolled out bluntly. As a result, it became a real torment to the middle-class families. A few years later, the mother-tongue teaching policy was found to be ineffective in a survey and the students were made guinea pigs. The "85 000 unit" policy was then rolled out when the financial crisis hit Hong Kong, leading to the housing market crash. As a result, many middle-class people who had bought their own homes became negative equity assets owners. In order to tighten spending, the Government cut the pay of civil servants and implemented the lump sum grant scheme for

non-governmental organizations. This is in fact a measure aiming at cutting salaries and adding workload. Under the slogan of "productivity enhancement", the staff of the Government and subvented sectors faced an increasing workload. In the education sector, there were waves after waves of education reform and teachers were exhausted at work. Confused by these education reforms, many middle-class families who had the means sent their children to study abroad.

When Hong Kong was hit by SARS in 2003, healthcare workers were struggling to cope with the disaster. In the meantime, property prices hit bottom. All industries were suffering from a lull in their business while employees were jobless and the unemployment rate rocketed when the epidemic struck. Coupled with the problem of negative assets, many middle-class people could not see any ray of light as if they were in the middle of a dark tunnel. Their discontent was driven beyond the limits of tolerance and anger erupted.

The economy has finally turned the corner in recent years and the middle class could breathe a sigh of relief. But at this very moment, the financial tsunami hit us. The Lehman Brothers, a United States investment bank with a 100-year history, went bust due to toxic assets. The middle-class people were looted by a lot of high-risk financial products such as minibonds and ELN, which were packaged as prudent products. Though they could eventually survive the financial tsunami, they found it hard to bear the soaring rents. As inflation is fiercer than the tiger, those middle-class people who are running small businesses and professionals in private practice have to bear the brunt of surging rents and costs. Only the property owners could benefit in a blooming economic climate. Furthermore, there is a group of middle-class people who dare not purchase properties in view of the housing market crash in 1997. They have to move to smaller flats and more remote locations in the face of soaring rents and unaffordable property prices. In the meantime, in the face of an influx of Mainland women giving births in Hong Kong, the middle-class people have even to compete for maternity beds. They are really full of complaints.

Many middle-class people who uphold the core values of Hong Kong think that they could have at least some spiritual consolation by pinning high hopes on some political parties which have held aloft democracy, freedom and human rights. Unexpectedly, their idols support the judicial review of the environmental impact assessment in respect of the Hong Kong-Zhuhai-Macao Bridge, thereby causing the delay of a series of projects which are beneficial to

Hong Kong and wasting \$6.5 billion of taxpayers' money. They also support the right of abode of foreign domestic helpers, ignoring the interests of Hong Kong people as a whole. Recently, it has been reported that a media mogul has made generous donations to some political parties in the pan-democratic camp and celebrities, with suspected intentions of stirring up troubles. These middle-class people are facing a very embarrassing reality as if they have fallen into icy water.

Therefore, the middle class has suffered a lot of torment in these "14 lost years" and both the Government and political parties are to blame. I find it difficult to relieve their resentment if measures implemented aim at alleviating their financial burden only. However, we are still very grateful to Mr LAU for proposing this motion, which has reminded us of the many adversities faced by the middle class in this "14 lost years". They feel being neglected because they have never been mentioned even though many relief measures have been proposed by the Government in this year's Policy Address. In the face of an unpredictable economic outlook in 2012, we should really be more concerned about the predicament and difficulties faced by the middle class.

The FTU has proposed a series of amendments to the original motion, having taken into account the characteristics of the middle class who are autonomous and independent. Let me talk about some of our amendments. We propose that tax deduction be introduced for payment of medical charges relating to parents and grandparents, including medical insurance and expenses on various services for the elderly. This serves as recognition for those who have taken care of their elderly relatives and an incentive to encourage respect and support for the elderly.

The middle-class people have to face traffic jams on their home-to-office journeys, regardless of whether they take public transport or drive their own cars. This is mainly due to the toll imbalance of three road harbour crossings. Most people use the Cross Harbour Tunnel (CHT) because the tolls are low. As a result, the traffic on both sides of the harbour is blocked by the traffic into and out of the tunnel. Therefore, we suggest that the Government should buy back the Eastern Harbour Crossing and Western Harbour Crossing in order to reduce their tolls to a level comparable with those of the CHT. In our opinion, this will greatly ease the traffic congestion on Hong Kong Island and in Central Kowloon. This is the most desirable arrangement for the middle-class people who work or live in this area.

Over the past 14 years, the middle-class people have experienced a lot of adversities. Today, we have proposed many measures to benefit the middle class, which are, in my opinion, only the first step to be taken. In fact, what the middle-class people need more is a fair and stable society with stable and equitable systems and policies that would enable them to solve their problems on their own and work hard for their well-being. As long as we can really build such a society, their grievances will disappear and they will be filled with harmonic joy.

Finally, I note that four Members of the Democratic Party have proposed amendments today and one of them is Mr Albert HO, Chairman of the Party. I also note that the four of them have participated in this year's District Council Election. Here, I have to congratulate the Democratic Party for utilizing the platform of the Legislative Council. But in the meantime, I also recall Mr HO's criticism of the FTU early this year (*The buzzer sounded*)

DEPUTY PRESIDENT (in Cantonese): Your speaking time is up.

MR CHAN KAM-LAM (in Cantonese): Deputy President, the European countries and the United States are nervously handling their debt crisis. The sky is covered by dark clouds. While the global economy is confronted by a new conundrum, there is a phenomenon that prevails in the European countries as well as the United States which warrants our attention, namely, the living space of the middle class and their room of development are being heavily compressed. The middle class has begun to become less posh, or even tends to be pauperized.

In the United States, there is even a phenomenon that some middle-class people becoming the lower class. Some social scientists have even predicted that a stable sub-class consisted of those who have the ability and volition but are rendered jobless may emerge in the American society. In Hong Kong, though the middle class may not have become impoverished, their lives are getting increasingly difficult.

Despite the continuous growth of Hong Kong economy as a whole, the annual increase in salaries has underperformed the per capita GDP over the past four years, with the exception of 2008 in which the increase in salaries is higher

than the growth of per capita GDP by more than 1%. Thus, economic growth does not mean that the people's livelihood can also be greatly improved. Moreover, due to the soaring property prices and inflationary pressure, Hong Kong people generally cannot enjoy the fruits of economic growth. Of course, this phenomenon is not unique to Hong Kong. The difficulties faced by various advanced economies in the world are more severe than that of Hong Kong.

At times of fluctuations in the economy, the lower class may benefit from the Government's relief measures. The middle class, however, can only grin and bear it. Now the property prices have seen some sort of correction, the number of cases of negative equity assets has surged to 1 653 in the third quarter of this year. It is believed that most of the victims are middle-class people. No wonder the middle class in Hong Kong has always been regarded as a group of people who have made the most contribution but get the least benefit.

The Chief Executive said that factors causing another global economic recession are approaching. The Financial Secretary, John TSANG, also said that as the external economic environment had deteriorated severely in the past few months, the downside risks to our economy had intensified. Economically, next year's focus of attention would be the impact of the economic downturn among the European countries and the United States on our economy.

If Hong Kong really experiences an economic downturn, the middle class and professionals may bear the brunt again. If the Government does not adopt timely measures to improve the situation of the middle class and make preparations for the future economic structure, the middle class in Hong Kong will see a gloomy outlook and no one can tell whether the problems faced by the middle class in Europe and the United States will not occur in Hong Kong.

Deputy President, Hong Kong can draw a lesson from the problems faced by the middle class in the European countries and the United States. The problem now confronting the European countries and the United States is mainly a crisis arising from their social welfare systems, namely, their generous social welfare having driven their governments into a debt crisis. Today, high social welfare is no longer sustainable in the capitalist systems of the European countries. One of the profound lessons we have learnt is that it will not be a good thing if we merely go after generous welfare. On the contrary, we need balanced development of society as a whole.

In recent years, there are signs, such as blind criticism against the Government's commitment to the fiscal policy of financial prudence and keeping expenditures within the limits of revenues, showing that radicalism and populist ideas are rearing their heads in Hong Kong. Facts have proved that it is precisely the political systems of the European countries that have sown the seeds of their debt crisis. Similar to the situation of Hong Kong, the economic losses arising from the crisis will be borne mostly by the middle class. The middle class in Hong Kong have pinned high hopes on social harmony, steady economic development and gradual improvement in people's livelihood.

The housing policy is the focus of this year's Policy Address, in which a number of policy measures aiming at helping the achievement of home ownership are believed to be helpful to adjusting the property market. As long as the property market can be restored to the normal level and develops in a healthy manner, the middle class can breathe a sigh of relief regardless of whether they will buy or rent a property. Regarding such measures as increasing the land supply, the My Home Purchase Plan or the new Home Ownership Scheme, I hope the Government will implement these measures expeditiously so that the people can live in peace and work with contentment.

Besides, medical charges are one of the major burdens of the middle class. The increase in medical charges has outrun inflation over the past few years. While the middle-class people cannot afford the charges of private hospitals, they cannot afford the waiting time of public hospitals either. Many middle-class people have complained about the shortage of public healthcare resources and the long waiting time for public hospital services. In the absence of medical insurance, they have to visit private clinics when they suffer ailments. In case of hospitalization, however, they have to rely on public hospital services. They have to pay very expensive premiums if they want to take out medical insurance covering all family members.

Despite their misgivings about the universal Health Protection Scheme, most of the middle-class people have indicated that they would consider joining it as it would at least be cheaper than subscription to private health insurance. I hope the Government will implement the healthcare financing reform as soon as possible for I believe that this will, to some extent, alleviate the burden of medical charges on the middle class.

Another major concern of the middle-class people is their children's education. I am delighted to learn that the two potential candidates in the Chief Executive election have recently indicated their support for the implementation of 15-year compulsory education. This is good news to many parents.

Today, the DAB has proposed a number of options including many fiscal measures for the consideration of the Administration. I think the Administration may give consideration to the following proposals, namely, "raising the tax allowance for new-born infants to \$100,000", "introducing a residential rates deduction of \$8,000 for each household modelled on the operation mode of the electricity charge subsidy" and "introducing tax deduction for children education with a ceiling of \$10,000". I am sure that all these measures will help alleviate the financial burden of the middle class.

Given that our proposals are financially viable in the long term, I hope the Government will give them due consideration.

Deputy President, I so submit.

MR CHAN KIN-POR (in Cantonese): Deputy President, the question today is how to alleviate the financial burden of the middle class and of course, the subject is the middle class.

If we take a look around the world and at the public opinion surveys conducted by major local universities, and even the studies conducted by various scholars, academic institutions and political parties and groupings, we will find that they do not have a universally applicable definition of the people who belong to the middle class. Some people may use income as the criterion, while others use occupation, the level of educational attainment or values for delineation, so it can be said that different people have different approaches.

In fact, there is no clear definition of the middle class in society, so from the Government, through political parties to the general public, there are different versions of understanding. Therefore, a phenomenon that we find is that when the Government introduces some policies, thinking that they may help the middle class, political parties and Members would criticize them as being unable to help

the middle class, considering the Government's policies to have fallen far short of public expectations.

All such discrepancies can be attributed to differences in the understanding of the Government, political parties and the general public. As a result, when the Government formulates its policies, it often fails to train its gun on the issues at stake. With an unclear target, naturally, the resources cannot be directed to where they are needed. In the end, the Government can only put out fires as they break out, adopting ad hoc measures and introducing fragmented short-term measures to meet pressing needs rather than systematically identifying the characteristics of the problems confronting various classes and making advance planning.

We often say that the aspirations of the middle class are often neglected. Members can look at some modestly well-off families. The couples have to make mortgage payments or pay the rent for their flats, at the same time, they have to support their parents and children and provide for the education of their children. They can just manage to meet all these expenses, but the taxes paid by them are substantial and the social resources used by them are frugal. The pressure of living they bear is actually no less than that of the grassroots.

Are these people what we call the middle class? If they are, based on what information can we delineate this social group systematically, so as to provide assistance to them?

Deputy President, the 2011 Census has just ended and the Census and Statistics Department (C&SD), due to the limitations in its scope of duties, cannot make policy recommendations. However, government departments can actually use the same set of census data and reorganize various statistical figures in view of the needs of different Policy Bureaux, so as to analyse the characteristics of various social groups to identify the similarities among them, then formulate government policies.

Deputy President, the previous population census was the By-census conducted in 2006. Based on the data collected, the C&SD compiled a thematic report on household income distribution in Hong Kong. In that report, there is a piece of very significant information, that is, the analysis on "post-tax post-social

transfer household income", so I think I should spend some time to talk about this today.

In the report, households are first arranged in an ascending order according to their household monthly incomes (that is, the post-tax post-social transfer income) and divided into 10 groups, the first group being the first decile group of households with the lowest income and the 10th decile group includes households with the highest income. According to the findings in the report, the ratio of the average post-tax post-social transfer household monthly income in the 1st decile group (that is, the group with the lowest income) to the original household monthly income stood high at 226.1%. In other words, the social benefits received by them were 126.1% higher than their original income.

However, I wish to talk about in particular the eighth and ninth decile groups. Their post-tax post-social transfer household monthly income was about 100%. In other words, for households in these two decile groups, that is, households with a monthly income between \$32,000 and \$43,000, the figures on the social resources used by them and their contribution to society just broke even. Judging purely in numerical terms, it appears that these two groups of households sandwiched between the highest-income households and the lowest-income households, after balancing the government resources and taxes paid by them, seemed to just make a draw. However, these figures were only averages. Many families in these groups have to bear higher family expenses and families that have to rent a flat and raise children are particularly hard-pressed.

In the interest of more effective policy formulation, the Government should make optimal use of the results of the analyses on the data collected from the 2011 Census, so as to assist this sandwich class.

Deputy President, on the proposals put forward in the original motion and other amendments, I absolutely support the great majority of them. However, I do not agree with Ms Audrey EU's proposal on injecting the \$50 billion earmarked for the voluntary Health Protection Scheme (HPS) into the public healthcare system. After a great deal of efforts, we have finally lobbied the Government successfully to allocate \$50 billion to the implementation of the voluntary HPS and completed two rounds of consultations, with 60% of the public expressing support for it. Many people in the middle class also hope that

it can be introduced as soon as possible. An approach in which private hospitals can be requested to introduce packaged charging and a highly transparent and standardized charging system has also been worked out. What we are now concerned about is that this amount of \$50 billion has to be used for 25 years, that is, in each year, only \$2 billion is available. After exhausting this amount, no more funds will be available for sustaining this scheme. For this reason, efforts are being made to lobby the Government to make a long-term pledge on this scheme by increasing its funding. However, Ms EU is now going in the opposite direction by proposing that the \$50 billion earmarked for the implementation of the voluntary HPS be completely withdrawn and put into another scheme. It is really difficult for me to lend my support to it.

I agree that the resources of the public healthcare system have to be increased, but given the present financial situation of the Government, we should request the Government to allocate additional resources to the public sector rather than abolishing such a desirable HPS. Abolishing this HPS will affect 2.5 million members of the public with medical insurance coverage and as a result, they will miss the opportunity of enjoying protection by a better health insurance scheme. I believe this is absolutely wrong, so I will oppose the relevant proposal.

Deputy President, just now, Mr CHEUNG Man-kwong voiced the concerns of the middle class about healthcare expenses in future and I absolutely agree with him. I am also very worried that although we in the middle class have paid taxes for many years and continually provided support to society, as well as doing voluntary work, after we have turned 60, no longer making any income, we may have to exhaust the assets we have accumulated over the years due to an instance of illness or other causes. At the same time, since we in the middle class are not entitled to any financial assistance, we will be hurt the most and although we have been busy making a living throughout our lives, working hard for 60 years, in the end, we will still be unable to meet our medical expenses in our twilight years. This is indeed most lamentable. I trust the Government will consider this issue seriously.

In addition, Dr LEUNG Ka-lau and I both believe that in a case involving over \$10 million of medical expenses and the Hong Kong Tourism Board cited by Mr CHEUNG Man-kwong just now, the expenses were paid by the organization concerned as it is responsible for taking out medical insurance

policies, so the organization concerned should have paid the expenses already and a tax reduction has also been given. Therefore, this example cited by Mr CHEUNG Man-kwong may not be appropriate.

Thank you, Deputy President.

MS STARRY LEE (in Cantonese): Deputy President, the motion moved by Mr LAU Kong-wah today is "Alleviating the financial burden of middle-class people". That there are almost 10 amendments to the motion is sufficient prove that Members can all feel the heavy burden and pressure on the middle class. Their plight is miserable, on all accounts.

I will talk about the three major miseries of the middle class. First, I often hear friends around me say that middle-class people often complain about paying a lot of taxes but enjoying few welfare benefits. I call this "the misery of paying taxes". The Secretary or the Government often says that in terms of tax rates, those in Hong Kong are lower than those in the United States, Europe and even China. The tax types in Hong Kong are also very limited. Why do middle-class people in Hong Kong often complain about paying a lot of tax but receiving few welfare benefits?

I have thought long and hard about this and concluded that there are several reasons, so I wish to share them with the Secretary, in the hope that he can deal with them carefully when carrying out consultation on the taxation system in the future. First, the great majority of the people in the middle class have to pay salaries tax but in contrast with people in the middle class, generally speaking, the great majority of "the rich" pay profits tax instead. However, the design of the salaries tax in Hong Kong is such that the deductible items are far fewer than those under profits tax.

We need only look at the allowances offered by the Government to us at present to see the whole picture. From 2005-2006 to the present, that is, 2011-2012, be it the basic allowance or the married person's allowance, increases have been made but of course, they have only been very small, falling short of the expectations of the middle class. Just take a look at the present figures. The basic allowance is \$108,000, so a person earning \$9,000 or more monthly has to pay tax. The married person's allowance is \$216,000, exactly double the basic

allowance, that is, if a couple earns \$18,000 or more monthly, they have to pay tax. However, it is strange that after they have given birth to a child, the allowance is increased by only \$5,000 per month. If you also have to support your parents — or if you do not live with them — if you have to support your parents aged between 55 and 60 years, the monthly allowance is only increased by \$1,500 and if you have to support parents who are aged over 60 years, the allowance is only increased by \$3,000 monthly. In the calculation of allowances, Members can see clearly that if someone in the middle class is leading a carefree life and only needs to support himself or just husband and wife, they may harbour less grievances. But if he needs to provide for his children, or if he even heeds the call of the Chief Executive by having three children, together with the need to support his parents, his burden will become increasingly heavy. From the angle of taxation, he has to support many people but he cannot get any relief in the form of allowances. This is the first point.

Second, many people in the middle class have told us — at present, people around the world all say so — that since most of their income comes from their salaries, they have to pay the full amount of salaries tax. In contrast, the wealth and income of rich people derived from interests, capital gains, asset appreciation or overseas investment are not taxed in Hong Kong. This arrangement exacerbates the wealth disparity in Hong Kong and also causes the degentrification of the middle class, which is often the subject of our discussion nowadays.

Secretary or Honourable colleagues, recently, a tax type in the United States has aroused widespread discussion. Members may have noticed that in September this year, President OBAMA announced that rich people would be charged heavier taxes and the proponent of this policy of a "super rich tax" is the legendary investor, Warren BUFFETT. Members may wish to know the reason for levying this tax. He made the self-disclosure that last year, his income amounted to almost \$500 million but the tax he had to pay only amounted to \$54 million, accounting for only 17% of his taxable personal income, far lower than the tax rate of over 30% for many people in the middle class in the United States. However, if we calculate BUFFETT's income according to the tax rates in Hong Kong, the figures we will derive may be even more stunning and they may be even lower than the actual tax rates for people in the middle class in Hong Kong. I think it is worthwhile for us to reflect on this phenomenon.

The second misery is that of providing for the education of children. Our friends in the same age group feel the strongest about this. When friends around me have a gathering, they would have discussions on and share their experience of providing quality education to their children and usually, this is about how to enrol their children at prestigious schools. We all know that at present, the time to start competing for admission to prestigious schools is the kindergarten period or even before a child is born. When I applied to enrol my daughter at a kindergarten, I found that nowadays, the résumé for a child to apply for admission to kindergartens is even more impressive than that we use for job seeking. This is utterly inconceivable, a phenomenon arising from the distortion of the whole system.

If you ask people in the middle class about the things that they hope the most the Government would do, one of them would surely be doing a good job in education, and by that they mean quality education. Many people in the middle class would exhaust all their energy to send their children overseas and contrive all sorts of ways to do so, all because they have little confidence in the education system in Hong Kong. Although the Secretary attending this debate is not the Secretary for Education, I believe you would perhaps also empathize with them. At this time, you may not be able to influence the education policy but you can offer a children education allowance for the middle class. The amount of the allowance is open to discussion, but the aim of offering a children education allowance is to recognize the fact that the education expenses spent by the middle class on their children are far greater than the child allowance offered at present and that after this allowance is offered, the burden of the middle class can be eased slightly.

The third misery of the middle class is that of paying off the mortgages on their properties. In general, the expenses spent by people in the middle class account for about 40% to 50% of their incomes. Members can imagine this: If 40% to 50% of an income is spent on mortgage repayments and more than 10% is spent on paying taxes — 10% to 15%, depending on how much you earn — then only 30% to 40% of the income is left, to be used for supporting one's wife, children and parents. Therefore, one can actually imagine how the pressure of living is like.

There are many causes for the miseries of the middle class. They are caused by inflation, the taxation system and the asset bubble, and the causes are really many (*The buzzer sounded*)

DEPUTY PRESIDENT (in Cantonese): Your speaking time is up.

DR LAM TAI-FAI (in Cantonese): Deputy President, Mr CHAN Kin-por was right in saying just now that currently, there is no consensus on the definition of the middle class in society. Therefore, our discussion on the definition of the middle class is actually based largely on personal impressions and concepts. What makes the middle class? I think apart from considering the monthly income and how much spare money one has, the living conditions, occupation and lifestyle of the people concerned should also be taken into account.

In fact, the middle class includes wage earners and self-employed persons running small businesses. They do not live in subsidized housing provided by the Government and of course, they do not live in luxury properties either. The great majority of them live in private residential flats with sizes ranging from several hundred sq ft to some 1 000 sq ft. They may still be paying off their mortgages or living in rental flats. Therefore, the middle class is definitely the sandwich class in society and they are made up largely of white collars. Therefore, if we want to help the middle class, we must provide assistance in a targeted manner.

Deputy President, in society, there is a rather woeful description, saying that the middle class is the "mid-serable class" because they are busy making a living every day, toiling away, fearful that if they do not make enough money, they will become the lower class. However, they have little opportunity of moving up the social ladder to become rich, thereby becoming the upper class.

(THE PRESIDENT resumed the Chair)

President, the original motion moved by Mr LAU Kong-wah today seeks to ease the financial burden of the middle class. However, I believe the premise is

that we should not increase their burden unnecessarily, otherwise, if increases are made quickly but reductions slowly, this will only aggravate their misery. For this reason, the Government must be cautious when enacting legislation or introducing policies, so as to avoid adding to their burden.

Recently, the issue of whether foreign domestic helpers should be entitled to the right of abode has aroused panic and worry among many people in the middle class. Often, a couple in the middle class both have to work in society, or they run a small business together. In order to take care of family members, they hire foreign domestic helpers to do the household chores. If foreign domestic helpers are entitled to the right of abode in the future, people in the middle class will have to pay at least double or more than double the present wages to hire a foreign domestic helper. In that case, I am sure people in the middle class would become miserable to the extreme, and they cannot withstand this financially. If the Financial Secretary were to hand out \$6,000 to them each month, they may still be able to cope. Therefore, I hope that when the Government formulates policies, it must avoid increasing the financial burden of the middle class, and it must not increase their burden before it has found a way to help them.

President, as you may be aware, rich people have experts or accountants to make taxation arrangements for them, whereas the lower class does not have to pay taxes. However, the middle class will certainly fall into the tax net. For this reason, paying taxes has become an onerous burden for the middle class. Often, people in the middle class have to take out loans to pay taxes. Therefore, it is necessary for the Government to introduce an arrangement and system of tax reductions or tax rebates for the middle class.

President, you have also heard many times already that many people call the middle class "mortgage slaves". The life goal of many of them is to pay off the mortgages on their flats. At present, the entitlement period of the deduction for home loan interest offered by the Government is only 10 years. I think the period is far too short because generally, people in the middle class have to make mortgage repayments for 20 to 25 years. For this reason, I hope the Government will extend the entitlement period to 25 years to ease the burden of middle-class families direct. Certainly, the Government can also consider putting in place the arrangement of tax deduction for residential rentals.

President, many middle-class families — Ms Starry LEE also talked about this just now — are thrifty in spending on their daily necessities, in the hope of providing higher-quality education to their children. Therefore, many middle-class families would be busy taking their children to tutorial classes or interest classes during holidays. These tutorial classes and interest classes are not cheap, so they significantly increase the expenses of middle-class families. I think the Government should allocate more resources to primary and secondary schools, in particular, to Direct Subsidy Scheme schools, so that they can have more resources to organize interest classes and learning sessions, whereas parents do not have to spend additional money to let their children take tutorials or interest classes outside school, and schools do not have to worry about having to increase tuition fees due to insufficient resources. This is also one way to ease the financial burden of middle-class families indirectly.

President, coming back to self-employed persons in the middle class, that is, what we often call the bosses of small businesses. In fact, their financial pressure is even greater. Often, they cannot make any money or have holidays, moreover, they have to face business risks, so their misery is beyond words. Therefore, the Government should care more about middle-class people doing business, improve their business environment and take more effective measures to help them. This is the most practical and effective way to ease their financial burden, rather than relying on one-off measures that give away money to ease their financial problem.

