

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 21 February 2001

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE MRS RITA FAN HSU LAI-TAI, G.B.S., J.P.

THE HONOURABLE KENNETH TING WOO-SHOU, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE MARTIN LEE CHU-MING, S.C., J.P.

THE HONOURABLE ERIC LI KA-CHEUNG, J.P.

DR THE HONOURABLE DAVID LI KWOK-PO, J.P.

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

DR THE HONOURABLE LUI MING-WAH, J.P.

THE HONOURABLE NG LEUNG-SING

PROF THE HONOURABLE NG CHING-FAI

THE HONOURABLE MARGARET NG

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, J.P.

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE BERNARD CHAN

THE HONOURABLE CHAN KAM-LAM

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

THE HONOURABLE JASPER TSANG YOK-SING, J.P.

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

THE HONOURABLE LAU WONG-FAT, G.B.S., J.P.

THE HONOURABLE MRS MIRIAM LAU KIN-YEE, J.P.

THE HONOURABLE AMBROSE LAU HON-CHUEN, J.P.

THE HONOURABLE EMILY LAU WAI-HING, J.P.

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

THE HONOURABLE LAW CHI-KWONG, J.P.

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

DR THE HONOURABLE TANG SIU-TONG, J.P.

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

THE HONOURABLE LI FUNG-YING, J.P.

THE HONOURABLE HENRY WU KING-CHEONG, B.B.S.

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE LEUNG FU-WAH, M.H., J.P.

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

MEMBER ABSENT:

THE HONOURABLE DAVID CHU YU-LIN

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE MRS ANSON CHAN, G.B.M., J.P.
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE DONALD TSANG YAM-KUEN, J.P.
THE FINANCIAL SECRETARY

THE HONOURABLE ELSIE LEUNG OI-SIE, J.P.
THE SECRETARY FOR JUSTICE

MR NICHOLAS NG WING-FUI, J.P.
SECRETARY FOR TRANSPORT

MR DOMINIC WONG SHING-WAH, G.B.S., J.P.
SECRETARY FOR HOUSING

MISS DENISE YUE CHUNG-YEE, J.P.
SECRETARY FOR THE TREASURY

MR STEPHEN IP SHU-KWAN, J.P.
SECRETARY FOR FINANCIAL SERVICES

DR YEOH ENG-KIONG, J.P.
SECRETARY FOR HEALTH AND WELFARE

MR LEE SHING-SEE, J.P.
SECRETARY FOR WORKS

MRS CARRIE YAU TSANG KA-LAI, J.P.
SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING

MRS FANNY LAW FAN CHIU-FUN, J.P.
SECRETARY FOR EDUCATION AND MANPOWER

CLERKS IN ATTENDANCE:

MR RICKY FUNG CHOI-CHEUNG, J.P., SECRETARY GENERAL

MR LAW KAM-SANG, J.P., DEPUTY SECRETARY GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Public Health and Municipal Services Ordinance (Public Markets) (Designation and Amendment of Tenth Schedule) Order 2001	43/2001
Declaration of Markets Notice (Amendment) Declaration 2001	44/2001
Broadcasting Ordinance (48 of 2000) (Commencement) Notice 2001	45/2001
Intellectual Property (Miscellaneous Amendments) Ordinance 2000 (64 of 2000) (Commencement) Notice 2001	46/2001

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Effectiveness of Newly Designed Seawalls

1. **MR NG LEUNG-SING** (in Cantonese): *Madam President, regarding the current on-site testing of the new seawall design for incorporation in the Jordan Road Reclamation project, will the Government inform this Council:*

- (a) *of the projected efficiency of the new-design seawall in absorbing wave energy, its estimated construction cost and annual maintenance cost;*

- (b) *whether it has assessed if the new-design seawall will have impacts on marine traffic and marine ecosystem, and if it will generate environmental hygiene problems; if it is assessed that there will be such impacts and problems, of the solutions in place; and*
- (c) *whether the new seawall design will be adopted for the Central and Wan Chai Reclamation project which is currently in the planning stage; if not, of the seawall design to be adopted and how the seawall with such a design compares to the new-design seawall in terms of wave energy absorption, construction cost and maintenance cost?*

SECRETARY FOR WORKS (in Cantonese): Madam President,

- (a) Based on laboratory test results, the new seawall could reduce the reflected wave height by at least 50%, which corresponds to a reduction of at least 75% of the wave energy.

The estimated construction cost of the new wave absorbing seawall is \$150,000 per metre whereas the estimated annual maintenance cost is \$1,000 per metre.

- (b) As the new seawall can reduce the reflected wave height, it can provide some improvement to the wave climate in Victoria Harbour (the Harbour), making the navigation conditions more favourable. Therefore, there should not be any adverse marine traffic impact arising from the new seawall.

Also, the construction of the new seawall will not have adverse impact on the marine ecosystem of the Harbour. However, the wave chambers of the new seawall may trap some floating debris. In this connection, provision including access walkway has already been made in the chambers for easy and safe clearance of any trapped debris.

- (c) Wave absorbing seawall will be installed in all new reclamation projects in the Harbour including Wan Chai Development Phase II and Central Reclamation Phase III in order to reduce wave agitation.

As the above two projects are in planning and detailed design stage, the design for wave absorbing seawall has not been finalized. Experience gained from the Jordan Road Reclamation project will be taken into full consideration in achieving better performance in terms of wave absorption effectiveness, cost of construction and maintenance.

MR NG LEUNG-SING (in Cantonese): *Madam President, I am very glad that the Secretary stated in the main reply that he would consider installing the new wave absorbing seawall in Central