President, I have several suggestions in this regard. First, I hope the Government can offer tax concessions to small companies with business turnover below a certain level and to entrepreneurs whose profits are relatively small, so as to ease the pressure of capital flow on them. President, since exhibition venues are insufficient, many small companies have no opportunities of taking part in exhibitions despite a long wait. The Government can take advantage of the policy on the revitalization of industrial buildings by turning some of the industrial buildings into commodities exhibition centres for small companies to exhibit and market their goods. Large corporations may not want to exhibit and market their goods in industrial buildings, but small companies would consider doing so but of course, the rent has to be inexpensive.

In addition, at present, the maximum amount of grant for each successful application for exhibition fees under the SME Export Marketing Fund is \$50,000

and the maximum cumulative amount of grant is \$150,000. This amount of grant has seen no adjustment since 2008 and it is actually insufficient. I hope the Government will consider increasing the amount of grant or increasing it by 50% to ease the burden of small companies in taking part in exhibitions.

In fact, the Government should formulate policies friendly to small and medium enterprises (SMEs) or small companies. Some government fees should be reduced or waived where possible. When formulating policies, the Government must consider them from the perspective of small companies and be more concerned about them. For example, such issues as the competition law, standard working hours and paternity leave now under discussion must be dealt with prudently and they must not affect the business and operating costs of small companies, thus increasing their onerous burden further.

Just now, the Chief Executive helped Gregory SO sell the competition law by verbal coercion in the luncheon address, but he made no mention of the present concerns of SMEs and even micro companies about the relevant bill. I think the Government or the Chief Executive has neglected the views of SMEs or small companies, so I am very disappointed by this. President, I hope that when the Government introduces any policy, it must have regard for SMEs and consider the situation and difficulties of small companies.

President, I so submit.

DR JOSEPH LEE (in Cantonese): President, this motion moved by Mr LAU Kong-wah today is related to the middle class and just now, an Honourable colleague said that it was actually very difficult to define the "middle class". I will try to discuss the issues relating to the middle class using the information provided by the Government.

According to the definition provided by the Census and Statistics Department, local households with a monthly income of \$10,000 to \$40,000 belong to the middle class. They account for about 55% of the population in Hong Kong. In other words, the incomes of 55% of Hong Kong people fall into this range. Of course, some people in society hold that the middle class can also be further divided into many categories, with some belonging to the lower-middle class and others belonging to the mid-middle or upper-middle classes. Different

people have different views because there is a great deal of difference between a monthly income of \$10,000 and one of \$40,000. Some Honourable colleagues even think that people earning a monthly income of \$50,000 to \$60,000 also belong to the middle class, so it is true that fairly subjective views are involved. However, no matter if the method of delineation is subjective or objective, this 55% people belonging to the middle class have different needs actually.

I will try to divide this discussion into four parts. The first is the personal level. I believe each person has different needs in life but paying taxes is perhaps a rather heavy burden. Middle-class people in general have to file tax returns, no matter if they earn \$10,000 or \$40,000 monthly, although those earning \$10,000 monthly may not have to pay taxes but those earning \$40,000 will have to. On tax payment, it seems the Government has not offered too many tax concessions to them, so taxes are arguably a rather heavy burden to them. I wonder if the Government can make adjustments in this regard. Maybe the Secretary can consider adjusting the tax rates downwards in tandem with the inflation rate when calculating the amounts of tax each year. This may be a little bit helpful to the middle class. The increase in wages is not great and as reported in the press, next year, the wage increase rate may stand at 4% but the inflation rate may reach 6%, so coupled with the need to pay taxes and given the offset effect, the increase in wages, if any, will not be able to catch up with the increase in expenses. To put it in a colloquial way, in the end, there is no net gain. If the Government wants to let them enjoy more fruits of economic success, making tax adjustments may be a helpful approach.

In addition, the majority of families have to support parents. At present, the Government already provides an allowance for dependent parents but only one member in a family is allowed to claim it but husband and wife are not allowed to both claim it. This actually places a heavier burden on them. In fact, the Government can consider helping middle-class families with a monthly income of several ten thousand dollars through taxation by offering more tax concessions to people who need to support their parents financially, for example, by allowing both husband and wife to claim the dependant parent allowance. In addition, the authorities can also encourage middle-class families to arrange for their parents to move into hostels for the elderly or residential care homes for the elderly if their parents so agree, no matter if they are living in these families or not, and offer them special tax concessions in this regard. In this way, these families can have some spare money for themselves, the Government can also

achieve its goal of ageing in the community and parents and children do not have to live under the same roof, thus giving both parties more space. This is beneficial to both parties. It can be said that helping them take care of their family members through tax adjustments is an important measure.

On education, I believe the great majority of middle-class people are, as some Honourable colleague said just now, troubled by the education problem of high tuition fees. Last night, over dinner with some people, we talked about the tuition fees charged by kindergartens and I got a shock. I found that some kindergartens on Hong Kong Island charge more than \$100,000 per year. I remember that when I taught in a university, the tuition fee paid by students was \$40,000 per year, so it never occurred to me that the tuition fee charged by kindergartens can be as much as more than \$100,000, which is three times higher. May I ask how middle-class people in general can afford this? Middle-class people all hope that their children can receive quality education. Be it "monster parents" or "helicopter parents", they all want to save more money to send their children to outstanding kindergartens to receive quality education. However, how can they afford tuition fees that are as high as the tuition fees of universities? University students can apply for grants and loans, but these parents cannot, so what can they do?

In this regard, so far, the Government is still unwilling to look squarely at some correct measures that should be taken in view of the problems arising from the provision of 15-year free education. If financial support can be provided in respect of kindergarten education, I believe the burden of middle-class people can be greatly eased and to them, this is a more desirable course of action. Another issue is that middle-class people all want to move upward, but at present, is there a trend of degentrification among the middle class? This is not what they wish for. They also want to scale the social ladder through further studies, but can the existing Continuing Education Fund really help them?

It was only when I was having dinner yesterday that I learnt from someone that taking an EMBA programme in a university in Hong Kong cost nearly \$1 million. This is a huge sum of money and without it, how can one take the EMBA programme? Without the qualification awarded by the EMBA programme, how can one have promotion opportunities? Can the Government consider enabling Hong Kong people to enhance their knowledge at the same

time as it encourages them to seek quality living and provide more tax concessions for this purpose, such that they are entitled to tax deductions on their study expenses, so as to ease their burden? I hope the Government can conduct a study on this.

Next, I wish to talk about the issue of medical care. In fact, there are many views in this regard. Some people say that if people in the middle class suffer from serious illnesses and make applications to the Samaritan Fund, their applications may not be accepted. This is indeed the truth. The Government should address this problem squarely by examining if it is appropriate for this group of people to use the public services provided by the Hospital Authority and whether or not they can wait for long periods of time. Today, Secretary Dr York CHOW is not in attendance. Concerning the voluntary Health Protection Scheme (HPS) within his purview, as pointed out by a number of Honourable colleagues, since middle-class people have somewhat better means, introducing tax deduction arrangements is a major incentive that will enable them to use the voluntary HPS with peace of mind. Tax deductions will leave more money in their pockets and enable them to access better medical services, so this is really a win-win situation. The Secretary really has to consider this matter thoroughly, so that when the voluntary HPS is introduced, people in the middle class will be more willing to subscribe to the scheme.

Lastly, I wish to talk about the issue of transport. This year, it is announced in the Policy Address that elderly people can take public transport at a fare of \$2, but I wonder if Members still remember that when we were young, we used to have monthly passes. Transport fares in Hong Kong are exorbitant and this morning, I learnt from a radio programme that if one works across districts and travelling from Tin Shui Wai to Hong Kong Island, the transport expense each month amounts to some \$1,000. Can the Government hold discussions with various major transport operators on establishing a special monthly pass scheme for the middle class, so that they can take public transport for an unlimited number of times? In fact, even tourists visiting Hong Kong can benefit from such a treatment, so why are Hong Kong people not entitled to it? This arrangement can ease their burden and improve their living. I hope the Government will not neglect this group of the so-called "the silent majority". They account for 55% of the local population and generally speaking, they lead a rather difficult life. If the Government can dial up the vigour of its assistance

for them, their grievances will be reduced and as a result, society will become more harmonious. Thank you, President.

MR ALAN LEONG (in Cantonese): President, the middle class is engulfed in an atmosphere of unhappiness in recent years. As the season of tax payment is looming near, they have to deal with it. Treating Hong Kong as their family, the middle-class people "dance and pay the piper" — making enormous contribution to the place they live in. But the annual policy addresses and budgets seem to have ignored their contribution. These people who are neglected have now become the "poor middle class" of our society.

President, HSBC announced its "Asian Economics Fourth Quarter 2011 Outlook" yesterday, lowering Hong Kong's economic growth rate for 2011 to 5% from its initial estimate of 6.5% while adjusting the economic growth for 2012 lower to 4.5% from its initial estimate of 5.4%. Our Consumer Price Index (CPI) this year is expected to rise 5% year on year, generally identical to the inflation forecast of a little bit below 5.5% as stated earlier by the SAR Government. Although Hong Kong's inflation rate has almost reached the ceiling, the prices can hardly come down as a result of the taut labour market, ever-increasing rental of premises and price hikes in food imported from the Mainland. HSBC predicted that the price hikes might accelerate by mid-2012, pushing the year-round CPI to rise 5.3%.

According to a survey by the Hong Kong Institute of Human Resource Management, the percentage of pay increase for an average wage earner simply could not catch up with inflation. The institute conducted a survey from January to October this year and found that the average pay increase for employees was only 4.2%. If Hong Kong economy falls into recession next year due to the global economic downturn, the pay increase for an average wage earner may further lag behind inflation.

President, maybe some people think that inflation hits the middle class much less than the impact on the grassroots. It is, however, not the case. According to the Financial Secretary, John TSANG, there was a slight adjustment in the property market in June, but the current price level was still approximately 5% higher than that in 1997. The young middle class who has been eager to "buy their first homes" may probably have to "stand staring at the building and

console themselves with false hopes". The rent of a flat in the private market often takes away a large portion of their income. Even for those who have bought their own homes on mortgages, they do not have much left after the monthly repayments. Many of them are forced to become "month-end brokes". Their money is all spent by the end of each month. Saving for a rainy day, making investment planning or preparing for better education for their children have all become extravagant hopes.

President, Prof LUI Tai-lok of Department of Sociology of the University of Hong Kong described that the middle-class people engaged in an ordinary trade in the 1970s and 1980s could lead a comparatively decent or good life because we, at that time, had quick economic development, fine remuneration packages as well as comprehensive medical and housing benefits upon promotion. In other words, the wage earners were able to improve their lot in their mid-thirties. Unfortunately, various kinds of benefits in the past 20 years have gradually been removed. Polarization exists in the midstream class. The financial sector offers high pay jobs, but those working in other businesses are not well paid even at managerial grade. That has recently nurtured a situation — the middle class is neither happy nor carefree. A small group of people are receiving mega bonuses while the majority of them are unable to share the fruits of economic development.

Therefore, President, during last year's consultation on the Budget, the Civic Party requested the Government to fairly treat the middle class, detailing ways to improve their livelihood — including extending the period of entitlement to claim for deduction of home loan interest under salaries tax and personal assessment in order to alleviate their financial burden. We have on numerous occasions requested the Government to relax the restrictions on the Home Ownership Scheme (HOS) secondary market so that eligible white form applicants can purchase HOS flats without premium paid in the secondary market, with a view to helping the needy "poor middle class" acquire their homes.

Although the Chief Executive has already indicated in his Policy Address that there would be a tax refund arrangement in the coming Budget, the arrangement, nevertheless, is only a short-term one-off measure. To a certain extent, it helps alleviate the burden of the middle class; but it will not fully work if there is no long-term planning.

President, the Government announced a few days ago its financial results for the first six months. The fiscal deficit has dropped more than \$13 billion compared with the same period last year, standing at \$590 billion. Since some major types of revenue including salaries and profits taxes are mostly received toward the end of the financial year, the Treasury is once again expected to be "flooded with money". The consolidated surplus must exceed the level of \$3.9 billion as estimated early this year. President, judging from the pecuniary resources this year, the Government is absolutely capable of tackling one problem from two angles at the same time, not just simply adopting a one-off relief measure to help the middle class.

The Civic Party opines that the Government should make good use of its financial reserve. After putting aside reserve sufficient for expenditure for 12 months, the Government should do something to help the middle class, such as implementing policies to promote industrial diversification (thus avoiding an over reliance on the financial sector) and to improve our business environment so that wage earners from various sectors can share the fruits of economic development. We also encourage greater investments on education to enable social mobility.

Mr Leo GOODSTADT, the former Head of Central Policy Unit, once said during an interview, "Is Hong Kong's fiscal reserve so large that we should feel embarrassed?" The "sudden change in direction" happened in the Budget earlier this year was unprecedented; it has caused the proven system of budget consultation to collapse.

President, the Civic Party hopes that the last Budget next year will not let the "poor middle class" continue to remain poor.

I so submit.

MR CHAN HAK-KAN (in Cantonese): President, I speak in support of Mr LAU Kong-wah's motion. Mr LAU's motion today covers many different areas. As Members of the DAB have spoken on some specific areas just now, I would like to focus on healthcare and discuss relevant measures which can help the middle-class people.

President, I have heard many Honourable colleagues say that the middle class has many different complaints, particularly they have to pay taxes every year but the benefits they can access are limited. The only benefit that they do not want to receive is healthcare. At present, as Hong Kong people's health awareness has risen, coupled with the development of the insurance industry, we can see that more and more middle-class people have taken out medical insurance to protect themselves against large medical bills in case of incidence of illness.

I have read the Government's "Consultation Document on Healthcare Reform" released in 2008. According to the document, while private health insurance accounts for about 12.5% of the total health expenditure, 4.8% of the private health insurance is purchased on a voluntary basis by individuals and this figure has been rising continuously in the past few years.

The trend of this figure is actually parallel with the direction of healthcare reform given that one of the important aspect of healthcare reform is to strengthen public-private partnership. The Government aims at encouraging those who have the financial means to switch to the private healthcare system so that the burden on the public healthcare system can be alleviated. As many middle-class people do not want to wait too long for public hospital services when suffering from illnesses, they are prepared to pay higher medical costs for better medical services so that they can get quicker treatment and better medication.

Therefore, if the Government wishes to encourage more people who have the means to take out health insurance in order to make early preparations for their own health, it should provide more incentives for the middle-class people to purchase health insurance. To this end, we have proposed in the original motion that tax deduction for private medical insurance contributions with a ceiling of \$12,000 be introduced in order to encourage the middle class to make early preparations for themselves. This will also alleviate their burden of healthcare expenses.

President, the middle-class people are prepared to pay for private healthcare services mainly for the treatment of some minor ailments. However, they would face a difficult dilemma should they suffer from serious diseases or in case of catastrophic events. If they go to private hospitals for treatment, the expenses on medicines and hospitalization will be exorbitant, which may not be affordable to them. However, if they seek treatment at public hospitals, they

will, as I mentioned earlier, have to wait for a long time for initial diagnosis and follow-up, not to mention that the quality of medicines may not meet their expected standard. When they face a Hobson's choice insofar as their health is concerned, they have to pay the heavy medical bills with their meagre savings.

President, according to a survey conducted by the DAB last month, over 70% of the respondents supported that the Government should increase funding so that more people who could afford buying medicines at their own expense could buy better drugs and receive better treatment. Although the Hospital Authority (HA) has set up the Samaritan Fund (the Fund) to help patients who have financial difficulties in buying drugs and medical supplies, many middle-class people will be regarded as not eligible before submission of applications due to the means test of the Fund. One of these examples is a middle-class person who suffered from muscular dystrophy. He was not eligible for the Fund because he was earning a monthly income of more than \$20,000 when he suffered from the illness even though the drug cost was \$8,000. He had spent all of his savings over the past six years since he suffered from the illness. Now he has to depend on his wife who has to work in order to support the family and foot his medical bill.

President, another problem of the Fund is that the disposable assets on household basis rather than on individual basis will be taken into account. As we can see it, the fact that the patient's families own assets does not mean that they have the ability or are prepared to pay for the patient's medical expenses. Such a preset hurdle has precisely prevented those who are in need of subsidization for drugs from receiving subsidy. Moreover, as I said earlier, if these middle-class people suffer from critical or serious illnesses, it would be a bit too cold-blooded if they have to spend all their money before they could be granted a rag of assistance simply because they have some modest savings or self-occupied properties.

In addition, even if approval were granted, the Fund would only meet part of the medical costs. In an example of a patient who had suffered from multiple sclerosis, her medical bills exceeded \$200,000 over the past two years. However, even though she did not have any income because she was a housewife, she was only partially financed after approval had been granted. Fortunately, her family was prepared to bear part of the costs, thus enabling her to pay for the medical expenses.

President, after listening to the stories of these two chronically ill persons, we can see that there are many restrictions insofar as the eligibility criteria of the Fund are concerned. In my opinion, they should be relaxed. First, to be fair, the means test should be done on an individual basis. Secondly, in calculating the amount of subsidy, the proportion of drug costs to be borne by patients should be reduced from the current 30% to 20% in order to reduce their medical expenses. Finally, I hope that the HA will conduct a review of the Drug Formulary on a more regular basis so that new drugs which are effective in curing some diseases but expensive can be included.

President, the middle class is an underpinning of the stability of our society. They work diligently and make enormous contribution to Hong Kong. I hope that the Government will implement the measures proposed in the original motion and help the middle class to face an environment of high inflation, high housing prices and high costs of living. I hope that the Government will, through appropriate policies and subsidization underpinned by a caring spirit, provide some temporary relief to this group of middle-class people who are fighting against diseases.

President, I so submit.

MS CYD HO (in Cantonese): Right at the start of this Legislative Session, we have to face a motion with more than 1 700 words. It is indeed difficult to debate on such a motion long like this.

As soon as the motion debate on the Policy Address is over, Members have to raise proposals on the budget. In the original motion this time, plus almost 10 amendments to it, there are altogether 17 or 18 demands.

If the Financial Secretary is to compile his budget according to these proposals, he will certainly be condemned by us. Why? Because these proposals are very piecemeal and it is hard for people to see how they can achieve any effect in overall governance, nor how certain goals can be reached by resorting to these policies, taxes or subsidies. If a budget like this is compiled by the governing team, I would think that it is lucky that that budget will be rated 30 points.

I used to hold great hopes for Mr LAU Kong-wah because he has served in the Executive Council for a long time. But even if he has made proposals regarding the budget so quickly, I would still expect that he would come up with some proposals which are sound, presenting objectives and convictions in governance, instead of a motion with proposals which are all-embracing and all-inclusive like an election platform.

So, President, sorry, I have to say that I cannot support an original motion like this. This is because although the Legislative Council does not have any substantive powers, I still hope that Members can maintain a high level of quality in deliberations on matters raised. This is especially the case when we know that the DAB maintains such an intimate relationship with the Government, that it has members serving in the Executive Council and one of their numbers serving as an accountable Director of Bureau. I am very disappointed to find that even someone like Mr LAU has drawn up proposals on the budget in such a piecemeal manner.

In addition, if this is a budget compiled by the Government, at least we would be given a full set of accounts. At least it would be shown that if the tax bands were widened by a certain rate, or how many percentage points would be lowered, or if a tax deduction was granted on the mortgage loan interests or even if the rents paid were tax free, what the amount of money spent would be like and how many hundreds of million dollars the Government would forego or how much less in tax it would collect, and in what areas, and so on. A whole set of accounts would be presented in this way by the Government. I hope Mr LAU Kong-wah who has been serving in the Executive Council for so long can show us these accounts. But, regrettably, he has not done so, and so we cannot see whether these proposals are cost-effective or not.

It is true that the Hong Kong Government has got a huge amount of reserves, but we must not forget that there are opportunity costs to every item of expenditure in the budget. When certain fees and charges are waived or a certain amount of funding is given, what are the areas we may expect to have a cut in funding or in the amount of money they receive?

It is therefore my wish that some proposals on public expenditure with convictions in governance can be made. But we do not have any now and even the overall set of accounts which should have been presented to us is not

available. So we are unable to see any opportunity costs and we cannot see what the chain effect is after we have spent these sums of money. We cannot see if the money can trickle down from the middle class to the grassroots. We cannot see any convictions in governance.

The Secretary is not in attendance, sorry, he is still here. It is because he is sitting too far away from me that I cannot see him. Some colleagues of the Secretary once gave me some lessons on revenue matters and taught me a number of principles about taxation and handing out money. I would like to say again that because I have had these lessons, it is a great help to me when I examine public finance and expenditure.

First, money should go to people who badly need it. This is because for those people in need, a dollar given will be used instantly in the domestic economy. And so this one dollar will circulate endlessly in the domestic market. But if the middle-class people are given \$6,000 for no justifiable reason, they may buy some imported goods or even have a tour overseas. And so the money will not be ploughed back into the domestic economy and no chain effect will result.

In addition, when money is to be handed out, all the people must be made to have an incentive to continue working. This should be the goal when any consideration is given to a tax cut, a tax hike or even handing out cash.

But we cannot really see any reference to overall governance in this motion. The problem of an M-shaped society is faced by many developed economies. This is about the problem of the gradual disappearance of the middle class or its falling prey to the financial predators. The bourgeoisie is still there, but the middle class is in decline and middle-class people have become grassroots, hence the emergence of an M-shaped society.

Hong Kong is a society shaped very much like an inverted funnel. It was said earlier that those with an income of \$15,000 and above could be classified as middle class. It is really kidding. In a society like ours with the hegemony of estate developers, a family of three which has not fully paid up the mortgage loan would still lead a very hard life even with a household income of \$30,000 monthly.

We have talked about so many kinds of allowances, so we might as well do some computations. A family of three persons with a monthly income of \$25,000, after deducting the allowances for the couple and the children, will have to pay about \$6,000 in tax. A tax cut will not help the family very much. But if the hegemony of the estate developers is eliminated, the family's living expenses will be reduced. It does not really matter if a middle-class family makes \$25,000 or \$30,000 a month, so long as the housing expenses are kept at below 40% of the household income, measures like tax remissions would help it.

But when both living expenses and housing expenses are so heavy, and education and healthcare services are made industries by the Government, the household expenses will only increase all the time. The middle-class families will not benefit no matter how many tax concessions, cash handouts or subsidies are given. Thank you, President.

PROF PATRICK LAU (in Cantonese): President, after the Policy Address was delivered, many people thought that those measures that take care of the middle class were not enough. As we all know, the middle class is the pillar of our society and economy, but their financial position is worse off than those at the top of society while they are better off than those at the bottom. This is why both the Government and the public at large would often overlook the kind of pressure the middle-class people feel in life and in financial matters.

Both my sector and I welcome measures aimed at alleviating the financial burden of middle-class people. But should we not first define what is meant by the "middle class"? Of course, it is never easy to define the "middle class". If a line is drawn at a household income of \$10,000 to \$40,000, would that be too simplistic? This is because we should approach and understand the term "middle class" from various angles, like the economic and cultural perspectives. I would think that at least the Government should have some sort of positioning, and it should define what is meant by "middle-class" in the Hong Kong context before policies can be formulated to cater for the genuine needs of middle-class people. This will preclude problems like a mismatch of resources and division of social classes.

The original motion and the various amendments to it have made all sorts of proposals in support of the middle-class people. But both the Professional

Forum and I think that these amendments seem to have hijacked the concepts found in the original motion. Some friends in my sector have told me that it would be doubtful if our public coffers would ever sustain these numerous concessions proposed for the budget. Examples of these are waiving salaries tax and personal assessment up to 100% of the final tax with a ceiling of \$10,000, expand the tax bands for salaries tax by \$10,000 in each tax band and lower the marginal tax rate for each tax band by 1% to 2%, and so on. Are these proposals reasonable? In my opinion, these proposals will only increase administrative work and related costs.

In addition, there are suggestions that we should adjust the stamp duty regime so that property transactions each worth \$2.5 million or less needs to pay a fixed stamp duty of only \$100. I would like to remind Members that property transactions are commercial activities and if the stamp duty is too low, it would affect public revenue and disrupt market operation. Moreover, changing the tax regime in this way would produce far-reaching effects. So we have to be very careful about it. As to the demand for allocating a certain percentage of the dividends receivable by the Government from the MTRCL or property proceeds and such like non-transport business to establish a fare stabilization fund in order to lower the fares charged by the MTRCL, I would think that the idea is undesirable because transport problems should not be mixed up with property proceeds.

In fact, the Chief Executive once said that when the Financial Secretary compiles the budget, he would consider the latest situation in the economy and public finance. Then he would consider introducing relief measures like tax concessions. I would like to emphasize "the latest situation in the economy and public finance". This is because there are constant changes in the economy and public finance and it would not be prudent to state in the budget the amount of public money earmarked for government initiatives to be introduced for the public. I agree with the original motion on its proposal of "increasing personal allowance according to inflation rates". But why should there be an increase from \$108,000 to \$118,000? Can Honourable colleagues rightly predict the actual rise in inflation rate? So I agree very much with the approach taken by Ms Miriam LAU and, that is, to leave the determination of the amounts proposed in the original motion to the Government in the budget.

President, that the middle-class people have all along been the pillar of our economy and society mainly because they believe in self-reliance as the road to success. Unfortunately, our society has changed and the incessantly worsening inflation has made them unable to cope with the expenses incurred in daily life. Nor can they make any savings. President, many Honourable colleagues have mentioned the constant rises in costs related to education, healthcare, and so on. In recent years, even food prices have been rocketing. From this it can be seen that life is very difficult for middle-class people. Since the Hong Kong dollar is pegged with the United States dollar, we will be under the influence of high inflation rates at least in the short term. When all these are added to the rising Renminbi exchange rate, I am not sure when there will be an end to inflation. I hope very much that the Government can study the issue of linked exchange rate seriously and make itself well-prepared to take on new challenges to the development of our society and economy.

Thank you, President.

MRS REGINA IP (in Cantonese): President, as some Honourable colleagues have said earlier, I would also like to consider a question first and that is, what is the definition of "middle class"? Dr Joseph LEE has pointed out just now that if income is used as the criterion, then half a million people or so earning some \$10,000 to \$40,000 monthly would belong to the middle class. I have not heard these remarks very clearly. It appears that income is used as the criterion. But apart from that, there are other definitions, too. I can cite some of these for Members' reference.

Prof Stein RINGEN, a prominent sociologist at the University of Oxford has drawn an interesting definition of the "middle class". He says that there are three social classes, one is called the "under-class" and that refers to those people at the bottom stratum of society. They are those who do not have enough. They are those in want and their income cannot even afford them two meals a day. They are like what was shown a while ago on the TV where some billionaires wanted to experience what life was like for the very poor people and took up the job of a street cleaner for a few days. They could only earn \$50 a day. They slept in a caged bed. They had to think very carefully before eating anything. Life is really hard for them. These are the under-class people. They are in want of many things in life. According to some surveys done by

some voluntary agencies, there are as many as 1.26 million people in Hong Kong who belong to this under-class.

Another class is the "upper-class" and they are those at the top of society. They are those who have a lot of surplus. An example is Uncle CHIM who is sitting here now. They have a lot of money to spend. There are people in our society who can casually consume a bottle of fine wine worth some hundreds of thousand dollars. They have their own aeroplanes and yachts. They spend a lot but they still have a great surplus. These people belong to the upper-class. The last one is the "middle-class". What are the people like in this class? They are those who do have a little surplus. It is not that they have no surplus money at all, but that they do have some surplus. This enables them to go for a trip abroad once in a while. But that is not in the likes of a super deluxe trip to Europe or something like that. They lead a life of lower profile. But they can enjoy fine dining and can go on vacation abroad. They are the middle class with a little surplus.

Among the middle-class people with whom I have contact and that includes me, they would want most of all a chance of upward mobility. This is because they are all educated and they have independent thinking. A chance for upward mobility for these people or their children comes in the form of education. Among the middle-class people I know, their greatest concern is education. This is because our public education system is a failure no matter how hard the cosmetic efforts the Government may want to make. Why?

We can read from newspaper reports today that despite the fact that we often hear Hong Kong students having done very well in all kinds of international examinations like PISA and IELTS, the kind of English they write in examinations are full of incredible mistakes. This applies to many candidates in the present District Council elections, too. There are students who have passed the School Certificate examination and who put an "s" to the word "children" which is already in the plural form. Things like this have put off many middle-class people from sending their children to schools in the public sector. And such people include civil servants and members of the Education Commission. If these people have a lot of surplus money, they will send their children overseas or to international schools in Hong Kong or to Direct Subsidy Scheme schools which charge very high tuition fees. Civil servants are one such prominent group of people. Given the option, people will not send their children

to local schools and be educated in subjects like Liberal Studies. This situation is vastly different from that in Singapore. In Singapore, locals are forbidden to send their children to international schools and they must make applications if they want to do so. I would think that the failing education system in Hong Kong is one of the reasons why the middle-class people feel so frustrated.

In addition, they are also frustrated with the healthcare services here. The attempt made by the Government to turn the healthcare services into an industry is fast becoming a fiasco. Apart from a handful of people who can benefit, this has led to a shortage of resources in the public hospitals, and the private hospitals are raising their charges sharply. There is an exodus of healthcare experts from public hospitals to private hospitals. The result is that the local middle-class people cannot even get a hospital bed if they want to give birth to a baby in a public hospital. They will also have to face the problem of a decline in healthcare service quality.

There is also a problem which is closely related to the middle class but no one in the Government will want to attend to it. I have been talking about it for five years. But there is no Director of Bureau who wants to care about what I have to say on it. Some middle-class people have told me that the Food and Health Bureau takes care of healthcare and hygiene problems; the Labour and Welfare Bureau takes care of labour and welfare matters; and the Commerce and Economic Development Bureau takes care of business issues, but there is no bureau dedicated to serving the middle-class people. There is no Policy Bureau, Secretary of Department or Director of Bureau who takes an overall view of the needs of the middle class and pays special attention to them. An example of the problems about which they are very much concerned is that of the foreign domestic helpers (FDHs). This problem can actually be solved without having to spend a lot of money.

There are 300 000 FDHs in Hong Kong and families which employ FDHs number hundreds of thousands. These families are no rich people in any sense. It is because people who hire FDHs do not necessarily belong to the upper class. About these upper-class people, once I had to process an application for nine FDHs from one single family. The Immigration Department had to send its staff to check whether the family really wanted to hire FDHs or hairstylists in the beauty salon operated by that family. This is the situation in the upper-class. But even in an ordinary middle-class family, that is, people who live in housing

estates or Home Ownership Scheme flats, they may also need to hire FDHs to take care of their elderly family members or children. But despite my efforts in conveying the problem to the Government for so many years, the Government has all along refused to accept that FDHs are a special job type and they should not be regarded as employees of an ordinary company or enterprise and hence come under the regulation of the Employment Ordinance.

The authorities have never thought of the many problems that may arise when an employer has to live with his or her employee. The result is that local employees have got a probation period, but no such period can be put in place for FDHs. Some employers of FDHs complain that they do not want to dismiss a FDH for no reason and they are prepared to provide air passage to the FDHs to return to their native place, but the condition is that a probation period should be stipulated. That will preclude many disputes. If it is found that they do not get along too well or that the FDH concerned has got some infectious disease or is pregnant, then the FDH concerned should be asked to leave as soon as possible. This can pre-empt the situation where the employer has to take care of the FDH instead. But all along the Government has refused to listen and there are many other problems related to FDHs of this nature. All these do have an impact on middle-class families. So I hope that apart from listening to various demands for tax concessions raised by Honourable colleagues, the Government should also consider problems like these which are the concerns of the middle-class people.

As for the myriad of tax concessions proposed by Honourable colleagues, I would think that the frustrations faced by the middle class cannot be expected to disappear by introducing certain tax remission measures in one single budget. Among these tax concession initiatives, the one which I disagree with the most is the subsidy for electricity tariff. This is because it will easily lead to wastage. As Prof Patrick LAU said, we cannot just think of tax cuts and increasing the allowances without considering the sources of public revenue. We cannot approach the issue like hanging decorations to a Christmas tree or going to pray for blessing from the deity Wong Tai Sin. If we do not give serious thoughts to reviewing the tax regime in order to increase our stable and long-term sources of recurrent income, we can never hope to introduce more investment in education programmes, raise our productivity and sharpen our competitive edge.

Thank you, President,

MR CHIM PUI-CHUNG (in Cantonese): President, Mrs Regina IP has asked me to speak a little on the topic. I would like to do so now though I must say that I am not in the ranks of those rich tycoons.

President, if we review the history of Hong Kong, we can learn something about the history of these super-rich or the mega-rich. We can find that many of them were down-and-out poor fellows back in the 1950s, or even in the 1940s. They were leading a life much worse than that of the middle class now. We know that at the beginning of the 1950s, or even up to the end of the 1950s, people who came over from the Mainland to Hong Kong earned less than \$40 a month. Of course, things have changed since then. And so it is a unique feature of our society that things keep on changing.

In this Council we often hear references to collusion between the Government and business and expressions like unscrupulous businessmen and the indecently rich, and so on. In my opinion, there are a few thousand people in Hong Kong, that is, about one in a thousand or 0.1% of the population, who belong to this category. They have a common fault. And what I am saying are not actual shortcomings of theirs *per se*, but that they are "cheap". Why? They have a high income, good social position and they live in abundance. They have done everything for their children and their children's children. For even if their children or their children's children are all handicapped, and even if they do not know how to work, they will not have to worry about their life. A harsh way of saying is to describe this as nothing but "cheap".

Of course, we can put it in another way and that is, since they are always scolded by people, this has contributed to prosperity in our society. If it were not because of these people, our society would not have become so prosperous as it is now and the Government would not have collected so much tax revenue. So it boils down to a matter of different points of view, positions and backgrounds that lead to different views on what they have done for the good of Hong Kong or otherwise.

President, we know that a society has got many levels. Those at the bottom are those who have to work desperately hard for a living. I am sure there should be 60% to 65% of the people here in Hong Kong who are from the grassroots. We are now talking about the problems faced by the middle class, that is, those in the middle. This group of people in the middle is the pillar of

our society. This is because they are better educated than the grassroots and they are on a higher level than the grassroots even. They should know that over the past 20 years or so they have received education thanks to society. In other words, irrespective of where the money used on their education came from, it was used on these people nonetheless. The middle-class people are those who can never reach the top but they are not those people at the very bottom. This is a simple truth we should understand before all else.

President, there is never an end to debates in this Council. Provided that a meeting is held, there will be a debate. This is only normal. Everyone is entitled to have a position in a debate and everyone is insisting that they are correct. They are all trying to make their demands known. They hope to let their voters outside hear what they want to say and in doing so achieve their own political goals or fulfil their wishes. This is also perfectly normal.

President, some Honourable colleagues like to talk about the so-called fiscal reserves in Hong Kong. We have got to understand, and the Government has also got to let all the people of Hong Kong know that after taking away the Exchange Fund and the civil service pensions fund, and so on, and if the money left is to be shared among the 7.2 million people of Hong Kong, I would think that at most each person can only get \$200,000 to \$250,000. In other words, this is the sum of money the people of Hong Kong can get if all the fiscal reserves were handed out to them. President, let us do some computations. In the first 10 months of this year — today is 2 November — how much are the proceeds from the six licensed casinos in Macao that the Macao Government has obtained through the betting duty? It is \$221 billion. In other words, in the two more months remaining in this year, I believe its revenue from the betting duty alone will be as much as \$100 billion. How much can the people get if this sum of \$100 billion is handed out? We do not have to take the population of Macao as 450 000 people. Let us round it off and suppose there are 500 000 people in Macao, the revenue from the betting duty there alone will give each one of them \$200,000.

The fact that the Hong Kong SAR Government decided to hand out \$6,000 to each resident in Hong Kong this year is purely an accident. The SAR Government had said long ago that this sum of \$6,000 was not supposed to be handed out but placed into the Mandatory Provident Fund accounts. But it was because of strong opposition that it was decided that cash should be handed out

instead. I hope that the Government can say in the medium range forecast to the people of Hong Kong that this will not happen again, no, never. If money is to be handed out and if we take the example of Macao in which everyone there is given \$20,000, that will mean that a sum of \$10 billion has to be handed out every year. How can the Hong Kong SAR Government measure against other people? It might as well not hand out any money if the amount is so small. It had better not to do so.

So with respect to our hope that the financial burden of the middle-class people should be alleviated, the Government must do something in the budget with the middle class people in mind. It would be ideal if the surplus resources and capital are put into the infrastructure projects so as to keep the middle-class people stay in employment. This would be hard to them, but this is something they are happy to accept. For the middle-class people, they should not always depend on society and the Government to do things for them; they should also work for their own good. This is because, after all, they are the pillar of our society. Who will care for them if they lose hope in society?

So President, I can only hope that they will work for their own good.

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

MR ALBERT CHAN (in Cantonese): President, this motion topic of "Alleviating the financial burden of middle-class people" is only about certain supplementary and support measures, the most important thing should be strengthening the financial position of the middle-class people. But this kind of argument is really pathetic because with the development of Hong Kong to date, there is still a motion debate in the Legislative Council calling for the Government to help the middle-class people alleviate their financial burden. If you are a member of the middle class, as a matter of principle, your income and sources of finance, and so on, should enable you to lead a life of a middle-class person.

I recall back in the 1960s and the 1970s, many people in Hong Kong cherished dreams of climbing up the social ladder. Their goal was to become a member of the middle-class in due course. With our society having developed

to this day, however, the middle-class people have to convey their plea through some DAB Member and ask the Government in this Council to do something to alleviate their financial burden. This shows the truth in what I have been saying for years and that is, the life of middle-class families in Hong Kong are becoming impoverished.

Ten years ago and in the Chamber of the old Legislative Council Building, I pointed out that poor families in China were becoming increasingly middle-class and the number of people in the middle class in China was getting larger. I also said at that time that in Hong Kong, middle-class families were getting impoverished. That was a prediction I made 10 years ago. It turned out unfortunately that I was right. Why did I make the right prediction? The logic here is very simple. We can see that there is an increasingly marked trend of hegemony of the estate developers, the giant consortia and the financial cliques, and they are tightening their grip on the economy of Hong Kong. The result is that room for economic survival is contracting. But the very fact that people can become members of the middle class is due to the fact that they can find such room for economic survival and through their hard work, labour and creativity, they can have a certain amount of income and hence lead a middle-class life.

If we look at the figures released by the authorities, we can see that these figures over the past decade or so are indeed shocking. The year 1995 can be taken as the base year and the index is set at 100. The index figure for 2011 is 117 and that means, the income of the middle class, that is, those in managerial positions and working as professionals — that is because the Hong Kong Government does not have any definition for middle class, so I have used the salaries of managers and professionals to compile the index. In 1995, the index was 100 and in 2005, it rose to 118, and in 2007, it was 120. This is an all-time high compared with the figures in 1995. But it has dropped to 117 this year. If 1995 is used as the base year, as compared to 2007, the income of managers and professionals has dropped 3%.

However, it is the drop in the number of jobs that is really stunning. Compared to the past, this decline in the number of jobs runs to tens of thousands. Compared to 1996, managerial and executive jobs has decreased by 32 000. We can see how terrifying this trend is. Compared to 15 years ago, we have 32 000 less jobs for managers and executives. This may have something to do with what the Government has described as economic restructuring, that is, a gradual

change from production trades to service industries and the financial industry. This is evidence that there is not only the hegemony of estate developers, but there is also a new development in the emergence of hegemony in the financial sector.

The financial market takes up almost 16% of our GDP, whereas industries only take up 1.8% of the GDP. This is about one tenth of that of the financial market. So this economic restructuring is actually a process towards polarization in wealth. The salaries for senior managers in organizations related to the financial hegemony, the financial institutions and the banks have risen sharply. There is also an increase in low-level positions. But middle-level positions are dwindling.

It goes without saying that the situation is even worse under the hegemony of the estate developers. It has become a cliché to talk about the dominance of the real estate hegemonists in all trades and industries. Now the average man in the street knows to use the term "hegemony of estate developers" to describe economic woes and their own distress. More than 10 years ago, when I used the term in this Council, it was a jargon used by very few people. Now in this Chamber almost everyone from the opposition camp knows how to use it. It is often used by Members from the grassroots. And wherever we go, we would find people use this term. Recently, there is a case which is most absurd and it is about the boss of a supermarket. The man is a conscientious fellow and he wants to sell Coca Cola at a cheaper price. But he cannot do it. Soon after a supermarket chain operated by one of these real estate hegemonists has voiced its opposition, the supply of Coca Cola to that supermarket is terminated. The boss is not allowed to sell Coca Cola. This is a most blatant example of the ferocity of these hegemonists. When a conscientious supermarket boss wants to sell his goods at a cheaper price, these real estate hegemonists begin to exert pressure on the manufacturer and prohibit the sale of the products concerned. This is because they do not want to see a drop in their profits.

This grotesque twist and turn in the system has not only led to an impoverished life in the middle but also everyone else in Hong Kong. Instead of keeping on asking and begging, we might as well reform the system. If there is no democracy, these real estate hegemonists will control the political assemblies, the systems and even the Chief Executive election. On the other hand, we must create wealth and help the middle class by liberalizing the market. I have been

urging all through these years that we should promote the development of high value-added industries. These include up-market fashion brands, clocks and watches, jewellery, medicine, medical and healthcare products, and so on. We must promote the development of these manufacturing industries. In this way, the middle class will be enlarged and there will be more people with higher salaries. Those at the bottom stratum will also benefit. But under the leadership of Donald TSANG, the policy of strengthening the hegemony of the financial and real estate sectors will continue, hence the middle class will dwindle and become impoverished and the poor people will lead a life of the utmost hardship. If this situation continues, the people of Hong Kong will be forced to rise and overthrow this malevolent and uncaring government.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr LAU Kong-wah, you may now speak on the nine amendments. You have five minutes.

MR LAU KONG-WAH (in Cantonese): President, today I have proposed this motion today to provide a good platform for Honourable colleagues from different political parties and groupings to propose their amendments and make suggestions. This would give the Government some sort reference when it compiles next year's budget. I firmly believe that with so many views expressed today, the topic of alleviating the financial burden of the middle class should be a focus in the next budget.

Of the many speeches made, I agree very much with what Ms Miriam LAU has said, that although these amendments or the motion itself may have some differences in the wording used or even in the number of words, we are all trying to come to some common ground despite our differences. All the suggestions made would be submitted to the Government which will take into account various factors and the changes in the economy, and so on, before finalizing the budget. This is something I agree with and so I can say that this aim is fulfilled.

It is unfortunate to see that Mr Albert HO began to scold people when he proposed his amendment. He lashed out at the pro-establishment camp and also the DAB. I do not see why he had to do that. We are only trying to create a platform for the expression of opinions and we hope that the Government can listen. People who chide other people only care about themselves. They think that their views are correct and other people must follow. They would chide other people if their views are not heeded. I think this kind of mentality is outdated. When political parties rival and compete, they are not trying to see which one has got a louder voice, nor look fierce and menacing. They must not scold others. If political parties are to see which is better, they should compare the suggestions they make and see which ones are more constructive. They should convey the voice of the people to the Government and try to persuade the Government into doing something for the benefit of the people. This is the most important thing parties should rival.

We have made some proposals regarding the Policy Address delivered recently and the Government has taken some of them on board for the benefit of the people. Our party Chairman, TAM Yiu-chung, has always said to me that this process has left a lasting impression on him. This is what he considers the true meaning of democracy. Democracy is not pointing fingers at other people. Rather, proposals should be made for the good of the people. The question of this debate is about how the financial burden of the middle class can be alleviated. With respect to this, I would think that other Members have talked much about it. There will be elections soon and those who only know how to scold others will certainly fail.

President, another Member who has proposed an amendment is Ms Audrey EU. Her amendment contains a suggestion that is rather controversial. When our party caucus discussed it, we felt that we could not accept it. She requests that the money earmarked for use in healthcare reform, especially the sum of \$50 billion for the Health Protection Scheme, should be singled out and injected into the public healthcare system. Dr LEUNG Ka-lau and Mr CHAN Kin-por have also talked about it. In fact, there is no conflict between the two options. We can have a sum of \$50 billion for the middle-class people to take out medical insurance policies, but we can also inject another sum of money into the public healthcare system. It does not follow necessarily that the money should be put into either one of the two. So I doubt if Ms Audrey EU is somewhat out of touch with the reality faced by the middle class. This sum of \$50 billion will be

used on those who people who take out medical insurance for the first time, and these first-timers are the elderly and people who have high health risks. They are those people who cannot take out any medical insurance. We hope that they can be helped. So I hope the Government will not take on board this view from Ms EU. I do not agree with it either.

President, the many proposals made by Honourable colleagues in their amendments, including mine, are about one-off measures certainly. But we stress all the more our hope that the Government can introduce some measures to show its commitment to the middle class. We hope that the middle-class people will not just be required to pay taxes but not able to enjoy any welfare benefits. Or else in this way, it is most unfair to them.

Thank you, President.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I am most grateful to Members for their valuable views on the motion "Alleviating the financial burden of middle-class people".

The various proposals and relief measures mentioned by Members in their speeches today actually involve a number of different policy areas. We will forward the main points of today's discussion to the Financial Secretary so that he will deliberate these proposals with relevant bureaux in the course of formulating next year's Budget. As Members' proposals are plenteous, involving different policy areas, I will not respond to them one by one. However, I would like to take this opportunity today to explain the Government's fiscal principles.

In preparing the Budget, the Government will consider all issues from a comprehensive and multi-angle perspective. We will adhere to the basic principle of "managing public finances with prudence and keeping expenditure within the limits of revenues" regardless of whether the economy performs well or poorly. In reviewing each of the policy proposals, we will consider in detail their impact on the Government's finances as a whole.

Today, a number of Members have proposed a wide variety of tax relief measures, such as providing salaries tax concessions, increasing the tax allowances, introducing different types of deductible items, and so on. By

adhering to a simple and low tax regime, Hong Kong is committed to upholding the principle of fairness and neutrality in its tax system for years. To tie in with the needs of the sustainable development of society, economy and enterprises, and to enhance Hong Kong's competitiveness, the Government will constantly review and examine the tax system. In doing so, the Government will collect public views through various consultation channels for the formulation of the Budget every year and introduce a number of tax measures. For instance, in the financial years of 2007-2008 and 2008-2009, we increased the amount of several allowances, including the basic allowance, single parent allowance, child allowance and the married person's allowance, apart from raising the ceiling of deductible donations to 35% of the assessable amount under profits tax, salaries tax and personal assessment. Furthermore, we have raised the maximum tax deduction for expenses of self-education to \$60,000 in order to encourage working adults to enhance their competitiveness through self-education so that they can meet the needs of Hong Kong in developing into a knowledge-based economy. From the Year of Assessment 2011-2012 onwards, we have further raised the child allowance, dependent parent/grandparent allowance as well as the deduction limit for elderly residential care expenses, by an increase of 20% each, as a measure to alleviate the people's burden.

Given that any proposals on providing tax incentives or adjustment of tax rates will affect government revenue, as well as the integrity and stability of Hong Kong's tax regime, we must carefully consider Members' suggestions to ensure that government revenues can meet our expenditure needs. On the premise of managing public finances with prudence and maintaining low tax rates, we have striven to strike a balance between the affordability of people and the stability of public finances.

Regarding the utilization of resources, we must consider the relative importance of each item and urgency in the distribution of limited resources. We have to set priorities and ensure that public money is well spent and worth its while in the delivery of public services.

Today, Members have proposed a number of one-off or recurrent relief measures, such as electricity charge subsidy, subsidies for tertiary students and pre-primary education, relaxing the applicants' eligibility criteria for drugs provided by the Samaritan Fund, alleviating the people's burden in travelling expenses, and so on. We will carefully examine not only the impact of each of

these proposed measures on government finances as a whole, but also their actual effect on different sectors of the community. Take the electricity charge subsidy as an example. In order to alleviate the inflationary pressures faced by the people, the Government provided electricity charge subsidy of \$1,800 each for the 2.5 million residential electricity accounts in Hong Kong in 2008 and this year. In considering whether or not an electricity charge subsidy should be offered again, we will review the effectiveness of this measure and the use of electricity by the beneficiaries, in addition to keeping an eye on the compatibility between this policy and our energy saving policy for environment protection.

Hong Kong adheres to the "big market, small government" model for we believe the market is the most effective way to stimulate economic efficiency. With the objective of controlling public expenditure within 20% of GDP or less, our goal is to maintain Hong Kong's economic vitality and competitiveness, while averting a situation that an oversized public sector may become an impediment to the development of the private sector. We will try to keep government spending complementary to economic growth so that public services can meet the changing needs of the community.

Members have raised a number of proposals on education. Education is a policy area accounting for the largest share of the Government's recurrent expenditure. Given the reality of limited resources, we have to balance the needs of all quarters. Insofar as student financial assistance is concerned, it is the Government's policy to ensure that no student is denied access to education due to lack of means. The Government is now conducting a review of the Non-means-tested Loan Scheme to ensure that appropriate financial support will continue to be provided to needy students, with effective measures being in place to reduce the loan default rate to ensure the proper use of public resources. After the conclusion of the Phase I public consultation in June 2010, the Education Bureau is now carefully considering the views collected for drawing up a package of proposals to improve the operation of the scheme. A Phase II public consultation on this package of proposals will be launched by the end of this year.

On the pre-primary education front, the Government has put in lots of resources to implement the Pre-primary Education Voucher Scheme in order to subsidize the tuition fees of kindergarten students. In considering whether pre-primary education should be fully subsidized, the Government should define

the objective clearly with a view to perpetuating the conditions for fostering quality pre-primary education and addressing a number of technical problems. The Education Bureau will continue to liaise with stakeholders, examine and consider the far-reaching impact of these problems and the way forward in addressing them.

On the healthcare front, the Hospital Authority (HA) has implemented a number of measures in recent years, enabling more patients to benefit from the Samaritan Fund (the Fund). Such measures include relaxing the financial assessment criteria on the applicants and expanding the safety net of the Fund to cover more needy patients. In order to meet the rising demand, the Government injected \$1 billion to the Fund in 2008-2009. The subsidy provided by the Fund to cover the cost of drugs has substantially increased from \$17.3 million in 2004-2005 to \$150 million in 2010-2011. The HA will continue to review the ambit of the Fund and the eligibility of applicants according to the established mechanism.

Insofar as transport is concerned, Ms LAU proposed that the dividends received by the Government from the MTR Corporation Limited (MTRCL) be used to lower MTR fares. According to section 3 of the Public Finance Ordinance (Cap. 2), the dividends received by the Government from the MTRCL are regarded as part of the general revenue, which will be used in all policy areas of the Government for the benefit of the general public. As the provision of fare concessions will involve public funds, sufficient justification is required for its implementation, and funding constraints and the priorities of various services should also be taken into account.

Many Members have also requested that concessionary fares be offered by other public transport operators. Although this is a commercial decision of individual operators, we have always encouraged them, in response to factors such as the overall economic environment, market conditions, the operators' operating conditions and passengers' needs, to provide concessions as far as possible so as to reduce the people's expenses on public transport.

In formulating the Budget every year, the Government must be on the alert to changes in market circumstances and respond accordingly. It should implement short-term measures to cope with crises, care about people's livelihood, preserve employment and support small and medium enterprises in

response to the immediate needs of society having taken into account its fiscal position as a whole. Meanwhile, it should also plan ahead with foresight to cope with the needs of the economic development in the long term, with regard to its fiscal position in the long and medium terms. Just now, quite a number of Members expressed their views on the use of the fiscal surplus and the level of fiscal reserves. As a small-scale open city economy, Hong Kong is vulnerable to global economic volatility. Some major revenue items of the Government, such as profits tax and land revenue, are highly fluctuating. Such a major challenge to public finance has posed difficulty to the Government in drawing up the Budget. The fiscal reserves can be regarded as our contingency fund. I believe Members will agree that sufficient fiscal reserves will play not only an important role in maintaining the robust condition of public finances and monetary system, but also ensure that the Government, where necessary, has the ability to help people cope with the possible economic downturn and ease the pressure of downside risks on our economy due to the severe blow of the external economy. In the long run, we still adhere to the principle of "keeping expenditure within the limits of revenues and managing public finances with prudence" in order to rise to challenges of all types in the future. The fact that European countries need to take austerity measures as a result of their debt crises has precisely proven the importance of a robust fiscal position of the Government.

Finally, I would like to thank Members for their valuable views on next year's Budget. We will consider in detail the views of all quarters.

President, I so submit. Thank you.

PRESIDENT (in Cantonese): Mr WONG Kwok-hing, you may now move your amendment to the motion.

MR WONG KWOK-HING (in Cantonese): President, I move that Mr LAU Kong-wah's motion be amended.

Mr WONG Kwok-hing moved the following amendment: (Translation)

"To delete ", given that" after "That" and substitute with "middle-class people are the pillar of Hong Kong society, but their being in an

unreasonable situation where they are not given any strong support despite their heavy livelihood burden over the years is often disregarded by the Government; as"; to add "and overall economic conditions" after "; inflation rates"; to delete "50%" after "personal assessment by" and substitute with "up to 100% of the final tax, subject to a ceiling of \$10,000 per case"; to delete "\$12,000" after "Fund contributions with a ceiling of" and substitute with "\$24,000"; to add ", and increasing the child allowance by 50% for the second child of a family or any child born to it thereafter in the first six years after birth" after "infants to \$100,000"; to add "(i) offering a tax allowance of \$100,000 per household per year to households with no property for renting private residential units;" after "subsidy of \$3,600;"; to delete the original "(i)" and substitute with "(j)"; to delete the original "(j)" and substitute with "(k)"; to delete the original "(k)" and substitute with "(l)"; to add "to \$20,000 subject to the requirement that a specific portion of the subsidy must be used for subsidizing relevant schooling costs such as school uniforms, school bags and learning materials, etc.," after "Education Voucher Scheme"; to delete the original "(l)" and substitute with "(m)"; to add "(n) expeditiously implementing 15-year free education and setting an implementation timetable;" after "\$20,000 per person;"; to delete the original "(m)" and substitute with "(o)"; to delete the original "(n)" and substitute with "(p)"; to add "(q) introducing tax deduction for payment of medical charges relating to parents and grandparents aged 65 or above; (r) offering tax deduction to patients who need to purchase expensive drugs for treatment, so as to alleviate the financial burden imposed on them and their families by medical treatment;" after "shared by patients;"; to delete the original "(o)" and substitute with "(s)"; to delete the original "(p)" and substitute with "(t)"; to delete "and" after "of its system;" and substitute with "(u) expeditiously resolving the problem of uneven traffic flows of the three harbour crossings, including reducing the tolls of the Eastern Harbour Crossing and Western Harbour Crossing by way of buying back, so as to alleviate the burden of cross-harbour expenses on drivers and members of the public;"; to delete the original "(q)" and substitute with "(v)"; and to add "; and Social welfare — (w) introducing tax deduction for community care for the elderly, so that children with dependent parents or grandparents can enjoy tax deduction after paying for home care, domestic helpers, day care, respite service and residential care services,

etc., for their elderly family members, so as to encourage children to take greater care of the elderly" immediately before the full stop."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr WONG Kwok-hing to Mr LAU Kong-wah's motion, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mrs Sophie LEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mrs Sophie LEUNG has claimed a division. The division bell will ring for five minutes.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Ms Cyd HO, Mr LEUNG Yiu-chung, Mr LEE Cheuk-yan and Mr CHEUNG Kwok-che, you have not cast any vote.

MS CYD HO (in Cantonese): As I said in my speech just now, the proposals are really too diverse, so it is impossible to vote for or against them.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr WONG Ting-kwong, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mr Abraham SHEK and Prof Patrick LAU voted against the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Andrew LEUNG and Mr CHIM Pui-chung abstained.

Mr CHEUNG Kwok-che did not cast any vote.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Sing-chi, Mr WONG Kwok-kin, Mr Alan LEONG and Miss Tanya CHAN voted for the amendment.

Dr Priscilla LEUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Ms Cyd HO did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 14 were in favour of the amendment, three against it and seven abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 16 were in favour of the amendment and one abstained. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

MS MIRIAM LAU (in Cantonese): President, I move that in the event of further divisions being claimed in respect of the motion on "Alleviating the financial burden of middle-class people" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

I order that in the event of further divisions being claimed in respect of the motion on "Alleviating the financial burden of middle-class people" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): As Members have been informed, Ms Miriam LAU has withdrawn her amendment subsequent to Mr WONG Kwok-hing's amendment having been passed.

PRESIDENT (in Cantonese): Mr Paul CHAN, as Mr WONG Kwok-hing's amendment has been passed, you may now move your revised amendment.

MR PAUL CHAN (in Cantonese): President, I move that Mr LAU Kong-wah's motion, as amended by Mr WONG Kwok-hing, be further amended by my revised amendment.

Mr Paul CHAN moved the following further amendment to the motion as amended by Mr WONG Kwok-hing: (Translation)

"To add "this Council also urges the Administration to put forward the following measures: (x) widening each tax band for salaries tax by \$10,000 and reducing the marginal rate for each tax band by one percentage point to two percentage points; (y) allowing a married couple to make separate election for personal assessment, instead of requiring them to make a joint election; and (z) abolishing the residence requirement of at least 180 days imposed on parents, permitting Hong Kong people supporting retired dependant parents living on the Mainland to enjoy dependant parent allowance;" immediately before the full stop"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr Paul CHAN's amendment to Mr LAU Kong-wah's motion, as amended by Mr WONG Kwok-hing, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mrs Sophie LEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mrs Sophie LEUNG has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr WONG Ting-kwong, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mr Abraham SHEK and Prof Patrick LAU voted against the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Andrew LEUNG and Mr CHIM Pui-chung abstained.

Mr CHEUNG Kwok-che did not cast any vote.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Sing-chi, Mr WONG Kwok-kin, Mr Alan LEONG and Miss Tanya CHAN voted for the amendment.

Dr Priscilla LEUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Ms Cyd HO did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 14 were in favour of the amendment, three against it and seven abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 16 were in favour of the amendment and one abstained. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

PRESIDENT (in Cantonese): Mr Albert HO, as the amendments by Mr WONG Kwok-hing and Mr Paul CHAN have been passed, you may now move your revised amendment.

MR ALBERT HO (in Cantonese): President, I move that Mr LAU Kong-wah's motion, as amended by Mr WONG Kwok-hing and Mr Paul CHAN, be further amended by my revised amendment. President, since the amendments of the two Members have been passed, I have made some consequential revisions to my amendment. I have retained proposals (c), (j) and (n) of the original amendment, made the necessary textual amendments and renumbered the paragraphs. Basically, the revised amendment makes no change to the content.

Thank you, President.

Mr Albert HO moved the following further amendment to the motion as amended by Mr WONG Kwok-hing and Mr Paul CHAN: (Translation)

"To add "this Council also urges the Administration to put forward the following measures: (aa) relaxing the means tests under the various student finance schemes, deducting necessary expenses relating to housing and healthcare, etc. in the computation of Adjusted Family Income to reflect the realities in family expenditure, and lowering the application threshold, so as to benefit more families from the middle and lower strata; (ab) abolishing the charging of interests during students' studies and the 1.5% risk rate for loans under the Non-means Tested Loan Scheme for tertiary students, so as to relieve graduates' financial burden; (ac) providing weighted subsidies for whole-day nursery classes, so as to enable dual-income families to receive reasonable support; (ad) strictly monitoring the reimbursable courses under the Continuing Education Fund to ensure teaching quality; and (ae) making actual efforts to debundle textbooks from teaching and learning materials for pricing so as to stabilize textbook prices, and including the principle of 'promoting textbook recycling' in the Guidelines for Printing of Textbooks, so as to encourage the reuse of second-hand textbooks and relieve parents' financial burden of buying textbooks in each new academic year" immediately before the full stop"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr Albert HO's amendment to Mr LAU Kong-wah's motion as amended by Mr WONG Kwok-hing and Mr Paul CHAN be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr WONG Kwok-hing rose to claim a division.

PRESIDENT (in Cantonese): Mr WONG Kwok-hing has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr WONG Ting-kwong, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mr Abraham SHEK and Prof Patrick LAU voted against the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Andrew LEUNG and Mr CHIM Pui-chung abstained.

Mr CHEUNG Kwok-che did not cast any vote.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Sing-chi, Mr WONG Kwok-kin, Mr Alan LEONG and Miss Tanya CHAN voted for the amendment.

Dr Priscilla LEUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Ms Cyd HO did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 14 were in favour of the amendment, three against it and seven abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 16 were in favour of the amendment and one abstained. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

PRESIDENT (in Cantonese): Mr LEE Wing-tat, as the amendments by Mr WONG Kwok-hing, Mr Paul CHAN and Mr Albert HO have been passed, you may now move your revised amendment.

MR LEE WING-TAT (in Cantonese): President, I move my revised amendment. After the revision, the contents of my amendment have only been changed a little. Since the amendments moved by Mr WONG Kwok-hing and Mr Paul CHAN are somewhat similar to mine and their amendments have been passed, I have only made some minor textual changes. Thank you, President.

Mr LEE Wing-tat moved the following further amendment to the motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN and Mr Albert HO:
(Translation)

"To add "this Council also urges the Administration to put forward the following measures: (ae) adjusting the stamp duty regime, so that property transactions each worth \$2.5 million or less only needs to pay a fixed stamp duty of \$100;" immediately before the full stop"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr LEE Wing-tat's amendment to Mr LAU Kong-wah's motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN and Mr Albert HO be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr WONG Kwok-kin rose to claim a division.

PRESIDENT (in Cantonese): Mr WONG Kwok-kin has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr WONG Ting-kwong, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mr Abraham SHEK and Prof Patrick LAU voted against the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Andrew LEUNG and Mr CHIM Pui-chung abstained.

Mr CHEUNG Kwok-che did not cast any vote.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Sing-chi, Mr WONG Kwok-kin, Mr Alan LEONG and Miss Tanya CHAN voted for the amendment.

Dr Priscilla LEUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Ms Cyd HO did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 14 were in favour of the amendment, three against it and seven abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 16 were in favour of the amendment and one abstained. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

PRESIDENT (in Cantonese): Mr WONG Sing-chi, as the amendments by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO and Mr LEE Wing-tat have been passed, you may now move your revised amendment.

MR WONG SING-CHI (in Cantonese): President, I move that Mr LAU Kong-wah's motion, as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO and Mr LEE Wing-tat, be further amended by my revised amendment.

Mr WONG Sing-chi moved the following further amendment to the motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO and Mr LEE Wing-tat: (Translation)

"To add "this Council also urges the Administration to put forward the following measures: (ag) regarding the dividends received by the Government from the MTR Corporation Limited (MTRCL), or the profits received by public transport operators from their non-transport business (such as the annual property proceeds of MTRCL), studying the allocation of a certain percentage of such dividends or profits to establish a fare stabilization fund; (ah) urging MTRCL to introduce weekly and daily ticket schemes for all the lines of its system and provide long-haul passengers with 'same day return half-fare concessions'; (ai) reviewing the

fare adjustment mechanism for MTRCL (that is, the fare adjustment mechanism that allows fares to go upwards and downwards), and studying the inclusion of significant factors such as public acceptance and affordability, MTRCL's incident occurrence figures and its profit levels, etc. in the formula for determining fare adjustment rates, so as to fully reflect the realities of people's livelihood and MTRCL's service quality in MTR fares; and (aj) requesting bus companies to provide full-scale interchange fare concessions and services, implement sectional fares and introduce more fare concessions for persons with disabilities;" immediately before the full stop".

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr WONG Sing-chi's amendment to Mr LAU Kong-wah's motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO and Mr LEE Wing-tat be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Dr PAN Pey-chyou rose to claim a division.

PRESIDENT (in Cantonese): Dr PAN Pey-chyou has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr WONG Ting-kwong, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mr Abraham SHEK and Prof Patrick LAU voted against the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Andrew LEUNG and Mr CHIM Pui-chung abstained.

Mr CHEUNG Kwok-che did not cast any vote.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Sing-chi, Mr WONG Kwok-kin, Mr Alan LEONG and Miss Tanya CHAN voted for the amendment.

Dr Priscilla LEUNG abstained.

THE PRESIDENT, Mr Jasper TSANG, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Ms Cyd HO did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 14 were in favour of the amendment, three against it and seven abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 16 were in favour of the amendment and one against it. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

PRESIDENT (in Cantonese): Mr KAM Nai-wai, as the amendments by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat and Mr WONG Sing-chi have been passed, you may now move your revised amendment.

MR KAM NAI-WAI (in Cantonese): President, I move that Mr LAU Kong-wah's motion, as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat and Mr WONG Sing-chi, be further amended by my revised amendment.

Mr KAM Nai-wai moved the following further amendment to the motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat and Mr WONG Sing-chi: (Translation)

"To add "; this Council also urges the Administration to put forward the following measures: (ak) offering tax allowance to people who purchase energy efficient products with Grade 1 energy label, subject to a ceiling of \$5,000; and (al) offering an additional electricity charge subsidy of \$1,200 to an account whose electricity consumption in a half-year period is 5% or more lower than its consumption in the corresponding period of the previous year, so as to encourage people to reduce electricity consumption" immediately before the full stop."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr KAM Nai-wai's amendment to Mr LAU Kong-wah's motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat and Mr WONG Sing-chi be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr IP Wai-ming rose to claim a division.

PRESIDENT (in Cantonese): Mr IP Wai-ming has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr WONG Ting-kwong, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mr Abraham SHEK and Prof Patrick LAU voted against the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Andrew LEUNG and Mr CHIM Pui-chung abstained.

Mr CHEUNG Kwok-che did not cast any vote.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Sing-chi, Mr WONG Kwok-kin, Mr Alan LEONG and Miss Tanya CHAN voted for the amendment.

Dr Priscilla LEUNG voted against the amendment.

THE PRESIDENT, Mr Jasper TSANG, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Ms Cyd HO did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 25 were present, 14 were in favour of the amendment, three against it and seven abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 16 were in favour of the amendment and one against it. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

PRESIDENT (in Cantonese): Ms Audrey EU, as the amendments by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr WONG Sing-chi and Mr KAM Nai-wai have been passed, you may now move your revised amendment.

MS AUDREY EU (in Cantonese): President, I move that Mr LAU Kong-wah's motion, as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr WONG Sing-chi and KAM Nai-wai, be further amended by my revised amendment. In my revised amendment, items (k), (m), (n), (q) and (r) of the original amendment are retained and "expeditiously formulate comprehensive and long-term policies for resolving the structural problem of an M-shaped society" is added after item (r), with some necessary textual changes. Thank you, President.

Ms Audrey EU moved the following further amendment to the motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr WONG Sing-chi and Mr KAM Nai-wai: (Translation)

"To add "; this Council also urges the Administration to put forward the following measures: (am) expeditiously launching policy studies on 'free pre-primary education', so as to achieve the objective of implementing 15-year free education; (an) injecting the fund of \$50 billion earmarked for the voluntary health protection scheme into the public healthcare system; increasing obstetric services and healthcare manpower; (ao) expeditiously reviewing the inclusion of many expensive and specific self-financed drugs as well as treatment and diagnostic methods inside the safety net of the Fund into the scope of subsidized services of the Hospital Authority at no extra fees, so as to alleviate patients' burden; (ap) enhancing the tax deduction for electric vehicles and the Tax Incentives Scheme for Environment-friendly Petrol Private Cars, offering more financial concessions in respect of such vehicles on top of the motor vehicle first registration tax, and strengthening the support measures for the use of motor vehicle biodiesel; and (aq) expediting investments in electric vehicle charging facilities in Hong Kong, and introducing public electric vehicles and public cycling systems in feasible areas such as West Kowloon and Kai Tak, in addition to the aforesaid measures, the Administration should expeditiously formulate comprehensive and long-term policies for resolving the structural problem of an M-shaped society, and respond to the concerns and aspirations of middle-class people in the areas of housing, healthcare and education, so that while middle-class people's burden can be lessened, they can also upgrade their quality of life in various respects" immediately before the full stop."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Ms Audrey EU's amendment to Mr LAU Kong-wah's motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr WONG Sing-chi and Mr KAM Nai-wai be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr WONG Yung-kan rose to claim a division.

PRESIDENT (in Cantonese): Mr WONG Yung-kan has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Ms LI Fung-ying, Dr Joseph LEE, Mr Paul CHAN, Mr IP Wai-ming, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mr WONG Yung-kan, Mr Abraham SHEK, Mr WONG Ting-kwong, Mr CHIM Pui-chung, Prof Patrick LAU, Dr LAM Tai-fai, Mr

CHAN Kin-por, Mr IP Kwok-him and Samson TAM voted against the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Mr Tommy CHEUNG, Mr Andrew LEUNG and Dr LEUNG Ka-lau abstained.

Mr CHEUNG Kwok-che did not cast any vote.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr KAM Nai-wai, Mr WONG Sing-chi, Mr WONG Kwok-kin, Mr Alan LEONG and Miss Tanya CHAN voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr CHEUNG Hok-ming, Ms Starry LEE, Mr CHAN Hak-kan and Dr Priscilla LEUNG voted against the amendment.

THE PRESIDENT, Mr Jasper TSANG, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Ms Cyd HO did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, seven were in favour of the amendment, 10 against it and eight abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present, 10 were in favour of the amendment and seven against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negated.

PRESIDENT (in Cantonese): Dr LEUNG Ka-lau, as the amendments by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr

WONG Sing-chi and Mr KAM Nai-wai have been passed, you may now move your revised amendment.

DR LEUNG KA-LAU (in Cantonese): President, I move that Mr LAU Kong-wah's motion, as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr WONG Sing-chi and KAM Nai-wai, be further amended by my revised amendment.

Dr LEUNG Ka-lau moved the following further amendment to the motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr WONG Sing-chi and Mr KAM Nai-wai: (Translation)

"To add "; and this Council also urges the Administration to put forward the following measure: introducing tax deduction for households whose total medical expenditure exceeds a minimum of \$2,000 per year" immediately before the full stop."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Dr LEUNG Ka-lau's amendment to Mr LAU Kong-wah's motion as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr WONG Sing-chi and Mr KAM Nai-wai be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr WONG Kwok-kin rose to claim a division.

PRESIDENT (in Cantonese): Mr WONG Kwok-kin has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr WONG Ting-Kwong, Mr CHIM Pui-chung, Dr LAM Tai-fai, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Samson TAM voted for the amendment.

Dr Raymond HO, Mr Abraham SHEK, Prof Patrick LAU and Mr Paul TSE voted against the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Mr LAU Wong-fat, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Andrew LEUNG and Mr Paul CHAN abstained.

Mr CHEUNG Kwok-che did not cast any vote.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Sing-chi, Mr WONG Kwok-kin, Mr Alan LEONG and Miss Tanya CHAN voted for the amendment.

THE PRESIDENT, Mr Jasper TSANG, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Ms Cyd HO did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, 14 were in favour of the amendment, four against it and seven abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present and 17 were in favour of the amendment. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

PRESIDENT (in Cantonese): Mr LAU Kong-wah, you may now reply and you have one minute 58 seconds.

MR LAU KONG-WAH (in Cantonese): President, recently Members have gone down to the streets frequently to try to establish local ties. Their standing by the pavements and waving their arms has become a scenery of Hong Kong. Certainly, they did that not just to canvass votes but for the purpose of listening to people's voices. The people have told us that they want the Government to give tax rebates and rates concessions. They have also told us that the costs of transport, children's education and medical services were very expensive. In our debate today, we have fully reflected these views.

Ms Cyd HO earlier criticized that the motion was too trivial as it contained too many specifics. For that reason, she will not support the motion, still less casting any vote. That is, in fact, very strange. If the motion were nothing but a harangue without any specific proposal, she would have probably criticized its lack of specific ideas. Actually, this is a typical example of "opposition for the sake of it". You may also call it a quick evolution into "LEE Cheuk-yan style". When I was on the street, two cancer patients came up to me and said that the targeted drugs they are currently using cost \$10,000 each time. If a therapy consists of 10 treatments, two therapies will probably spend their entire fortune. Therefore, some specific suggestions must be written down to make the

Government realize all this. What Ms Cyd HO considers trivial may be most important to the people of Hong Kong. Be the specifics trivial or important, we have to take them seriously. Social well-being is neither a small issue nor a trivial matter, and it is exactly a founding principle of the DAB.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr LAU Kong-wah, as amended by Mr WONG Kwok-hing, Mr Paul CHAN, Mr Albert HO, Mr LEE Wing-tat, Mr WONG Sing-chi, Mr KAM Nai-wai and Dr LEUNG Ka-lau, be passed.

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

(Members raised their hands)

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

(No hands raised)

Ms Miriam LAU rose to claim a division.

PRESIDENT (in Cantonese): Ms Miriam LAU has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHEUNG Man-kwong, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Ms LI Fung-ying, Mr Tommy CHEUNG, Dr Joseph LEE, Mr Andrew LEUNG, Mr WONG Ting-kwong, Mr CHIM Pui-chung, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Dr LEUNG Ka-lau, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou, Mr Paul TSE and Dr Samson TAM voted for the motion as amended.

Dr Raymond HO, Mr Abraham SHEK and Prof Patrick LAU abstained.

Mr CHEUNG Kwok-che did not cast any vote.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr LEE Cheuk-yan, Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Ms Audrey EU, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Sing-chi, Mr WONG Kwok-kin, Mr Alan LEONG and Miss Tanya CHAN voted for the motion as amended.

THE PRESIDENT, Mr Jasper TSANG, Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung and Ms Cyd HO did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, 22 were in favour of the motion as amended and three abstained; while among the Members returned by geographical constituencies through direct elections, 21 were present and 17 were in favour of the motion as amended. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the motion as amended was passed.

PRESIDENT (in Cantonese): Second motion: Comprehensively reforming the Mandatory Provident Fund Scheme.

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

I now call upon Mr TAM Yiu-chung to speak and move the motion.

COMPREHENSIVELY REFORMING THE MANDATORY PROVIDENT FUND SCHEME

MR TAM YIU-CHUNG (in Cantonese): President, I move that the motion, as printed on the Agenda, be passed.

In the Budget released early this year, the Government originally planned to make a one-off injection of \$6,000 into the Mandatory Provident Fund (MPF) accounts of the public, but dissatisfaction was aroused from many members of the community as a result. Why would there be this reaction to a well-intentioned initiative? A major reason is that many members of the public are dissatisfied with the operation of the MPF. So, this is their most direct response: If the Government wanted to dish out money, why did it not do so in a way that can benefit us direct? Why should the money be nibbled away by the MPF or pocketed by fund managers?

That the dishing out of money this time around has caused a furore actually reflected that the public's dissatisfaction with the operation of the MPF has probably reached a so-called tipping point. The MPF is primarily a well-intentioned system, under which not only employees have to make contributions, but employers also have to make contributions, in order to prepare for the retirement of employees. The mandatory contribution model is one of the three major pillars of retirement protection, and its principle and spirit are recognized worldwide. Therefore, if we do not expeditiously take appropriate measures to tackle the various problems with the MPF, the acceptability of the MPF would only be declining in the future. With the problem of population ageing becoming more and more serious in Hong Kong, the development of our retirement protection system is set to face great challenges.

In this connection, I have proposed in this motion a total of 12 measures for reviewing the MPF, which can be summed up in three aspects: First, the level of fees, transparency and choices; second, the monitoring of trustees and employers; third, flexibility of the system. Some time ago there have been quite a lot of discussions on these three aspects in society. Particularly, the level of fees, which is on the high side, and the lack of choices have remained to be the old, big and difficult problems. Yet, I still wish to highlight some of the views and proposals of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB).

The MPF has been brought into operation since 2000 but it was only in July 2007 that the Fee Comparative Platform was put in place to enable wage earners to compare the fees of different trustees and fund managers. In spite of this, such a comparison is, so far, merely for the information of wage earners, because the right to choose a MPF company rests in the hands of employers, and employees do not have any say. The "semi-portable" approach of the MPF, which has been discussed for years, has yet to be implemented. At present, the MPF has already accumulated up to \$384.5 billion. Despite such a massive scale of asset management, competition in this respect has remained most lacking in the fund management industry.

I think many wage earners must have had the experience, since the "semi-portable" approach was mooted for discussion last year, of receiving many promotional phone calls from MPF companies introducing to them how attractive their company's fees were. This would not happen in the past because wage earners simply did not have a choice and so, the MPF companies basically did not need to promote their services and even if they did, it still would not be of any use. This is a reflection of the lack of competition in the operation of the MPF.

According to the information of the Mandatory Provident Fund Schemes Authority (MPFA), the overall average fund expense ratio is 1.8% now. Do not underrate this ratio, because if the investment return is 5% this year, it means that 36% of the return will be nibbled away. Let us not forget that even if the investment recorded a loss, the MPF company and fund managers will still charge the management cost and fees. They are actually operating a business that surely makes profits and never suffers losses, which is indeed rare in Hong Kong. Besides, the Equity Fund and Mixed Assets Fund which account for 78% of the

total asset value are the popular choices of wage earners and their average fund expense ratio is 1.91% and 2% respectively, which are on the high side, and it is also extremely rare for fund companies to reduce their fees.

Another problem resulted from the lack of competition in terms of fees is that some MPF companies charge uniform administration fees for MPF funds of different degrees of risk. This is unfair, because for such low-risk funds as the Guaranteed Fund, what they often need to do is to put the contributions in time deposits or buy bonds with the funds, and this requires a relatively less degree of expertise or monitoring. Some academics have pointed out that the management fees for these funds actually should be no more than 0.5%.

According to the information of the MPFA, the annual average return of Conservative Funds, Guaranteed Funds and Money Market Funds is only 1.2%, 1.6% and 0.8% respectively. However, the fee ratios of these three types of low-yielding funds are far higher than their investment returns. For example, some companies have charged an administration fee for these three products at 2.49%, 3.92% and 1% respectively. If wage earners invest their money in these funds, I am afraid their savings would only shrink year after year.

In view of this, the DAB considers that increasing choices for wage earners, including the choices of trustees and choices of investment products, can effectively lower the fees. This is also the key to restoring public confidence in and their acceptability of the MPF System. The "semi-portable" approach, which will be implemented soon, is, in our view, inadequate. We consider that a full portability arrangement should be implemented ultimately to enable employees to freely use all the benefits that ultimately belong to them to make investments. Only in this way can effective incentives be provided to trustees and fund managers to lower their fees.

Moreover, we consider that the choices of funds should have regard to the different investment needs of contributors, especially contributors who will retire soon, for they may choose a conservative investment strategy. We must bear in mind that some contributors may choose to take different degrees of risk in their investments in different economic cycles. We think that when they choose the more conservative investment products, the fees payable by them should be lower or even waived. Therefore, MPF Scheme trustees should at least be required to provide products resembling bank deposits that charge no management fees as

options for wage earners. Moreover, there should also be fund products operated by the Government at low management fees, and linked respectively to Exchange Fund returns and inflation rates. These products can operate automatically on their own and do not require professional investment judgment by fund managers. For this reason, there should be sufficient conditions for lowering their professional management fees.

As we all know, the Community Care Fund can place a deposit of \$5 billion with the Hong Kong Monetary Authority to earn an investment return that is linked to the performance of the Hong Kong Exchange Fund. Why can similar arrangements not be made for the MPF to benefit members of the general public? Generally speaking, with regard to providing products resembling bank deposits that charge no management fees and fund products linked to Exchange Fund returns and inflation rates, we consider that the technical problems can be overcome. The key lies in whether the Government has the determination to actively improve the operational arrangements of the MPF from the angle of public concerns and in the public interest and also with the objective of fostering healthy development of the MPF in the long term.

Given the time constraint, I will not go into details on other issues of the MPF, such as the transparency of fees, flexibility, as well as monitoring and enforcement, in order to save time for my response later. Members of the DAB will further explain our views and proposals. I believe other colleagues will also put forward a lot of views later. We do wish to listen to their views, and I will give a general response in my concluding speech.

With these remarks, I beg to move.

Mr TAM Yiu-chung moved the following motion: (Translation)

"That, given that the Mandatory Provident Fund (MPF) Scheme has already been implemented for over 10 years and the various social sectors have put forward many proposals for improving the Scheme, this Council considers that the authorities must conduct a comprehensive review of the MPF Scheme; the relevant review should include:

- (a) to expeditiously implement a full portability arrangement for the MPF Scheme;

-
- (b) to adopt effective measures to press MPF Scheme trustees to lower their fees, such as enacting legislation to specify fee ceilings for different types of investment funds and fee types, and to require MPF Scheme trustees to collect fixed administration fees to replace the practice of collecting such fees at fixed percentages of the total asset values of MPF accounts;
 - (c) to require MPF Scheme trustees to provide contributors with products resembling bank deposits that charge no management fees;
 - (d) to introduce two additional fund products operated by the Government at low management fees, and linked respectively to Exchange Fund returns and inflation rates;
 - (e) to enact legislation to require MPF Scheme trustees to set out the actual amounts of fees in the annual reports of the years concerned;
 - (f) to obtain the operating costs data of MPF Scheme trustees and formulate measures to regulate trustees by making reference to the form of regulation of employees' compensation insurance;
 - (g) to allow MPF Scheme contributors with exceptional reasons (such as critical illness) to apply for suspension of contributions or partial withdrawal of their MPF accrued benefits, so as to meet urgent needs;
 - (h) to allow retirees to withdraw their MPF accrued benefits by instalments after the age of 65;
 - (i) to introduce a maximum tax deduction of \$12,000 for voluntary MPF contributions;
 - (j) to prompt the Labour Advisory Board to conduct discussions on the mechanism whereby employers' contributions under the MPF Scheme are used to offset severance payments and long service payments;
 - (k) to enhance the regulation of MPF Scheme intermediaries; and

- (1) to step up law enforcement and increase penalties to combat the situation of default in contributions, with a view to achieving the aims of lowering fees, increasing employees' choices for investment and perfecting the regulatory mechanism."

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

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

I will first call upon Mr IP Wai-ming to speak, to be followed by Mr CHAN Kin-por, Mr James TO, Ms LI Fung-ying and Mr Alan LEONG respectively; but they may not move the amendments at this stage.

MR IP WAI-MING (in Cantonese): President, this question of how to improve or revise the Mandatory Provident Fund (MPF) Scheme, many colleagues have actually brought it up for discussion in this Council for many times. This is proof that members of the public are concerned about this issue. We have repeatedly called on the Government to pay attention to this issue, especially the problem of the ageing of Hong Kong people, and there are some figures that we still need to mention.

According to the projections released by the Census and Statistics Department in July 2010, the proportion of the population aged 65 and over is projected to rise markedly from 13% in 2009 to 28% in 2039. In view of this, we consider that the ageing of population is an irresistible trend and the SAR Government must address it squarely. In fact, every time when this issue was raised, the Government would invariably respond by reiterating the three pillars, namely Comprehensive Social Security Assistance, the MPF, and personal savings, as the solution to the post-retirement life of the people. However, we consider these three pillars inadequate, and we have all along hoped that the Government can implement a universal retirement protection system. Because as we have stated repeatedly, in the case of some workers who earn low wages,

and even if we use the median wage of \$10,800 in Hong Kong as the basis for calculation, the amount of money that can be saved up would be basically insignificant if the current standard of living is to be met with this level of income. For this reason, we consider it impractical to rely solely on personal savings to improve the people's retirement life.

Therefore, we consider that the MPF Scheme should be a stepping stone towards universal retirement protection. Indeed, it is an indisputable fact that the MPF Scheme is fraught with loopholes. Last year, on the 10th anniversary of the implementation of the MPF Scheme, we already listed the "seven sins" of the MPF System, which include the offset mechanism undermining the retirement benefits of workers, inability to combat cases of default on MPF contributions, the absence of control on omission of information by trustees, difficulty in managing and inspecting accounts, the lack of transparency in the charging of management fees, and so on. So long as these problems remain unresolved, the MPF Scheme would not be able to fully provide employees with appropriate protection. Limited by my speaking time, I will only express views mainly on several issues, and I think the several colleagues of mine will supplement what I have said.

First, the labour sector considers that the offset mechanism is the loophole of the MPF Scheme that needs to be tackled before all else. Regarding the use of MPF accrued benefits, employees do not enjoy any flexibility but employers can use these benefits to offset the long service payments and severance payments. The Government has all along said that a consensus was reached on this when the legislation on the MPF Scheme was enacted in 1995. But we must point out that our colleagues in the former Legislative Council did not consent to this arrangement. Moreover, the retirement protection for employees is seriously eroded once their long service payments and severance payments are offset. An example that I have always cited is that many employees are currently employed on contract terms, and if an employee started to work at the age of 20 and signed a new contract at an interval of three years on average, he would have signed 15 contracts at by the age of 65, which means that his benefits would have been offset for 15 times. It is imaginable that he definitely would not have much left in his MPF account by then. I remember that the Government did once cite a figure. I do not remember the exact amount, but I am sure that it is no more than \$1 million, or it should even be less than \$700,000. Anyway, what will be left is only a very small amount. Therefore, we consider that so long as the offset mechanism continues to operate, the MPF System

simply cannot give play to the function of providing retirement protection as expected of it.

Members may consider it an extreme example for an employee to have his benefits offset for 15 times but in reality, this is a common phenomenon. A cleaning worker at the airport has completed five contracts since he took up this job in 1998. The employer changed thrice in each contract and every time when such change took place, his MPF contributions were offset by the employer and the counting of his years of service would restart again. So, such a situation has actually become an everyday phenomenon. Another example is that when handling the labour dispute in Maxim's Cakes last week, I found that even though their employees have over 10 years of service in the company, the MPF contributions made by the employer only amounted to some \$80,000. After this incident of the relocation of its factory, the employees' MPF benefits would be further offset by more than \$50,000, leaving a balance of only some \$30,000 in the employees' MPF accounts. From this we can see how enormously employees' benefits are undermined by the offset mechanism. For this reason, the Federation of Trade Unions (FTU) calls on the Government to immediately review and abolish the offset mechanism to enable the MPF System to give play to its function.

Second, the management fees of the funds are excessively high. As pointed out by Mr TAM Yiu-chung earlier, the management fees of some funds are actually too high. At present, the over 450 MPF constituent funds in Hong Kong still charge a fee at 1.91% on average, and the fees of some Guaranteed Funds are even as high as 2.36%. According to the projection of the Consumer Council, in the case of a wage earner earning a monthly income of \$20,000 and making contributions for 40 years, and assuming the annual return is 5% in which 2% is paid as management fees, his retirement fund, which should be \$3.05 million originally, would have been eroded by 30%.

What is most outrageous is that while the trustees collect management fees on the one hand, they withheld from the depositors the actual amount of management fees collected by them on the other. The FTU has tried to find out the actual amount of management fees charged by various trustees from their annual financial statements and member benefit statements, but no such information is disclosed in the member benefit statements of at least seven trustees. Some workers have told us that even if they made enquiries with the

trustees directly, some trustees still refused to disclose such information and even refrained from providing the details. They simply did not state clearly how much management fees they had collected.

We consider that the MPF is a reward for the hard work of employees. All they wish is to have a little more financial protection upon retirement, and it will be unfair to them if their MPF benefits are eroded as a result of a lack of transparency in the charging of fees. We, therefore, insist that legislation be enacted to require that the actual management fees be set out clearly for easy understanding by workers and to facilitate monitoring.

Lastly, the problem of preserved accounts. As it is now common for employees to change jobs and as they may not necessarily take up another job upon completion of a contract, many employees may have a number of preserved accounts. According to the Mandatory Provident Fund Schemes Authority, their information shows that the number of preserved accounts has increased from about 2 million in 2005 to more than 3 million in 2009. We consider that keeping too many preserved accounts will indeed impede employees' management of wealth in a focused manner. We, therefore, call for the implementation of a system of "one lifelong account", whereby each employee participating in a MPF Scheme keeps only one account. We also call for the introduction of portability for MPF accounts to give effect to the concept of "money follows employees", rather than the other way round.

Some colleagues asked us why we propose a reform of the MPF Scheme and add a line on the implementation of a universal retirement protection system only at the end. It is because I maintain that the MPF Scheme is a stepping stone towards universal retirement protection. A hasty abolition of the MPF System may not be beneficial to society and workers as a whole. Having said that, I reiterate that the ultimate goal of the FTU remains to be the implementation of a universal retirement protection system. Thank you, President.

MR CHAN KIN-POR (in Cantonese): President, the Mandatory Provident Fund (MPF) Scheme has been implemented for over 10 years. Information shows that almost 85% of the labour force have joined MPF schemes or occupational retirement schemes, and the overall development has been stable and healthy.

However, the MPF as a retirement system is actually at an initial stage and requires continued adjustments in many aspects in terms of both operation and procedure. The community also has a lot of views and even criticisms on the MPF. Undoubtedly, the MPF Scheme does require a comprehensive review and reform.

Taking the opportunity of the 10th anniversary of the implementation of the MPF last year, the Legislative Council debated the motion on comprehensively reviewing the MPF Scheme. As I said during the debate, the MPF is still, by its nature, a suitable retirement protection system for Hong Kong. The MPF has been criticized by society mainly because of the bad timing of its introduction as well as its structural problems. Today, I still maintain these views, and I am not going to repeat the reasons.

There have all along been calls in society for a comprehensive review of the MPF Scheme, in the hope that the system can be improved in line with the latest developments in society. I think nobody would object to this. However, it is after many years of efforts made by various sectors that the MPF Scheme has made its achievements today. As a core system in Hong Kong, the MPF involves a very wide range of areas and a large number of people, including employers, employees, service providers and the Government. As such, a small move may affect the overall situation, and we must handle it with great care. Any amendment should be considered thoroughly, and it is also necessary to consult the views of various sectors of the community.

For this reason, in the amendment proposed by me today, a major proposal is to urge the authorities to examine the feasibility of various measures and fully gauge in the review their impact in various respects. I believe it is only when the community can access more information and engage in thorough discussions that they can make correct choices and avoid wastage of efforts.

The original motion and the amendments have all put forward a core demand for lowering the fees. The administration fees of the MPF are considered expensive by the community, and there is a historical reason for it. Like other retirement protection systems in the world, the administration cost of the MPF is higher at the initial stage after its inception because MPF trustees often have to plough in hundreds of million dollars to develop computer programs and systems for actuarial and management purposes. It is generally estimated

that cost recovery can be achieved in five to 10 years. In the meantime, given the statutory requirement that the MPF contributions are handled on a monthly basis, the administration and management involved is far more complicated than ordinary investment.

According to overseas experience, the administration fees will gradually come down to lower levels when the assets have accumulated to a certain level under a retirement protection scheme. Hong Kong is, in fact, developing in this direction. According to the results of a study published by the Mandatory Provident Fund Schemes Authority (MPFA) in July, the average fund expense ratio of MPF schemes was 1.83% then, which was 13% lower than three years ago. In October, the latest figure has further dropped to 1.78%. The study also pointed out that all MPF trustees have lowered their fees or introduced new MPF funds or schemes at low fees. It is expected that the fees will be further lowered when more measures will be introduced later by the authorities to promote market competition, such as implementing a full portability arrangement for MPF.

There are views that despite the continued drop in the average fund expense ratio of the MPF, the fees of Equity Funds, which is the most popular choice of employees, are still on the high side. In fact, my rough estimate is that the average fund expense ratio is less than 1% for about 10% of the funds, which is not a small number, but most of these funds are Guaranteed Funds. The average fund expense ratio of Guaranteed Funds is 0.39%, and as we all know, 0.39% is a very low level but the public generally do not like this type of fund because of its low return. The majority likes to choose the high-yielding Equity Funds, and as they require management by professionals, the return is high while the fees are also inevitably high. But in general, the fees of Equity Funds are also on the decrease in line with the entire market. Indeed, the public are smart in making their choices because even though the fees are high, there will still be more to gain than to lose if the return is high, and more benefits will still be generated at the end of the day. So, this also explains why less people have chosen Guaranteed Funds, the return of which is low even though the fees are low.

In fact, the insurance sector are generally supportive of many proposals made in the original motion today, including (a) to expeditiously implement a full portability arrangement for the MPF Scheme; (g) to allow contributors with exceptional reasons to apply for partial withdrawal of their MPF accrued benefits; (h) to allow retirees to withdraw their MPF accrued benefits by instalments; (i) to introduce a maximum tax deduction of \$12,000 for voluntary MPF contributions;

(j) to prompt the Labour Advisory Board to conduct discussions on the mechanism whereby employers' contributions under the MPF Scheme are used to offset severance payments and long service payments; (k) to enhance the regulation of MPF Scheme intermediaries; and (l) to step up law enforcement and increase penalties to combat the situation of default in contributions.

Having said that, the insurance sector has certain misgivings about some proposals. The original motion proposes to introduce products resembling bank deposits that charge no management fees and fund products operated by the Government at low management fees and linked to inflation rates. The insurance sector considers that this proposal is open to question. For example, where a negative real interest rate prevails, it is basically impossible for savings-based products to achieve the MPF objective of asset accruing, and if funds linked to the inflation rates are operated by the Government, the taxpayers may eventually be made to top up the expenses. In fact, MPF trustees can introduce funds linked to the inflation rates but in order to guarantee that this requirement is met, it would be difficult for the management fees to be kept at a low level as that currently charged for Guaranteed Funds.

On the proposal of enacting legislation to specify fee ceilings as well as the fee amounts for investment funds, there are views that this proposal runs counter to the principle of the operation of market economy and will undermine market competition. This may result in the funds not taking any initiative to make progress, unwilling to inject more resources to strive for greater returns. This will lead to a scenario where the fees are low and the returns are low, which may not be beneficial to the public. On the requirement that a fixed administration fees should be collected by MPF Scheme trustees, if a fixed amount of fees is charged irrespective of the amount of contributions, it would actually be unfair to contributors who have a low income and make a low-amount contribution, because they would be made to bear a greater share of the cost.

The original motion also proposes to enact legislation to require trustees to set out the actual amounts of fees in the annual reports of the years concerned. The insurance sector does not oppose the setting out of the actual amounts of fees collected by the funds in the annual reports, but if the actual amounts of fees collected from individual contributors have to be set out, the administration cost will certainly increase substantially, which would not do any good to the public.

Besides, I have proposed two amendments to the original motion, which include the proposals of urging the MPFA to adopt measures of promoting competition in the fund market and streamline the management and administrative procedures of MPF schemes. I think increasing the means of market competition, such as implementing a full portability arrangement for MPF expeditiously, can prompt continued downward adjustment in the fees of funds or streamline the management and administrative procedures which are complicated now. It can also achieve the objective of reducing the costs. I believe these two proposals can effectively prompt a downward adjustment in the fees of funds in the light of the actual situation now.

Lastly, I would like to point out that in the foreseeable future, the downward adjustment of the fees of MPF schemes is set to become the general trend. We should instead pay more attention to the problem of the MPF accrued benefits basically not being enough to meet the needs of living after retirement. I think the key problem lies in the fact that the percentage of contribution is too low in Hong Kong. Compared with places in the world where similar systems are adopted, Hong Kong has made the slowest start and required the lowest amount of contributions in implementing its MPF. Given such congenital deficiency, whatever remedial measures to be taken will not be helpful to improving the situation at all. Therefore, our next step should be to practically study the improvement of the percentage of contribution and also the lower and upper limits of contribution. Certainly, I hold that any amendment must indeed be considered thoroughly and the views of various sectors of the community must also be consulted. No amendment should be made hastily.

I so submit.

MR JAMES TO (in Cantonese): President, I am particularly happy in making this speech today because my son was born two days ago. Why do I say so? For the past two days when I made final revisions to the script of my speech in the hospital, I was thinking that when my son has grown up, he would have to make contributions to the MPF. But would there still be the MPF then? Would contributions still be required? By then, would we consider this MPF System sufficient for Hong Kong people to truly enjoy a reasonable standard of living after retirement?

President, the MPF should be a scheme of lifelong contributions, but many members of the public are now dissatisfied with the MPF System. The Hong Kong Polytechnic University conducted a telephone questionnaire survey from end-July to early August last year and found that over 80% of the interviewees considered "retirement protection" a livelihood issue requiring attention by the Government. But among interviewees who have MPF accounts, over 60% held the view that the existing MPF System was not helpful to allaying their worries about their post-retirement life, and 40% of the interviewees even considered that the MPF System should be abolished.

At the end of 2010, the Mandatory Provident Fund Schemes Authority (MPFA) published a report which summed up some information on the 10-year implementation of the MPF. Statistics show an average annualized return of 5.1% for all MPF schemes from December 2000 to end-September 2010. Among these funds, Equity Funds registered an average annualized return of 5.4%, whereas Mixed Assets Funds which invested in equities and bonds produced an average annualized return of 4.5%. If, during the same period of time, we invested the same amount of contributions in Heng Seng Index constituent stocks, which means that we started to make contributions from December 2000 to September 2010, we could have made an annual return of 8.6% plus a dividend rate of 3% and after a deduction of the 1% management fees, the real rate of return would be 10.6%, which doubles the overall average return of MPF schemes of 5.1% and the 5.4% return of Equity Funds. No wonder many members of the public have complained that the MPF returns are unsatisfactory.

Moreover, the public are dissatisfied with the expensive management fees and administration fees of MPF schemes. They are also worried about their many years of contributions being eroded by the management fees and administration fees and as a result, the funds to be left for the protection of their retirement life would be substantially reduced. For this reason, the Democratic Party and I support the proposal in the original motion of expeditiously implementing a full portability arrangement for the MPF Scheme, so that members of the public (that is, the actual and ultimate users of MPF services) will have the right to choose funds with the best performance and the most reasonable level of fees. Only when a full portability arrangement is implemented will the trustees compete with the objective of providing the best services to contributors and only in this way can market efficiency be fully brought into play in the MPF service market. However, the Government has been dragging its feet in the

implementation of a fully portability arrangement, saying that no consideration had been given to imposing regulation on the intermediaries before. I hope that the Government will speed up its work to enable the public to enjoy this right.

The MPF Scheme in Hong Kong is operated by private financial institutions. In the Asia Pacific Region, most other MPF schemes are operated by the public sector with the exception of Hong Kong, while Australia and Mexico are the only countries with privately-operated MPF schemes. In Mexico, the fees of the MPF schemes were considerably adjusted downwards in 2001. The main reasons of the adjustment included the introduction of legislative amendments by the Mexican Government to allow employees to switch within one year their accrued benefits to MPF schemes charging lower fees; the enhancement of the transparency of information on MPF schemes; the development of standard indicators by the regulatory authorities for assessing the performance of MPF schemes to make it convenient for employees to compare the performance of different schemes, and the provision of detailed information on the websites and through hotlines of the regulatory authorities; and the streamlining of the fee structure of the schemes.

President, Hong Kong has all along practised free market economy on the principle of "big market, small government", and the Government will intervene only in extreme circumstances when the market mechanism fails to operate normally. Over the past few decades, Hong Kong has developed in adherence to this principle and achieved steady economic growth. President, the system of free economy and effective upholding of the rule of law have attracted a continued inflow of foreign capital and talents. With more companies operating in the market, healthy competition will be resulted. This will bring down the prices of services while upgrading the quality of services, which will be truly beneficial to consumers. An example is that with the gradual opening up of the local telecommunications service market over the past decade, more companies have joined the competition and as a result, the fees and charges have substantially come down and many more choices of service plans have been made available to the public to meet their different needs.

The Democratic Party and I consider that the Government should make reference to the successful experience of the opening up of the telecommunications market. In this connection, I have proposed an amendment to point (b) of the original motion, pointing out that the Government should ensure that the MPF service market has sufficient competition and the automatic

adjustment mechanism of the market can achieve its function, so that market competition can oblige MPF schemes trustees to lower their fees. Meanwhile, regard must be given to the quality of services to ensure that the quality will not be sacrificed in order for lower fees to be offered, and when trustees continue to improve their service quality, the contributors will be able to obtain maximized benefits.

However, in case market competition fails to press trustees to lower their fees after competition, it is necessary for the Government to study other means to ensure that the public can obtain reasonable benefits. As for the direction of the study, President, I maintain an open attitude to it and I think the Government should comprehensively study any proposal which can benefit the public.

With rapid developments in society, the demand of the public for financial management has continued to change. For this reason, trustees must provide contributors with more choices of funds to cater to their needs. Trustees also have to examine new forms of funds in order to catch up with the constantly changing investment environment faced by contributors.

President, we consider that in order to help the public secure protection for their post-retirement life, the Democratic Party and I have proposed to introduce a maximum tax deduction of \$20,000 for voluntary MPF contributions. This will enable the public to make additional arrangements to ensure that when they plan their post-retirement life, their standard of living will not be lowered because of a lack of means.

MS LI FUNG-YING (in Cantonese): President, I declare that I am a Non-executive Director of the Mandatory Provident Fund Schemes Authority (MPFA), and I have no interest involved in it. As a member of the MPFA, I understand and know very well the operation and objectives of the MPFA.

With regard to my amendment, I would like to elaborate its details here. The first point of my amendment is "to link the MPF Scheme with age rather than employment, with the Government making the minimum MPF contribution for persons in the labour force who are neither in employment nor engaged in full-time studies".

My method of calculation is simple. After the implementation of the statutory minimum wage, if an employee works nine hours a day and six days a week, the employer's contribution should be \$327.6 per month. I propose that the Government makes this amount of contribution for persons in the labour force who are neither in employment nor engaged in full-time studies. These persons in the labour force who are neither in employment nor engaged in full-time studies mainly include family carers and unemployed persons aged between 15 and 65.

According to the information of the Census and Statistics Department (C&SD), there were 670 000 family carers in 2008, and their number stood at 660 000 and 700 000 in 2009 and 2010 respectively. From the third quarter of 2006 when the C&SD first provided the relevant statistics to the second quarter of this year, the average number of family carers in Hong Kong was 670 000, showing that their number has remained relatively stable. If the Government makes monthly contributions for these family carers under the Mandatory Provident Fund (MPF) Scheme, it would cost the public coffers \$2.6 billion only. If contributions are also made for the unemployed population (based on the current unemployment rate of 3.2%), the annual expenditure would be \$3.1 billion only, which is less than half of the total payment of the "fruit grant" last year (which amounted to \$6.32 billion).

Besides, the cash handout of \$6,000 made by the Government has incurred an expenditure of \$37 billion out of the public coffers in one go. In comparison, this amount of money can be used to support the operation of an age-linked MPF Scheme for over 10 years.

Some Members consider my proposal too generous and radical. In fact, compared with the making of the \$6,000 cash handout regardless of wealth, the public money required by my proposal would be insignificant.

President, I certainly do not think that my proposal can replace some better developed retirement protection schemes. For example, if a member of the public married at the age of 30 and has since become a housewife or family carer until 65, the amount of net MPF contributions will only be \$140,000 and even with an annual return of 5%, the MPF contributions will only add up to \$190,000.

Based on the average life expectancy of Hong Kong people, which is 83 years, the monthly average amount that they can draw from their MPF accounts will be less than \$1,000. Therefore, it is necessary for society to formulate other support measures to provide assistance to them in their post-retirement life.

Moreover, this proposal also carries a positive meaning as it represents the Government's recognition of the contribution made by family carers to society and its willingness to reward the unremunerated efforts made by them, thus making up for the shortcoming of the MPF System of completely neglecting the post-retirement life of family carers. While the community is still engaged in a tug-of-war over the implementation of a universal retirement protection system, linking the MPF Scheme with age will not cause any impact on the existing system and is less controversial. I sincerely hope that colleagues of the Legislative Council can support my proposal, and it is also necessary for the Government to seriously take it into consideration.

President, another proposal made in my amendment is to abolish the mechanism for using MPF contributions to offset severance payments and long service payments. This has long been an aspiration of the labour sector and friends who are concerned about labour rights. Given the extremely high job mobility in the labour market now, the offsetting arrangement will only erode employees' MPF benefits continuously, which is entirely against the objective of the MPF of providing protection to employees after their retirement.

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

As regards the arrangement for tax allowance, I think it is more appropriate to put in place a tax allowance mechanism based on voluntary MPF contributions than purely setting a certain amount of tax allowance.

Lastly, Deputy President, I wish to talk about the full portability arrangement for the MPF Scheme. In a highly volatile investment market, whether the so-called high-risk products or low-risk products are still full of traps. The Lehman Brothers incident is a most obvious example. The complexities in the financial market are not comprehensible even to some financial experts, and with a wide variety of investment products, fund managers have cast greedy eyes

on this piece of "fat meat" of full portability for the MPF Scheme, in the hope of getting a share of profits.

The MPF is a major pillar to most employees that supports their living after retirement. If investment is made carelessly, resulting in the loss of all their MPF benefits, society would ultimately be made to pay a price for this. On the other hand, the MPF benefits are an asset of employees whose autonomy in managing their MPF should be respected.

However, the authorities must ensure that the system can strike a balance between protecting the MPF investment and respecting employees' autonomy. If a full portability arrangement is hastily implemented for the MPF Scheme merely through publicity and education, I am afraid publicity and education would ultimately become pretexts for shirking responsibilities when problems arise.

In order for a full portability arrangement to be implemented for the MPF Scheme, I think efforts must be made to ensure effective risk management in the system, rather than simply relying on publicity and education. This is at present the work direction of the MPFA, which I also support.

Deputy President, I so submit.

MR ALAN LEONG (in Cantonese): Deputy President, the last time that this Council debated a motion on reviewing the Mandatory Provident Fund (MPF) Scheme was December last year. The Legislative Council passed the original motion and the amendments on that occasion, and all Members who had spoken on the motion agreed to the need to reform and review the existing MPF System. Regrettably, nearly one year has passed and the reform of the MPF has remained stagnant. The Government should take all the blame as it has failed to effectively play a leading role, thus allowing the hard-earned money of wage earners to be continuously eroded by the exorbitant management fees and impacted by the offsetting mechanism, and allowing their money to evaporate in the midst of stock market volatility triggered by the debt crisis in Europe and America.

Deputy President, the review proposed by the original motion and the amendments can broadly be summed up in four major aspects: First, a portability arrangement for the MPF Scheme and improvement of its management; second, enhancing the transparency of fees and lowering the management fees; third, abolishing the offsetting mechanism and actively combating employers' default on contributions; and fourth, responding to the aspiration for universal retirement protection.

In fact, irrespective of the performance of MPF funds, and regardless of whether a profit or a loss is recorded, employees are required to pay a certain amount of management fees and administration fees to MPF schemes trustees, and these fees may sometimes account for 3% to 4% of the contributions. Take 2009-2010 as an example. The MPF contributions amounted to about \$36 billion but the management fees involved was as high as \$6.5 billion. If the management fees are charged at 2%, it will be equivalent to 40% of the total amount of contributions for 40 years. It means that the workers have to share the earnings made by them through a lifetime's sweat and toil with the management companies at a ratio of 6:4. This is absolutely an attempt to rationalize the erosion of workers' benefits by management companies.

To effectively combat the problem of exorbitant fees, the Civic Party supports the implementation of a full portability arrangement for the MPF Scheme. Over the past six months since the Government stated that studies would be conducted on a "semi-portable" approach of the MPF Scheme, many MPF schemes trustees have gradually lowered their fees to attract customers. In some cases, the fees are even lowered to less than 1%. With the implementation of a full portability arrangement, not only the employees will enjoy the right to choose, but the quality of management by trustees can also be enhanced while the management fees will be lowered accordingly under competition.

The offsetting of the severance payments and long service payments against MPF contributions is an arrangement which has greatly undermined the retirement protection for employees. Of course, I understand that the offsetting mechanism exists as a compromise between the Government and employers when the MPF Scheme was introduced back then. But as time changes, most workers are now employed on contract terms or as outsourced workers who will be laid off and required to sign a new contract every two to three years. Under such circumstances, their MPF benefits will only diminish after continuous offsetting

and not much will be left upon their retirement. In 2009 alone, over \$2.5 billion of MPF contributions were washed away due to the offsetting mechanism. Over the 10 years of the implementation of the MPF, the cumulative amount of loss in MPF contributions due to the offsetting arrangement was as high as \$13.765 billion. If no reform is carried out, I am afraid the tangerines grown in the logo of the MPF Scheme will only leave behind one desiccated and sour tangerine in the end.

Deputy President, no matter what we will do to improve the MPF, this system still has its inherent defects, which can be remedied only by other systems in order to ensure that all citizens of Hong Kong can enjoy a secure old age with dignity.

The Government has always talked about the three major pillars, namely, personal savings, the MPF, and CSSA. But as a number of Members mentioned earlier, for people such as housewives, low-income earners and the unemployed, as most of them have only a small amount of personal savings and cannot enjoy abundant MPF benefits, they can only fall into the CSSA net after retirement. Have they not made any contribution to society? Take housewives as an example. Without their efforts in attending to the household affairs, how can their husbands work dedicatedly and diligently away from home? Could it be that the low-income earners and the unemployed only have themselves to blame in all cases? Or, is it that the political system of Hong Kong has encouraged exploitation of workers by powerful businessmen, hence creating a pauperized class?

Deputy President, they are all members of society, and many of them have spent a lifetime of labour and hard work to promote the advancement of society. But upon their retirement, it is this society that pushes them into the CSSA net. Apart from the labelling effect, they are also subject to many actual restrictions. Deputy President, an example that we all know very well is that the elderly have to ask their children to sign the "bad son's statement". Therefore, the three pillars stated by the Government are indeed inhuman and far from effective.

The elderly dependency ratio will increase by 2.5 times some 20 years later in 2033, that is, while one elderly person is supported by about six persons now, the number will decrease to four persons supporting one elderly person. Moreover, the poverty population has continued to increase. According to the

figures of the Hong Kong Council of Social Service, more than 1.2 million people were living in poverty last year. After several years when the poverty population reaches the retirement age, under the existing three pillars, neither their personal savings nor MPF would be sufficient to support their long retirement life. If their children do not have the means to support their living, I am afraid all they can eventually turn to will be CSSA only. If we can make plans well in advance and set up a seed fund when the dependency ratio of retirees supported by the labour force still remains at a comparatively low level, we will be able to overcome this challenge. But if we do not make preparations today, this would only put an even heavier pressure on the taxpayers in the future.

Deputy President, the community has actually advocated a universal retirement protection system for years. Some actuaries and academics have formulated a model of universal retirement protection by making calculations and projections based on constantly updated statistics. I must point out that at the outset, it was actually not necessary for the Government to provide \$50 billion to start the seed fund, because this system can be initiated and maintained so long as the labour force could set aside part of the MPF contributions for this purpose. But as the dependency ratio has increased and after reassessment, it is found that an additional provision of \$50 billion by the Government will be required in order to kick-start the scheme. In other words, the later we start implementing the universal retirement protection scheme, the greater the cost we will have to pay for achieving the same objective. The analyses made by actuaries even show that if universal retirement protection is delayed for another five years, we could as well stop thinking about it.

Deputy President, various non-governmental organizations have made different proposals on the ways of making contributions under a universal retirement protection system. Some have proposed to allocate part of the MPF contributions to the universal retirement protection fund; some have proposed that additional contributions be made separately from the MPF Scheme; and some have proposed to impose a slightly higher profits tax on large enterprises making profits exceeding \$20 million. These proposals are all sustainable beyond the peak of population ageing and can achieve the same objective of providing sufficient retirement pension for the elderly to spend their old age. Deputy President, this can bring immediate improvement to the living of the poor elderly and also immediate relief to the burden on their children responsible for supporting them. I, therefore, take exception to the Chief Executive's remark

that the middle class and professionals definitely will not agree to a universal retirement protection scheme. As for the ways of implementation, the Government can, in fact, put forward proposals for the public to conduct in-depth and rational discussions. The ways of implementation are open to discussion.

I understand that some economists and other academics have expressed concern about this scheme, but I found that their concern all boils down to two reasons: First, they have assumed that the elderly will receive a monthly pension of as much as \$6,000 and second, the annual pay increase of the labour force is assumed to be unreasonably low and hence, they consider that the fund is not sustainable in the long term. And even the Central Policy Unit has conducted relevant studies, no results have ever been published openly.

Deputy President, I think it is now time the Government made public the statistics and all the information obtained in the studies conducted with public money, in order to facilitate rational discussion in the community. The Government should immediately take actions, or else time will be running out. I so submit.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Deputy President, to begin with, I would like to thank Mr TAM Yiu-chung for proposing the motion debate on "Comprehensively reforming the Mandatory Provident Fund Scheme" and five other Members for their amendments.

The MPF System, which was put into implementation in 2000, joins the CSSA system, which is managed by the Government and fully funded by general revenue, and voluntary savings and insurance to make up the three pillars of the retirement protection system in Hong Kong.

Through the joint contributions from employers and employees, the MPF System assists the employed population in building up retirement savings. The System, which has come into operation for a decade, has enhanced retirement protection in Hong Kong. Compared with the situation a decade ago when only about one third of the working population enjoyed retirement protection, currently, coupled with other retirement protection schemes, the MPF System has enabled 85% of the employed population to receive retirement protection. After deducting relevant charges, the average annual rate of return on investment

during the period is higher than 5%, far higher than the 1% increase in the Consumer Price Index during the same period. As of June 2011, more than 2.5 million employees and self-employed persons have accumulated approximately \$384.4 billion in assets.

Certainly, as pointed out by the Chief Executive in the Policy Address delivered earlier, the MPF System is still at its initial stage and in need of constant improvements. The Government and the Mandatory Provident Fund Schemes Authority (MPFA) will, having regard to the experience gained in operating the MPF System and the views of stakeholders, continue to enhance the arrangements for the System in various aspects, including further lowering the charges under the MPF schemes and enabling the MPF systems to better meet the needs of scheme members.

Deputy President, the colleagues in the MPFA and I will listen carefully to Members' speeches on the original motion and amendments as reference for enhancing the MPF System. I will respond in detail later to the original motion and Members' speeches.

Deputy President, I so submit.

MR CHEUNG KWOK-CHE (in Cantonese): Deputy President, the recent volatility in the global stock market has caused great fluctuations in the Hong Kong stock market, which is like an elevator going up and down, and I believe many stock buyers must have complained a lot about their losses. But to the over 2.5 million employees covered by the Mandatory Provident Fund (MPF) Scheme in Hong Kong, all they can do is to helplessly watch the ups and downs in the stock market, not being able to do anything while seeing their MPF benefits accumulated monthly through hard work being swallowed mouthful by mouthful by predators in the financial market. Information shows that the return of the MPF in the last quarter was -12.3%. If we use the total value of MPF assets, which now stands at \$384.5 billion, for calculation, the MPF benefits of each wage earner have evaporated by \$18,535 on average, which is equivalent to 18 months of contributions if an employee makes a contribution at the ceiling of \$1,000 per month.

The original intention of the MPF which was introduced a decade ago is to enable employees to live a secure old age after retirement. But under the

extremely unhealthy circumstances of the global financial market, the MPF has degenerated into a cash cow for fund managers and plutocrats in the financial market. Whether or not the MPF Scheme can provide workers with a secure living after retirement is gravely questionable, and coupled with the fact that existing MPF Scheme is still beset with many loopholes, it is imperative for the Government to conduct a review immediately.

The first thing on our mind is certainly the "evil rule" that the MPF contributions can be used to offset severance payments and long service payments. Grass-roots workers employed on contract terms or as outsourced workers are dealt the heaviest blow by this "evil rule". Every time when they renew their contract with their employer, their severance payments will be offset against their MPF benefits. This is tantamount to robbing Peter to pay Paul, defeating the original propose of the MPF in providing protection to workers' post-retirement life.

According to the Government, the purpose of the arrangement is to strike a balance between the interest of employers and that of employees, and a consensus is required for any legislative amendment to be made. But I must ask: This "evil rule" obviously provides protection to unscrupulous employers, so how possibly will the unscrupulous employers agree to repealing this "evil rule"? Except for Ms LI Fung-ying's amendment, the original motion of Mr TAM Yiu-chung and the rest of the amendments have only proposed to "prompt the Labour Advisory Board to conduct discussions on the mechanism whereby employers' contributions under the MPF Scheme are used to offset severance payments and long service payments". This has obviously sidestepped the problem with the crucial issues being evaded. If we consider this offsetting mechanism unfair to wage earners, we must call for its abolition in an open and aboveboard manner, which is what Ms LI Fung-ying has done in her amendment, in order to call on the authorities to initiate the process of legislative amendment. If we cannot even put forward a resolute demand in this non-binding motion today, how can we overturn this rule for wage earners? Therefore, I am very disappointed with this part and I express regret over it.

No matter what is done to patch up the MPF Scheme, such as implementing a full portability arrangement for the MPF Scheme or lowering the administration fees, the Scheme still has its structural problems. As many people have pointed out, family carers (or housewives) and persons with

disabilities are still denied such protection. This being the case, it is necessary for the Government to expeditiously implement a system of universal retirement protection outside the MPF Scheme to truly benefit all citizens of Hong Kong.

However, just as a subcommittee of the Legislative Council is still exploring the issue of universal retirement protection, the Chief Executive, Mr Donald TSANG, outrageously said in his last policy address that universal retirement protection is impractical. He also expressed the lopsided view that this is not supported by the middle class and professionals. As a member of the Alliance for Universal Pensions (the Alliance) and Chairman of the Subcommittee on Retirement Protection, I express grave dismay at these remarks.

Firstly, the Alliance commissioned the Centre for Social Policy Studies of The Hong Kong Polytechnic University to conduct a survey in early 2010. Results clearly show that over 80% of the interviewees support the establishment of a universal retirement protection system and 78% of these supporters have a tertiary level of education or above. It is thus evident that universal retirement protection commands extensive support and recognition in the community. In this connection, I hope that the possible candidates of the Chief Executive election can clearly understand public opinions and will not fabricate public opinions, just as Donald TSANG has done.

Second, the proposals on universal retirement protection put forward in the community are not purely a redistribution of resources, not a case of the poor robbing the rich of their wealth. The universal retirement protection scheme proposed by the Alliance requires tripartite contributions from employees, employers and the Government. Contributions from employees and employers will be made up of half of their respective MPF contributions, that is, 2.5% of the monthly salary to be multiplied by two, which makes 5% in total. On the part of the Government, apart from providing \$50 billion for setting up a seed fund, its subsequent monthly contribution should be determined on the basis of the payment of CSSA and "fruit grant". Upon the implementation of a system of universal retirement protection, the payment of these two allowances will cease and will be injected into the universal retirement protection fund instead.

Moreover, consortiums and large enterprises making a profit exceeding \$10 million annually will only be made to pay an additional 1.9% in profits tax.

In future, each Hong Kong permanent resident aged 65 or above will receive a monthly pension of \$3,000 regardless of wealth and whether they are persons with disabilities or family carers.

But strangely enough, Mr IP Wai-ming stressed in his amendment the improvement of the MPF in order to achieve the goal of establishing a universal retirement protection system. I would like to ask him this: For persons with disabilities and family carers who are not covered by the MPF, how can their living be protected when they get old? Because the meaning of universal retirement protection is that all the people can be provided with protection in their old age after retirement (*The buzzer sounded*) I stand to be corrected, Mr IP. Thank you, Deputy President.

DEPUTY PRESIDENT (in Cantonese): Mr CHEUNG, your time is up.

MS STARRY LEE (in Cantonese): Deputy President, during their recent visits to the districts, I believe Members would hear many voices of discontent with the MPF. For wage earners, their greatest grievance is that there is inadequate retirement protection even though they receive only 90% of their income. In particular, many middle-aged grass-roots wage earners have complained to me on the streets that they will not be able to receive the money even till the day they die of illness. In the wake of the financial tsunami, many kaifongs have complained and expressed their grievances to me that the losses incurred by the MPF are so great that there is nothing left, and fund managers are the only beneficiaries. This is the general voice of the public at large. Although government officials may argue that the people do not understand the background or detailed operation of the implementation of MPF, this precisely reflects people's dissatisfaction with the MPF. It is simply impossible for the Government to turn a blind eye or a deaf ear to their discontent, or else their grievances will only continue to grow.

In a recent review of ways to enhance the flexibility of the withdrawal of MPF benefits, the Mandatory Provident Fund Schemes Authority (MPFA) has considered, under certain circumstances, allowing partial withdrawals of MPF benefits to meet urgent needs. This approach is worth considering because it is more humane and allows more choices for wage earners. But after all, this is

not the thrust of the issue. The three greatest concerns of wage earners are — low MPF returns, exorbitant charges and a lack of choice.

Let me begin with low MPF returns. With the existence of MPF, can wage earners really live without any worries upon retirement? If this is really the case, I believe the community's dissatisfaction will not be very strong. Unfortunately, for a 45-year-old wage earner with a monthly income of \$10,000, he can only draw \$411,000 in MPF benefits on the day of his retirement, if the calculation is based on an average return rate of 5% (with basic administrative fees deducted). Assuming his monthly expenditure upon retirement to be around \$5,000, this MPF level is only sufficient for him to support his living for seven years or so.

It is the community's consensus that MPF charges are too high. According to the information provided by the MPFA earlier, the average expense rate of the overall funds operated under the MPF Scheme was 1.83%, a slight drop of 0.23% in the overall level of charges compared with 2.06% in 2007. I have once casually browsed the Internet on the performance of some retirement funds. These funds should have lower rates of return because their investment approach is quite conservative. However, it is actually not at all difficult to identify retirement funds with a 10-year average rate of return higher than that of MPF, except for those focusing on Hong Kong dollar or United States dollar markets.

Besides exorbitant MPF charges, the MPFA should also consider replacing the current practice of charging fees at fixed percentages of the total asset values of MPF accounts with fixed management fees. In fact, a number of occupational pension schemes in Hong Kong and individual pension schemes in the United States and Australia are charging fixed fees.

Deputy President, the lack of choices for wage earners is partly to be blamed for exorbitant management fees of MPF schemes. As the choice of MPF providers is dictated by employers, the former only need to please the latter to make business deals. Therefore, even though the MPF contributions managed by MPF providers will eventually go to the pockets of wage earners in the future, the money does not follow the employees under the existing MPF System. Hence, wage earners actually have no say. This has also led to poor competition among MPF providers. Therefore, expeditiously implementing a full portability

arrangement for the MPF Scheme can enhance competition and give wage earners more say.

The "MPF Semi-portability" has been delayed again and again. The latest claim is that "MPF Semi-portability" will not come into formal effect until the second half of 2012. At the present stage, wage earners can only wait and see in the hope that once "MPF Semi-portability" comes into effect, the authorities will expeditiously set the stage for the introduction of a full portability arrangement for the MPF Scheme, so that MPF will be led by wage earners rather than employers, as in the present case. In that eventuality, more choices will be provided for wage earners and, as a result, the management fees of MPF will be lowered.

According to an earlier projection, the implementation of the "MPF Semi-portability" can enable the movement of \$150 billion in funds among MPF providers. With competition for capital, there will be enormous room for reduction in management fees. Once a full portability arrangement is implemented, I believe the rates of reduction will be even greater.

Another shortcoming of MPF which has been a cause of criticism is a lack of choices. For some people who are reluctant to bear investment risks, they are left with no choice under the present situation. In the past, the so-called "capital preservation funds" were unable to preserve capital after fund management fees were deducted. This was hardly acceptable. Many kaifongs have expressed the hope for choices, particularly after the financial tsunami. For instance, the authorities may consider introducing products resembling bank deposits that charge no management fees. These products are especially suitable for older people or retirees-to-be. Purchasing these genuine "capital preservation funds" may give them greater protection upon retirement.

Lastly, the MPF Scheme, which has a bearing on all wage earners in the territory, has already been implemented for 10 years. However, its scope is still limited, and there are only 2.4 million MPF contributors. As housewives, elderly people aged 65 or above and retirees are not covered, the livelihood of these people in their twilight years is still not protected in any way.

Deputy President, with population ageing in Hong Kong, MPF is only one of the pillars of retirement protection. The ways to perfect our retirement protection system involve a very extensive scope and fierce disputes. I am

aware that the current-term Government might not be able to put forward a proposal on which a consensus can be reached in the community for implementation. I earnestly hope that people intending to stand in the Chief Executive Election will lead the community on a full review of this issue rather than evading it. Secretary, I also hope that you can use the remaining several months' time to expeditiously implement "MPF Semi-portability" because I see that whenever there is competition, there is indeed some improvement in the attitude of MPF providers in providing services to us wage earners. At least, we receive messages in the past reminding us of the remaining sum or balance of our MPF accrued benefits. Let me cite myself as an example. I often receive such messages now. I believe there will be further improvement in the standard of service or charging of management fees after the implementation of "MPF Semi-portability".

Deputy President, I so submit.

MR WONG KWOK-HING (in Cantonese): Deputy President, it has been precisely a decade since the MPF Scheme was launched. Over the decade, various flaws have been found with the implementation of the MPF Scheme. For many years, the labour sector has made a lot of criticisms and improvement proposals on the Scheme. Even Mr IP Wai-ming today has proposed an amendment to the original motion. I would also like to take this opportunity to express my views on the offsetting mechanism, the implementation of a full portability arrangement for the MPF Scheme, the establishment of a system similar to that of "bank books", and the introduction of universal retirement protection.

Currently, Deputy President, employers' contributions under the MPF Scheme will become part of their severance payments and long service payments when employees are made redundant. However, MPF was originally intended to provide adequate retirement protection for employees. If MPF contributions are used for offsetting purposes every now and then when employees are dismissed or made redundant, how can the employees enjoy protection when they are old? In fact, according to the findings of a survey conducted by the Hong Kong Federation of Trade Unions (FTU), the percentage of the offsetting amount under the MPF Scheme to the amount of MPF contribution during the same

period has continued to rise in recent years from 3.3% in 2002 to 8.2% in 2009. In other words, \$8.2 in each \$100 of the MPF contribution made by a wage earner was offset. Looking solely at the percentage might not entirely reflect the enormous sum of money being offset, but 8.2% in total actually represents a sum of up to \$2.421 billion. During the period between July 2001 and 2009, the total offsetting amount has already reached \$12.828 billion. To enable employees to enjoy better retirement protection, I think that the Government should expeditiously consider immediately abolishing the mechanism whereby employers' contributions under the MPF Scheme are used to offset severance payments and long service payments.

Deputy President, according to the information provided by the Mandatory Provident Fund Schemes Authority (MPFA), as of September 2011, the number of registered employees, excluding self-employed persons and employers, participating in the MPF System has exceeded 2.33 million. Under the existing MPF System, an employee's MPF contributions will be transferred to an MPF preserved account upon his resignation, and he is required to open a new MPF account under a new job. In this way, wage earners may have a number of MPF accounts as a result of switching jobs again and again. As each MPF account will charge annual service charges, MPF contributions will be eroded. Furthermore, annual reports will be issued per annum, and the reports of intermediaries are different, too. For many grass-roots wage earners, the reports are so complicated that they can hardly understand the actual income and investment situation of their own MPF accounts. This is why the FTU has all along been advocating the establishment of an inspection system similar to that of "bank books". If the MPFA can spearhead the co-ordination and standardization of these "bank books", wage earners will be able to inspect the real situation of their MPF accounts in a simple and speedy manner anytime and anywhere to have an idea of their own MPF contributions and investment income.

As regards "portability", I have all along been advocating the implementation by the MPFA of a full portability arrangement for the MPF Scheme. By "full portability", it means that employees can select respective MPF trustees for employers' contributions and employees' contributions. The MPFA originally planned to implement semi-portability last year. But eventually, the plan has been delayed again and again for various reasons, until

next year. Here, I would like to call upon the Government to expeditiously introduce MPF semi-portability. The timetable for full portability should also be proposed next to enable employees to have a genuinely free choice.

Lastly, I would like to talk about employees' retirement protection. According to the information provided by the MPFA, the average rate of return of MPF contributions since late 2000 has been 5.1%. Of the annual rates of return since 2000, the rates of return in 2001-2002, 2002-2003, 2008-2009, and between April and June 2011 are negative, with the worst rate of return in a year being 25.9%, or a 25% loss. This situation emerged in the wake of the financial tsunami between 2008 and 2009. The persistent volatility of the global financial market in recent years has made the retirement protection of wage earners all the more vulnerable. If the Government often emphasizes that the MPF System is one of the three pillars of retirement protection for us, then the situation described by me just now has already made it clear that the MPF pillar is not sufficient to support the post-retirement lives of wage earners.

Deputy President, for many years, I have been campaigning for perfecting the MPF System. In the last Legislative Council in 2006, I put forward 10 improvement recommendations. Today, I believe we must, on the one hand, continue to campaign for improving the MPF System but, at the end of the day, I still hope that the Government can implement the most radical method of establishing a universal retirement protection system. Only with the establishment of this system can the Government genuinely address the problem of population ageing in Hong Kong and enable employees to have concrete guarantee for retirement protection. I hope the Government can seriously (*The buzzer sounded*)

DEPUTY PRESIDENT (in Cantonese): Speaking time is up.

MR WONG KWOK-HING (in Cantonese): listen to our views.

MR WONG KWOK-KIN (in Cantonese): Deputy President, I remember I once proposed a motion on "fully reviewing the MPF Scheme" in 2010-2011. The

fact that Mr TAM Yiu-chung has sponsored a similar motion today proves that the problem raised by us in the past has not yet been resolved. As this matter is related to wage earners' personal interest, the Government must address it squarely, formulate long-term policies and assume responsibility to strengthen protection for the retirement life of the public.

Back in the 1980s, the FTU already proposed the establishment of a Central Provident Fund system, with tripartite contributions from the Government, employers and employees, as a retirement protection system. Unfortunately, the Government has all along refused to take on board our proposal. To evade its responsibility of offering universal retirement protection, the Government often cites the three pillars, namely personal savings, the MPF and the social security net, or the Comprehensive Social Security Assistance (CSSA) system, as excuses to shirk its responsibility. The FTU's approval of the implementation of the MPF System at that time was nothing but a decision out of compromise. Before the implementation of universal retirement protection, we thought that only the MPF System could help give wage earners a little bit of protection for their retirement life. However, with more than 2.49 million employees, or more than 87% of the total employed population, in Hong Kong having joined the MPF schemes, how many wage earners can ensure that their MPF contributions are adequate to meet the living expenses of their retirement life? I believe the number is definitely not high because the MPF System has several major loopholes, such as exceedingly high administrative fees, the offsetting mechanism whereby MPF contributions are used to offset severance payments and long service payments, default of contributions by some employers, and so on. As a result, the contributions of quite a large number of wage earners do not have any room for appreciation and even appear to depreciate. The contributions made by both employers and employees over the years cannot be used entirely to support the retirement life of wage earners. Hence, we do not consider the MPF an effective retirement protection scheme.

Given that MPF contributions are being eroded as a result of these problems, what can we do to fix these loopholes and make improvement proposals? I do not wish to repeat the views expressed by many colleagues on the relevant issues just now. But I wish to emphasize that, before the emergence of a comprehensive retirement protection policy, MPF remains a key component of retirement protection for wage earners. Therefore, we must continue to mend

the loopholes and enhance the MPF System, with a view to ensuring that the wage earners' MPF contributions can at least support their post-retirement life for a period of time, so as to prevent them from becoming overly reliant on the Government's CSSA net for their post-retirement living and ensure utilization of social resources in a balanced manner.

After all, the "MPF Semi-portability" initiative, anticipated to be implemented in the middle of next year, is some sort of progress as employees are given an opportunity once annually to select their MPF trustees. However, I consider this initiative inadequate because wage earners can transfer their own MPF contributions only, whereas employers' contributions are still being tied up. In my opinion, employers have already made their contributions, and such contributions are considered part of employees' salaries over which employees have every right to exercise control, and employees should enjoy full right to choose their own MPF trustees and make their own choice of the most suitable MPF compositions, so that they can have a more detailed, clearer and more comprehensive grasp of their own retirement plans. Hence, I hope that the Government can draw up a timetable to expeditiously introduce a full portability arrangement for the MPF System to enable members of the public to make better preparations for their own retirement life.

Currently, as MPF schemes are designed and operated by different intermediaries, whereas the trustees are merely responsible for managing MPF accounts with raising the investment income of MPF accounts not as their prime consideration, wage earners have to pay annual management and administrative charges to these trustees, regardless of the performance of their MPF schemes or no matter whether these schemes are making a loss or a profit. This means that wage earners' future MPF accrued benefits are not protected and may even incur a loss at any time. For this reason, we propose that the Government should consider imposing a ceiling on the charges or establish a mechanism whereby charges must be linked to return, so that the charges can only make up a reasonable proportion of the return, thus ensuring the continued growth of MPF. Furthermore, there are also some views in the community calling on the Hong Kong Monetary Authority to design more suitable compositions of investment products and let various trustees help their clients make their choices. Doing so can lower the administrative or management charges and, what is more, lead to a

substantial increase in wage earners' MPF benefits. It is only in this way can practical assistance be rendered to wage earners in retirement life.

I so submit. Thank you, Deputy President.

MR IP KWOK-HIM (in Cantonese): Deputy President, since its introduction 11 years ago, the MPF Scheme has been subject to severe criticisms due to its exceedingly high management fees, low returns and failure to fully serve its social security purpose. With respect to the focus of attention of these criticisms, there are two different schools of views in the community, with one considering that MPF is in need of a comprehensive review and reform, and another considering that MPF has deteriorated to such a degree that it should be scrapped and replaced by a universal retirement protection system in the form of social insurance. The viewpoints presented by Members speaking today precisely reflect these two different schools of views.

From my point of view as a reformist, despite so many negative comments about it, MPF still has a retention value and ought to be reformed rather than scrapped. On the contrary, a consensus has yet been reached in the community on the universal retirement protection system, despite years of dispute in the community. It is not easy for the financial arrangements involved to be resolved through tripartite contributions, as suggested by certain political parties. The DAB holds that it is more practical for MPF to be reviewed and enhanced at this stage.

Although the existing MPF System, which came into effect in 2000, can neither benefit people not at work nor bring immediate relief to the problems facing retirees or people having reached their retirement age in their retirement life, in the long run, if MPF can accumulate over a long period of time, it can still provide basic retirement protection for people at work to prevent the CSSA system from deteriorating into a universal retirement protection system.

Quite a number of people sing high praises of the provident fund system practised in Singapore and like to compare Hong Kong's MPF System with Singapore's central provident fund system. I consider such a comparison not at all meaningful because the two systems are entirely different in terms of their positioning and operation. In Singapore, provident fund contributions account

for nearly 40% of the monthly salaries of the people there. It is really doubtful whether Hong Kong people will be willing to follow Singapore in setting aside a considerable portion of their income as MPF contribution.

As MPF is criticized for, among other things, its exceedingly high management fees, the MPFA should expeditiously implement portability to lower the fees. Some people ridicule "MPF" (強積金) as "oppressive fund (強迫金²)", meaning that employees are in an absolutely passive position and have no say in MPF arrangements. As a result, employees are "reluctant" in making MPF contributions. Quite a number of employees have this question in their mind: Given that the money is mine, why can I not be my own master?

As MPF contributions are the major savings for many grass-roots people, it is reasonable and sensible for the flexibility in withdrawing MPF benefits to be enhanced suitably to enable people to withdraw some of their MPF benefits in times of emergency to solve their liquidity problems. The DAB holds that MPF contributors should be allowed to apply for suspension of making MPF contributions or withdrawal of part of their MPF benefits for some special reasons (such as critical illness) to meet their urgent needs. However, the capital accumulated is limited given that the MPF System has been implemented in Hong Kong for a relatively short period of time only. Coupled with the relatively low contribution ratios, if the standard for early withdrawal is too loose, I am afraid it will run counter to the MPF objective of "storing up money against old age". Therefore, the DAB holds that it is inappropriate for too many exemptions to be made for the time being, except for such urgent needs as critical illness.

Under the current system, MPF contributors shall withdraw all their MPF benefits in one lump sum upon retirement. The MPFA should study enhancing the flexibility in withdrawing MPF benefits upon retirement by allowing members of the public to withdraw MPF benefits in instalments and those portions of money not yet withdrawn to be re-invested, as well as making recommendations to the market on the launch of relevant products which are more suitable for retirees.

According to the existing arrangement, members of the public can enjoy an annual tax allowance of \$12,000 for MPF contributions. In order to provide

² "MPF" (強積金) in Cantonese rhymes with "oppressive fund" (強迫金).

incentives to encourage members of the public to make more savings, the Administration should study introducing a maximum tax allowance of \$12,000 for voluntary MPF contributions as well.

With these remarks, Deputy President, I support Mr TAM Yiu-chung's motion. Here I have to declare that I am a Non-executive Director of the MPFA.

MR LEUNG YIU-CHUNG (in Cantonese): Deputy President, just now, Mr IP Kwok-him proclaimed himself a reformist and so he supported making some amendments to the original motion. I will be very pleased if Mr IP is a genuine reformist, but the greatest problem is that the amendments proposed today can simply not deal with the crux of the problem. Only some cosmetic changes are being made while certain major problems remain not solved. For instance, as pointed out by Mr CHEUNG Kwok-Che just now, the current MPF Scheme has high risks but poor returns — the recent average loss of \$18,000 per person is equivalent to 18 months of MPF contributions made by some wage earners. These issues of principle have remained to be resolved.

In addition, there are still some unresolved problems that are even more crucial, including the returns for low-income earners are so low that they are simply inadequate to support their retirement life in their twilight years. In addition to low-income earners, there are also the unemployed, unremunerated labourers, including family carers, and the chronically ill. What can be done to help these people?

Under the framework of the existing MPF legislation, except for the 10-odd amendments proposed to the original motion and the amendments proposed in the past by other colleagues, there is simply no way for amendments to be made in respect of some most important issues of principle, so how can one describe all these as "reform"? The amendments are at most minor enhancements. It is simply impossible to tackle the more important issues.

Therefore, the MPF System should really not have existed. I already cast an opposition vote as early as in 1996 when discussions on the establishment or otherwise of the MPF System were held because, after the establishment of the MPF System, the Government would only assert eloquently that there was no

need to consider other retirement options and say that the MPF System could already help us resolve the retirement problems. Is this really the case? Certainly not.

The MPF System is one of the three pillars mentioned by the Government. Moreover, it is the most important pillar. The remaining two pillars, namely personal savings and Comprehensive Social Security Assistance (CSSA), have almost become empty talk. However, I believe everyone knows that there is simply no need for people capable of building up savings to worry about retirement. The point is that it is simply impossible for some people to make any saving, so what can they do? Therefore, the remark about personal savings is simply nonsense. As regards another pillar, namely CSSA, it is known to all that the goal and significance of CSSA is to help people living below the poverty line rather than providing for the twilight years of the elderly. How can the two be lumped together for discussion? Therefore, it is simply meaningless to mention these two pillars.

Back to the MPF System, the current problem is that under this System, there is simply no way for quite a number of people to receive protection, so how can it be said that a retirement protection system is already in place? It is a great pity that the Government has kept emphasizing that the three pillars have been laid for the retirement protection of the public and so, there are no problems and no consideration will be given to any other options. Even though a study on universal retirement protection conducted by the Central Policy Unit is still underway, the Chief Executive has indicated with deep regret that it is not easy for a consensus to be reached on this matter. As a result, the issue is swept under the carpet.

The question I must ask is: Even if the Government is willing to take on board the original motion and all the recommendations made in the amendments today, who can help the group of people I mentioned just now, namely low-income earners, the unemployed and unremunerated labourers, to seek retirement protection? Will you please answer who can help these people?

In the end, they have to rely on their family members to support them. Can this be considered a retirement system? Hence, I have originally intended to vote against the original motion and amendments today. However, things are different now. I cannot cast an opposition vote like what I did during the initial

discussion on the establishment of the MPF System, why? Because the MPF System has already come into operation. Meanwhile, the Government has not yet adopted a proactive attitude by coming up with a brand new or a more comprehensive retirement protection system. Under such circumstances, we cannot but make amendments in bits and pieces, albeit most reluctantly. The problem should not have existed. It is the result of the hasty establishment of the MPF System years ago for the sake of a quick fix. Furthermore, some concession had to be made to the financial sector at that time. Therefore, the MPF System has to be established in such manner as if legislation has to be enacted to enable MPF managers to make profits.

Hence, these problems had already existed when the MPF System was initially set up. The amendments proposed today are merely minor enhancements. It is most important to set up a universal retirement protection system. Only in doing so can our problem of ageing population be resolved.

As the Government pointed out, by 2033, one in every four people in Hong Kong is an elderly person. What should we do to address this problem? It is already a matter of great urgency to come up with a universal retirement protection system to resolve this problem. We can really not rely on the MPF System any longer. In the long run, the MPF System must be scrapped and replaced by a system offering universal protection. Only in doing so can the problem of ageing population be resolved.

Deputy President, I so submit.

MR CHAN KAM-LAM (in Cantonese): Deputy President, Mr LEUNG Yiu-chung just now criticized today's motion for its failure to address the crux of the current problem, primarily because the MPF returns for low-income earners will be inadequate to sustain their post-retirement lives. I have to agree that despite the implementation of the MPF Scheme, low-income earners may not necessarily have good retirement protection. But at the same time, I would like to point out that it is utterly impossible to implement a comprehensive retirement protection system before a full consensus is reached in society. Over the years, the DAB has been striving to attain this goal, yet we understand this is a task that

will take a long period of time to complete, moreover, a social consensus must be achieved.

Mr LEUNG Yiu-chung criticized that we are at most advocates of improvements, not reformists. Yet he himself has to support today's amendment reluctantly. He, a reformist, has also been left in a helpless position. In fact, Members should strive to attain the same goal and explore how the MPF System can be improved.

Deputy President, since 1998, the DAB has been proposing that the Government should relax the MPF System by increasing employees' right to choose, and progressively giving employees the freedom to choose their MPF trustees and trust schemes. As Members all know, now that the bill related to the "semi-portable" MPF scheme was passed. As undertaken by the Government, the relevant scheme is expected to be ready for implementation in the second half of next year at the soonest. In the future, employees may transfer their contributions under the MPF Scheme during their periods of employment at least once every year. We fully agree to this arrangement as it is a progress. Of course, the MPF Scheme has been reviewed from time to time since its implementation, and adjustments have been made to the maximum and minimum level of relevant income for contribution purposes.

The implementation of the "semi-portable" MPF scheme will be a breakthrough for the MPF System. Therefore, to conduct a comprehensive review of the MPF System before the implementation of the "semi-portable" MPF scheme is particularly meaningful.

On the verge of the implementation of the "semi-portable" MPF scheme, the trade is already planning to make changes. Trustees and intermediaries are actively making preparations, some banks have even begun to train their staff in the hope of providing services of better quality to employees, so as to lure them into transferring their accrued benefits. At the same time, the management fees of funds have seen continuous adjusted downwards. It is noticeable that the "semi-portable" MPF scheme has introduced competition to the market, and this can effectively enhance the services provided by the trade and lower the fees.

Besides, the DAB has all along been proposing to introduce a simple and easy to understand method to inspect accounts similar to that of "bank books", so

as to enable employees to peruse information on contributions, returns, and so on, at any time. If a method to inspect accounts as quick and easy like "bank books" is available, I believe it would encourage employees to actively participate in the management of their MPF accounts and make various investment choices.

Under the current MPF System, upon switching to a new job, an employee must participate in the MPF schemes provided by the trustee designated by the new employer. If he fails to consolidate the old MPF accounts of his previous employments, he will have a number of MPF accounts under his name after changing jobs for a number of times. This is detriment to MPF management and the maximization of investment returns, and it also means a great loss to the retirement system.

The DAB opines that an account system similar to that of "bank books" can resolve the various problems that may stem from a full portability arrangement for the MPF Scheme. When the employer-led MPF Scheme is turned into an employee-led one, the public will have stronger interest to learn more about the MPF, as well as a bigger initiative to invest in funds. This can save the fees of transferring accounts, and the transaction losses or additional charges due to maintaining preserved accounts will also be reduced accordingly. Of course, there are worries that workers in general do not know much about investment. But as Members are aware, the Legislative Council is scrutinizing a bill, under which the Investor Education Council to be established by the Securities and Futures Commission in the future will provide investor education to general wage earners and MPF contributors with a view to enhancing their knowledge of fund investment in the market.

We consider that the MPF Scheme is not purely about personal investment; it is also a social security system. Given that its basic principle concerns the retirement lives of the public, the belief of "freedom of investment in a capitalist society" should not be rigidly applied. We therefore find it reasonable to implement a fully relaxed MPF Scheme only when the market is mature enough and investors have gained a better understanding of the market.

The MPF Scheme still has room for improvement. The DAB has repeatedly proposed that MPF contributors with exceptional reasons should be allowed to withdraw their MPF accrued benefits in advance for meeting their needs. Currently, many regions with provident fund or retirement fund systems

have similar arrangements in place. We hope the Government will give more consideration to this proposal and initiate relevant discussions in the future.

Deputy President, I so submit.

MR TOMMY CHEUNG (in Cantonese): Deputy President, it has been almost 11 years since the launch of the Mandatory Provident Fund (MPF) Scheme. Over the past 10 years, the performance of the MPF was unimpressive with an average return of 5.5%. Hong Kong people may not have much left in their MPF accounts after deducting the exorbitant management fees.

In 2007, Mr Henry FAN Hung-ling, the then Chairman of the Mandatory Provident Fund Authority (MPFA) criticized the 2% management fees charged by the intermediaries as too expensive. Notwithstanding the MPFA's subsequent remark that it would make efforts to lower the management fees, the effect of verbal coercion was somehow limited. Over the last four years, the management fees have only been marginally reduced to the current 1.8%. A large portion of Hong Kong people's MPF contributions have still been eaten. Thus the Liberal Party shares the view that a review of the MPF System is necessary.

(THE PRESIDENT resumed the Chair)

The Liberal Party has been criticizing the management fees of MPF schemes as being too expensive, and we support the implementation of the "semi-portable" scheme, so that the fees would be lowered as prompted by the introduction of more competition. Nonetheless, it is a great pity that the "semi-portable" scheme was suddenly called to a halt in September last year by the authorities with the justification that under the scheme, a regulatory regime for the intermediaries should be established, hence relevant draft legislation should be prepared. By the time when the motion on "Comprehensively reviewing the Mandatory Provident Fund Scheme" was proposed by Mr WONG Kwok-kin around the end of last year, the Liberal Party had already urged the authorities to step up the implementation of the "semi-portable" scheme. Disappointingly, nearly a year has passed, but the relevant regulatory framework is still at the drafting stage, and a possible formal launch of the scheme is only

anticipated around the end of next year. The Liberal Party considers that, given the authorities' lack of proper planning at the beginning and their slow pace in taking actions, today millions of contributors still have to bear the exorbitant management fees. This really makes little sense.

Nonetheless, in our view, to regulate management fees by way of legislation at this stage as proposed in the original motion is not necessarily appropriate. The legislation on a ceiling for management fees may easily be used as a guarantee ensuring that trustees can charge their fees at the maximum rate. Relatively speaking, if there is sufficient competition in the market, this "invisible hand" can play the regulatory role. In our view, we can decide whether the fees should be regulated by way of legislation depending on the trend of downward adjustment in fees after the implementation of the "semi-portable" scheme.

At the same time, the Liberal Party also support the diversification of MPF products, and the introduction of more quality funds and product types, in the hope that the rate of return, fees and transparency will be optimized continuously under keen competition, so that every penny of wage earners' contributions will not become the easy profits of the trustees.

However, regarding the revision of the mechanism whereby employers' MPF contributions are used to offset severance payments and long service payments as proposed in the original motion and various amendments, the Liberal Party must reiterate that the mechanism is based on the consensus reached after extensive consultations when MPF arrangements were discussed back then. Many companies supported the implementation of the MPF Scheme only because of the mechanism. If the mechanism is causally scrapped, it is tantamount to violating the previous undertaking, which is absolutely not a gentlemanly act. Moreover, the scrapping of the mechanism will double employers' burden, because they will suddenly have to prepare a sum of money for severance payments and long service payments to employees. May I ask, in the light of the fierce competition at present and the uncertain market outlook, how many employers, in particular employers of the small and medium enterprises (SMEs), would be able to afford such payments incurred all of a sudden? For the catering trade that live on thin profits, this may easily become a curse that jeopardize their survival.

For instance, in recent years, the prices of food ingredients keep soaring, with the price of beef alone having been raised on five occasions this year. Earlier on, an old tea café in Portland Street could no longer survive the burden and closed down, evident that the catering and restaurant trade is operating in great difficulty. If even the mechanism is scrapped, this will undoubtedly exert additional pressure on the operation of the trade. In that case, I am afraid an even bigger wave of business closures and unemployment may be triggered, and both employers and employees would suffer subsequently, not to mention the blow of unpredictable severity that the trade is going to suffer if the market is hit by a sudden economic downturn in addition to the effect of the implementation of minimum wage.

President, the issue of increasing penalties for default on MPF contributions was in fact discussed in June 2008. Back then the Liberal Party's attitude was positive, and the amended legislation has taken effect since December 2008. Nonetheless, given that the penalties were revised less than three years ago, a further increase in the penalties seems to be a rush and hasty move.

In fact, the number of MPF-related complaints received in 2010-2011 has dropped 30% as compared to 2009-2010, which shows that the last amendment to the legislation has achieved visible effect. In addition, the MPFA publicized the "black list" of the companies defaulting on MPF contributions in May this year. We believe those measures are deterrent enough and can effectively reduce the number of cases of employers defaulting on MPF contributions, hence there is no need to increase the penalties hastily.

Besides, we should not overlook the implication of a full portability arrangement for the MPF Scheme to SMEs in terms of the rising administrative cost and the mechanism. In particular, those SMEs with thin manpower would find it difficult to cope with the change. Moreover, now we do not even have the "semi-portable" scheme, evolving to a full portability arrangement at one go seems to be a drastic move.

Lastly, Mr CHAN Kin-por's amendment proposes promoting market competition and streamlining the management and administrative procedures of MPF schemes so as to reduce the operating costs of MPF. His proposals are desirable per se, but he mentioned that they should be promoted through a full portability arrangement for the MPF Scheme, coupled with the scrapping of the

mechanism. His proposals are thus at the expense of employers in the way that they will substantially increase the burden on employers and corner them into a peril. Other than getting more business for the trade, I really have no idea what concrete benefit it will bring to society and the market as a whole.

President, I so submit.

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

(No Member indicated a wish to speak)

PRESIDENT (in Cantonese): Mr TAM Yiu-chung, you may now speak on the five amendments. The speaking time limit is five minutes.

MR TAM YIU-CHUNG (in Cantonese): President, today five Members have proposed amendments, of which four Members' amendments share similarities with some of the views and proposals of the DAB, hence we support those amendments in principle. We have reservations only about Ms LI Fung-ying's amendment. In her view, the MPF Scheme should be linked with age rather than employment, and she suggests the Government to make the minimum MPF contribution for persons in the labour force who are neither in employment nor engaged in full-time studies. This proposal will utterly alter the principle of linking the MPF Scheme with employment, and neither in-depth discussion, research nor consultation exercises to collect views from various sectors have been conducted in society. Moreover, even if this proposal can be implemented, elderly people will not be benefited immediately, which means that its immediate effect is very limited. For these reasons, we have reservations about the proposal.

Besides, regarding the issue of severance payments and long service payments, our view is that the changes will involve the interests of both employers and employees. Over the years, major labour issues will be first discussed in the Labour Advisory Board (LAB). In our view, this mechanism should be maintained, and the issue should be passed to the LAB for discussion

with a view to gradually forging a consensus through discussion before implementing reform. We believe this arrangement would be conducive to the introduction of reform. If the issue is dealt with only from one side, I am afraid the chance of success would be relatively slim. Thus, we consider the deletion of the wordings related to the LAB as proposed in Ms LI Fung-ying's amendment inappropriate, and we will abstain on her amendment.

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, Mr TAM Yiu-chung and other Members who have spoken earlier have made a lot of valuable suggestions. As I pointed out in the opening speech, these views will be used as important reference when we improve the Mandatory Provident Fund (MPF) System. I will give an overall response at this initial stage.

First of all, I wish to respond to certain views calling for fundamental changes such as setting up a universal retirement protection system and extending the coverage of the MPF System to include the non-working population.

As mentioned by Members, retirement protection in Hong Kong is composed of three pillars, namely the non-contributory social security system, the MPF System and voluntary savings. These three pillars are mutually complementary. The MPF System is based on employment and contributions are made by employers and employees. This arrangement helps people in employment to save up for their retirement. The contributions made are managed by the private sector in accordance with the recommendation made by the World Bank.

The Chief Executive has made it clear in the Policy Address that it is not easy to reach a consensus on universal retirement protection in society. We have introduced minimum wage not long ago and presently we are studying the voluntary Health Protection Scheme and how the MPF System can be perfected.

Now the grassroots in Hong Kong do enjoy a certain degree of protection in retirement and in their basic needs of living. If we are to effect a fundamental change to the system and tackle the issue of retirement protection through redistribution of resources, it would not be practical. A more constructive

approach to take is to strengthen the retirement protection system already in place. In this connection, the Central Policy Unit is making some in-depth study to map out a future direction for consideration by the Government.

What I am going to say now will be an elaboration on the work being undertaken by the Mandatory Provident Fund Schemes Authority (MPFA) on improving the MPF System.

A number of suggestions are made both in the motion and in the speeches made by Members. The aim of these is to lower the fees charged by MPF scheme trustees. We share the position held by Members. As a matter of fact, the MPFA has adopted measures to increase transparency and promote market competition, hence pushing for a reduction in the fees charged.

I notice that ever since September 2007, all MPF trustees have reduced the fees charged and some have launched new MPF funds with lower fees. There are 11 trustees which have reduced their fees more than once, while two other trustees have rolled out new MPF schemes with lower charges. Overall, the average expense rate of MPF funds has lowered from 2.1% in January 2008 to 1.78% in October 2011.

However, as I have said on many public occasions, with the increase in the amount of MPF assets and the maturity of the MPF System, there is room for further reduction in the fees charged. The Government and the MPFA will continue to work on this aspect and three major policies are being undertaken.

First, we are working hard to put into practice the Employee Choice Arrangement (ECA) for MPF schemes. We expect to introduce a bill to strengthen the regulation of MPF intermediaries next month. If the bill is passed within this term of the Legislative Council, the ECA can be implemented in the second half of next year. By then, we would expect to see a substantial rise in portable MPF assets from the present 39% to 67%. This would hopefully lead to a drop in fees. The MPFA will launch matching publicity and educational efforts.

At the same time, the MPFA is studying the complementary measures for a full portability arrangement for MPF schemes. These include a feasibility study on the establishment of a central database.

Second, the MPFA is engaging in the selection of consultants to commence a study on the administrative costs of MPF trustees. By analysing the operation procedures, cost items and cost levels, it is hoped that the relevant procedures can be streamlined, hence enabling more fee reductions to be made. This consultancy study undertaken by the MPFA is expected to complete its preliminary study by the second quarter of next year.

Third, we will propose to the Panel on Financial Services at the end of this month, that is, 21 November, the introduction of an automatic levy adjustment mechanism for the MPF Compensation Fund. According to the risk assessment and recommendations made by the MPFA, the Fund should be able to suspend the collection of levy at an annual rate of 0.03%. If the recommendation is accepted by the Panel, we will introduce the relevant subsidiary legislation in the second quarter of next year so that starting from 2013, the levy can be waived for the time being. The money concerned will be fully reflected in the expense ratio of the funds and scheme members can then have more contributions for their retirement protection.

President, all along the principle of free market economy is practised in Hong Kong and at this stage we will continue to resort to market practices to urge for a reduction of fees charged by the trustees. The measures taken have to a certain extent been effective.

With respect to the recommendation on introducing more fund products operated by the Government at low management fees and linked respectively to Exchange Fund returns and inflation rates, we have made some analysis on that.

At present, the assets in the investment portfolio of the Exchange Fund are mainly shares and bonds. And the funds managed under the MPF System include Equity Funds, bonds and Mixed Asset Funds with stocks as the major component. Speaking from the actual returns and risk levels, and based on the annual report of the Hong Kong Monetary Authority in 2010, the annual investment return rate of the Exchange Fund averages 4.9% while the annualized return rate after deducting the fees for Equity Funds in MPF schemes is as much as 8.6%. The return rates for bond funds and Mixed Asset Funds are 4.2% and 5.4% respectively.

Of course, I have to point out that the investment objectives and methods of calculating return rates under the Exchange Fund are different from those applicable to MPF schemes. Hence it is difficult to make a direct comparison. However, I can also say that as a general rule, MPF schemes yield quite similar returns and the present practice of various funds being offered by the trustees and the mode of operation by private companies are all in line with the recommendations made by the World Bank.

An amendment proposes that more fund options should be offered to scheme members. I must point out that the MPF schemes currently offer a total of 438 funds and they have already covered a variety of investment options with different risk levels.

Moreover, there is also a suggestion that MPF scheme trustees be required to provide contributors with products resembling bank deposits that charge no management fees. Now the Conservative Funds under the MPF schemes offered by the trustees are similar products of this kind. The assets of such funds can only be invested in short-term bank deposits or short-term premium bonds. The investment administration of such funds is simple and so the fees charged are lower. But as the trustees have to undertake some administrative work such as checking and collecting contributions from employers, fees are still charged. But the level of such fees charged is very low. At present, the expense rate of such conservative funds is somewhere between 0.09% and 0.8%, with an average of 0.39%.

With respect to the proposal made in the motion on the withdrawal of MPF accrued benefits, it should be noted that after the MPF System has been in operation for more than a decade, the community has formed different views on the manner and circumstances permitting the withdrawal of MPF accrued benefits. With respect to this, the MPFA has suggested that the specified circumstances under which an early withdrawal of MPF accrued benefits is permitted be expanded and that when scheme members reach the age of 65, they can make a partial withdrawal of their MPF accrued benefits. These measures will be introduced for public consultation before the end of this year.

With respect to the question of early withdrawal of accrued benefits, I understand that there are different demands in society. These include whether or

not the practice in Singapore should be followed, that is, permission can be given for withdrawing the accrued benefits to purchase property or to finance the pursuit of further studies, and so on.

I must emphasize that when considering any proposal, we must have regard for the aim of the MPF scheme, which is to accumulate savings for the retirement needs of people in employment. There are unique backgrounds and features for similar systems as practised in other places. In the case of Singapore, the contribution rate for people under the age of 50 is 36%. So circumstances which permit an early withdrawal of retirement fund contributions in other places may not be applicable to the Hong Kong context.

In the consultation exercise to be held by the MPFA later, it is suggested that terminal illness can be cited as a reason for early withdrawal of MPF accrued benefits. The MPFA will also list the relevant information and other considerations made with respect to other demands put up by certain members of the public.

We will keep in close contact with the MPFA and also a close watch on the relevant review.

The motion also suggests that measures be formulated to regulate trustees and enhance their disclosure of relevant information, especially with respect to fees. They should be required to adopt measures to facilitate scheme members in inspecting their accounts in a way similar to that of "bank books".

There are laws at present to regulate the disclosure of information, namely the requirement that the trustee must issue annual statements on benefits and information brochures on funds offered should be made available. All trustees must operate telephone hotlines to enable scheme members to check the information regarding their accounts. Scheme members can also use the Internet to check any contribution information with the trustees, or the MPF "Contribution Enquiry Line" through the telephone.

President, when considering whether or not to require the trustees to provide more channels for checking contributions or more detailed information, we have to bear in mind the cost-effectiveness of the relevant measures, so as to avoid an increase in fees concerning the funds. An example is that the motion

proposes to enact legislation to require MPF scheme trustees to set out in the members' individual annual statements the actual amounts of fees charged in the annual reports of the years concerned. The MPFA has informed that since the accrued benefits of scheme members will change each month according to the contributions made or money transferred, additional administrative costs may be incurred if the actual fees charged for individual members are to be set out. But the MPFA will continue to study proposals concerning the disclosure of fees charged on scheme members.

I understand that Members hope that employees should be better enabled to grasp information regarding their accrued benefits. As I have said, the MPFA is presently studying the viability of establishing a central database on the account information of scheme members.

With respect to the offsetting mechanism, before the MPF System was introduced in 2000, the Employment Ordinance already permitted employers to offset severance payments and long service payments with employee contributions under retirement schemes. The extension of this time-honoured practice to include MPF schemes is the result of consultations held and after weighing the various relevant considerations involved.

A review of the offsetting arrangement is complicated and involves the consideration of factors like employer affordability and the business environment, and also the interest of employees and the needs of socio-economic development in Hong Kong. Any change would have to come after careful studies and a consensus reached among all the parties concerned.

At this moment, we will concentrate on following up a number of tasks aiming at perfecting the MPF System. These include a review of the early withdrawal of MPF accrued benefits as mentioned earlier, costs incurred on trustees, and matching measures introduced by the MPFA to facilitate full portability of MPF schemes, and so on.

With respect to the proposal made in the motion to offer tax deduction for voluntary contributions, it should be noted that voluntary contributions are by nature similar to other kinds of investment to prepare for one's retirement, such as savings. So as a matter of principle, the Government cannot contemplate on a tax deduction for voluntary contributions made under MPF schemes. For if not,

it would be unfair to people using other forms of savings and also the service providers as well. If we were to specify which kinds of savings or investment products are tax deductible, this should be subject to some detailed study and a consensus should also be reached in society.

President, employers have a statutory responsibility to make contributions for their employees and both the MPFA and us attach great importance to combating default on contributions by employers. This will protect the legitimate rights of the employees. Over the few years past, we have amended the legislation on a number of occasions and enhanced our enforcement action. In addition, the MPFA has set up a special working group to keep a closer watch on employer contributions and enhance its dialogue and contact with the Labour Department and the trade unions. The working group also plans to compile a watch list of employers in certain high-risk trades such as the catering industry who default on making MPF contributions. It will monitor closely the situation of employer default on contributions.

The MPFA also plans to increase the frequency of inspections made at its own initiative. In the bill on enhancing the regulation of MPF intermediaries which we will introduce to the Legislative Council next month, proposals on further deterring default on contributions will be included.

Apart from the enactment of legislation and enforcement action, the Government has stated in its tendering contracts that factors to be considered will include past records of breaches of law made by contractors, such as non-compliance with MPF regulations.

In addition, since May this year, the MPFA has published on its website a record of non-compliant employers and senior staff. This record sets out information concerning employers and senior staff who have contravened the Mandatory Provident Fund Scheme Ordinance during the past five years.

There is also a suggestion made in an amendment to use the Protection of Wages on Insolvency Fund to cover arrears of employers' MPF contributions owed to employees. Now if a company winds up, the MPFA will submit proof of debt to the Official Receiver's Office and make debt claims on the company in the process of liquidation. Also, if the employer concerned has deducted wage from the employee for the purpose of employee's contribution to the MPF and the

employer has not made any contribution after such wage deduction, such wage in arrears is already covered by the protection offered by the Fund because certain specified conditions are fulfilled. For employers of companies which have closed down but not yet liquidated, provided that there is sufficient proof, the MPFA will file a civil claim against the employer concerned to recover wage in arrears on behalf of the employee.

President, as a retirement protection system, the MPF System is still at its start-up stage after operating for 10 years. It must be improved at all times to catch up with developments in society and meet the expectations of scheme members as much as possible. In view of that, the Government and the MPFA will listen to views expressed by people from across all sectors in the community, including those from Members of this Council. We will take follow-up actions as appropriate and through as many avenues as possible to perfect the MPF System.

President, I so submit.

PRESIDENT (in Cantonese): I now call upon Mr IP Wai-ming to move the amendment to the motion.

MR IP WAI-MING (in Cantonese): President, I move that Mr TAM Yiu-chung's motion be amended.

Mr IP Wai-ming moved the following amendment: (Translation)

"To add "with the increasing gravity of the population ageing problem and the rising social demand for comprehensive retirement protection, and" after "That, "; to add ", and through publicity and education, to enable employees to understand that they may transfer their MPF contributions according to the levels of risks they can bear" after "for the MPF Scheme"; to add ", so as to protect the actual amounts of MPFs received by employees upon retirement from being drastically eroded" after "the years concerned"; to add ", including requiring trustees to inform employees to whom MPF contributions are owed, and formulate regulations on penalizing trustees; (g) to implement a system of 'one lifelong account', establish portability of MPF accounts, and require

trustees to introduce a simple and easy to understand method to inspect accounts similar to that of 'bank books', so as to enable employees to peruse information on contributions, returns, etc. at any time;" after "insurance"; to delete the original "(g)" and substitute with "(h)"; to delete the original "(h)" and substitute with "(i)"; to delete the original "(i)" and substitute with "(j)"; to delete "\$12,000" after "deduction of" and substitute with "\$24,000"; to delete the original "(j)" and substitute with "(k)"; to add "immediately" before "prompt"; to add ", and adopt proactive measures to abolish the aforesaid mechanism, and at the same time to retain Hong Kong employees' rights to severance payments or long service payments under the relevant provisions of the Employment Ordinance" after "long service payments"; to delete the original "(k)" and substitute with "(l)"; to delete "and" after "intermediaries"; to delete the original "(l)" and substitute with "(m)"; to add ", including raising the proactive inspection rate to 60%, establishing a fixed penalty system, and barring law-breaking employers from the tendering exercises for government and public works projects for five years, so as" after "penalties"; to add "; and (n) to expand the protection coverage of the Protection of Wages on Insolvency Fund, including covering arrears of employers' MPF contributions owed to employees" after "default in contributions"; and to delete "with a view to achieving the aims lowering fees, increasing employees' choices for investment and perfecting the regulatory mechanism" immediately before the full stop and substitute with " so as to lower fees, increase employees' choices for investment and perfect the regulatory mechanism, and ultimately achieve the goal of establishing a universal retirement protection system."."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr IP Wai-ming to Mr TAM Yiu-chung's motion, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mrs Sophie LEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mrs Sophie LEUNG has claimed a division. The division bell will ring for five minutes

MR ANDREW LEUNG (in Cantonese): I declare that I am a Non-executive Director of the Mandatory Provident Fund Schemes Authority.

MR WONG KWOK-KIN (in Cantonese): President, I wish to make a declaration, too. I am a Non-executive Director of the Mandatory Provident Fund Schemes Authority.

MR IP WAI-MING (in Cantonese): President, I wish to make a declaration, too. I am a member of the Mandatory Provident Fund Schemes Advisory Committee.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr CHEUNG Kwok-che, Mr IP Wai-ming, Mr IP Kwok-him and Dr PAN Pey-chyou voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Andrew LEUNG and Prof Patrick LAU voted against the amendment.

Dr LAM Tai-fai, Mr CHAN Kin-por and Mr Paul TSE abstained.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr LAU Kong-wah, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Cyd HO, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Kwok-kin and Mr Alan LEONG voted for the amendment.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, 10 were in favour of the amendment, seven against it and three abstained; while among the Members returned by geographical constituencies through direct elections, 15 were present and 14 were in favour of the amendment. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

MS MIRIAM LAU (in Cantonese): President, I move that in the event of further divisions being claimed in respect of the motion "Comprehensively reforming the Mandatory Provident Fund Scheme" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

I order that in the event of further divisions being claimed in respect of the motion on "Comprehensively reforming the Mandatory Provident Fund Scheme" or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

PRESIDENT (in Cantonese): Mr CHAN Kin-por, you may now move your amendment.

MR CHAN KIN-POR (in Cantonese): President, I move that Mr TAM Yiu-chung's motion be amended.

Mr CHAN Kin-por moved the following amendment: (Translation)

"To delete "given that" after "That,"; to delete "been implemented for over 10 years" after "already" and substitute with "covered almost 85% of the

labour force since its implementation, but as the MPF System is still at its initial stage and in need of continuous improvement,"; to delete "; the relevant review should include" after "review of the MPF Scheme" and substitute with "and examine the feasibility of the following measures and their impact in various respects:"; to delete "expeditiously implement" after "(a) to" and substitute with "prompt the Mandatory Provident Fund Schemes Authority to enhance employees' right to choose through the means of promoting market competition, for example, expeditiously implementing"; to add "(b) to streamline the management and administrative procedures of MPF schemes and reduce the operating costs of MPF;" after "arrangement for the MPF Scheme;" ; to delete the original "(b)" and substitute with "(c)"; to delete the original "(c)" and substitute with "(d)"; to delete the original "(d)" and substitute with "(e)"; to delete the original "(e)" and substitute with "(f)"; to delete the original "(f)" and substitute with "(g)"; to delete the original "(g)" and substitute with "(h)"; to delete the original "(h)" and substitute with "(i)"; to delete the original "(i)" and substitute with "(j)"; to delete the original "(j)" and substitute with "(k)"; to delete the original "(k)" and substitute with "(l)"; and to delete the original "(l)" and substitute with "(m)"."

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

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

(Members raised their hands)

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

(Members raised their hands)

Mrs Sophie LEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mrs Sophie LEUNG has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes.

(Dr Margaret NG rose up)

PRESIDENT (in Cantonese): Dr Margaret NG, what is your question?

DR MARGARET NG (in Cantonese): President, I pressed the "Yes" button, but there was no response.

PRESIDENT (in Cantonese): Let me make a note of your vote in the record. Please press the button again.

DR MARGARET NG (in Cantonese): I have pressed it again, but there is still no response.

PRESIDENT (in Cantonese): Did you not press the "Present" button?

DR MARGARET NG (in Cantonese): I have pressed it.

PRESIDENT (in Cantonese): Dr Margaret NG, you have voted "Yes", have you not? Are there any other questions? Is Dr Margaret NG's recorded as having voted "No"? I can see that the result shows she has voted "Yes". That is correct.

If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr CHAN Kin-por, Mr CHEUNG Kwok-che, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Andrew LEUNG and Prof Patrick LAU voted against the amendment.

Dr LAM Tai-fai abstained.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr LAU Kong-wah, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Cyd HO, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Kwok-kin and Mr Alan LEONG voted for the amendment.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, 12 were in favour of the amendment, seven against it and one abstained; while among the Members returned by geographical constituencies through direct elections, 15 were present and 14 were in favour of the amendment. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

PRESIDENT (in Cantonese): Mr James TO, as the amendment by Mr CHAN Kin-por has been passed, you may now move your revised amendment.

MR JAMES TO (in Cantonese): President, I move that Mr TAM Yiu-chung's motion, as amended by Mr CHAN Kin-por, be further amended by my revised amendment.

Mr James TO moved the following further amendment to the motion as amended by Mr CHAN Kin-por: (Translation)

"To add"; and (n) to ensure that the MPF service market has sufficient competition and the automatic adjustment mechanism of the market can achieve its function, so that market competition can press MPF Scheme trustees to enhance their services" after "default in contributions"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr James TO's amendment to Mr TAM Yiu-chung's motion as amended by Mr CHAN Kin-por be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr James TO rose to claim a division.

PRESIDENT (in Cantonese): Mr James TO has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Ms LI Fung-ying, Dr Joseph LEE, Mr CHAN Kin-por, Mr CHEUNG Kwok-che, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Andrew LEUNG and Prof Patrick voted against the amendment.

Mr Timothy FOK and Dr LAM Tai-fai abstained.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr LAU Kong-wah, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Cyd HO, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Kwok-kin and Mr Alan LEONG voted for the amendment.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, 11 were in favour of the amendment, seven against it and two abstained; while among the Members returned by geographical constituencies through direct elections, 15 were present and 14 were in favour of the amendment. Since the question was agreed by a majority of each of the two

groups of Members present, he therefore declared that the amendment was passed.

PRESIDENT (in Cantonese): Ms LI Fung-ying, as the amendments by Mr CHAN Kin-por and Mr James TO have been passed, you may now move your revised amendment.

MS LI FUNG-YING (in Cantonese): President, I move that Mr TAM Yiu-chung's motion, as amended by Mr CHAN Kin-por and Mr James TO, be further amended by my revised amendment

Ms LI Fung-ying moved the following further amendment to the motion as amended by Mr CHAN Kin-por and Mr James TO: (Translation)

"To add"; and (o) to link the MPF Scheme with age rather than employment, with the Government making the minimum MPF contribution for persons in the labour force who are neither in employment nor engaged in full-time studies" after "their services"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Ms LI Fung-ying's amendment to Mr TAM Yiu-chung's motion as amended by Mr CHAN Kin-por and Mr James TO be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mrs Sophie LEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mrs Sophie LEUNG has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Mr Timothy FOK, Ms LI Fung-ying, Dr Joseph LEE, Mr CHEUNG Kwok-che, Mr IP Wai-ming and Dr PAN Pey-chyou voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Andrew LEUNG, Prof Patrick LAU and Mr Paul TSE voted against the amendment.

Mr WONG Yung-kan, Dr LAM Tai-fai, Mr CHAN Kin-por and Mr IP Kwok-him abstained.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr LEUNG Yiu-chung, Mr Andrew CHENG, Mr WONG Kwok-hing, Ms Cyd HO, Mr WONG Kwok-kin and Mr Alan LEONG voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr CHEUNG Hok-ming, Ms Starry LEE and Mr CHAN Hak-kan abstained.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, eight were in favour of the amendment, eight against it and four abstained; while among the Members returned by geographical constituencies through direct elections, 15 were present, eight were in favour of the amendment and six abstained. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

PRESIDENT (in Cantonese): Mr Alan LEONG, as the amendments by Mr CHAN Kin-por and Mr James TO have been passed, you may now move your revised amendment.

MR ALAN LEONG (in Cantonese): President, I move that Mr TAM Yiu-chung's motion, as amended by Mr CHAN Kin-por and Mr James TO, be further amended by my revised amendment

Mr Alan LEONG moved the following further amendment to the motion as amended by Mr CHAN Kin-por and Mr James TO: (Translation)

"To add"; and (o) to comprehensively consult the community to ascertain the inadequacies of the MPF Scheme and how retirement protection can be effectively offered to all elderly persons, so as to prepare for the population ageing of Hong Kong" after "their services"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That Mr Alan LEONG's amendment to Mr TAM Yiu-chung's motion as amended by Mr CHAN Kin-por and Mr James TO be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Andrew LEUNG rose to claim a division.

PRESIDENT (in Cantonese): Mr Andrew LEUNG has claimed a division. The division bell will ring for one minute.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Mr WONG Yung-kan, Ms LI Fung-ying, Dr Joseph LEE, Mr CHAN Kin-por, Mr CHEUNG Kwok-che, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Mr Paul TSE voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Ms Miriam LAU, Mr Tommy CHEUNG, Mr Vincent FANG, Mr Andrew LEUNG and Prof Patrick LAU voted against the amendment.

Mr Timothy FOK and Dr LAM Tai-fai abstained.

Geographical Constituencies:

Mr Albert HO, Mr James TO, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr LAU Kong-wah, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr WONG

Kwok-hing, Mr CHEUNG Hok-ming, Ms Cyd HO, Ms Starry LEE, Mr CHAN Hak-kan, Mr WONG Kwok-kin and Mr Alan LEONG voted for the amendment.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 20 were present, 11 were in favour of the amendment, seven against it and two abstained; while among the Members returned by geographical constituencies through direct elections, 15 were present and 14 were in favour of the amendment. Since the question was agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was passed.

PRESIDENT (in Cantonese): Mr TAM Yiu-chung, you may now reply and you have five minutes 23 seconds.

MR TAM YIU-CHUNG (in Cantonese): President, the motion moved by me has pleasantly surprised everyone. I believe everyone must have reckoned that we can only leave by 9:30 tonight, but now it is ahead of schedule by one hour, so we can finish by 8:30. For that reason, I call it a pleasant surprise.

In the course of discussions, a Member said that although the motion title was "Comprehensively reforming the Mandatory Provident Fund Scheme", he considered that the content of the motion should not be considered as reforming the MPF Scheme, at most it was just improving it. Nevertheless, no matter it was improving, reforming or reviewing the Scheme, my purpose was to make some kind of improvement to the MPF Scheme, so that more protection can be assured to benefit wage earners.

Just now Members supplemented my proposal when they spoke, but the general direction largely commanded their approval. Secretary Prof K C CHAN made his responses, but after listening to the Secretary's response, he seemed to make people feel that everything is fine. Nevertheless, the actual situation faced by wage earners is very different, because what the Secretary cited was an

average, while the funds purchased by wage earners or the situation they face is another story. For that reason, I believe that insofar as the average is concerned, everything is fine, but the reality is not like that.

I believe Members will also understand that MPF cannot resolve all the problems relating to retirement protection. I believe nobody will be silly enough to come forth and announce that it can solve all the problems, as I consider that the three pillars are the more pragmatic ways. Recently, the DAB made some suggestions relating to the long-term solution to retirement protection. However, our suggestions have not attracted wide discussions in society, as the issue of universal retirement protection remains a much heated topic of discussion.

Members should remember that before 1997, a consultation on universal retirement protection was conducted and discussion in society was triggered. The proposed concept was actually not bad, while the name of "universal retirement protection" was quite good. But when it comes to implementation, I believe there will be many obstacles in its way. For that reason, the DAB proposes a three-tier protection on top of the "fruit grant", and we consider this more realistic and viable. It is not only affordable to the Government, but also welcomed by the elderly people. I also welcome the expression of more views. I consider that the most important thing is that we can really do something to help the elderly people and retirees. This will be better than arguing endlessly over a certain mode without coming up with any concrete solution. Therefore, I really hope Members can pay more attention to the proposal put forward by us. I do not wish to waste Members' time. Actually I already made this point on the last occasion when debated another motion on the people's livelihood, and thus I do not wish to repeat it here.

The DAB was lucky enough to win the draw on the two motion debate time slots, therefore Mr LAU Kong-wah moved one motion and I moved the other, and coincidentally, both motions are replied by Secretary Prof K C CHAN. We are not intentionally directing at or making things difficult for the Secretary, it just so happens that he is the responsible public officer of the both motions. So he has my sympathy for having sat here since 1 pm. However, I consider the contents of the motion and amendments moved by us are quite significant, and we wish to thank colleagues for their support. I hope that after the motion moved by me is amended and passed, the Mandatory Provident Fund Schemes Authority and the Government can actively deal with it. Although the MPF is rather

limited in its scope of protection and vigour, we still hope that some improvements can be made to achieve some results.

Thank you, President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr TAM Yiu-chung, as amended by Mr CHAN Kin-por, Mr James TO and Mr Alan LEONG, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 11 am on Wednesday 9 November 2011.

Adjourned accordingly at thirty-three minutes to Nine o'clock.

Appendix I**WRITTEN ANSWER****Written answer by the Secretary for Transport and Housing to Mr Ronny TONG's supplementary question to Question 4**

The number of new applications registered on the Public Rental Housing (PRH) Waiting List fluctuates from time to time. In the past five years (that is, from 2006-2007 to 2010-2011), the number of new PRH applications registered per year ranged from some 26 000 to 45 000. On average, around 37 000 new applications were registered per year. Among the abovementioned new applications registered, the number of general applications ranged from some 17 000 to 26 000, averaging at about 23 000. The remaining applications were non-elderly one-person applications.

The policy objective of the Government and the Hong Kong Housing Authority is to maintain the average waiting time (AWT) of general applicants at around three years. The target on AWT is not applicable to non-elderly one-person applicants.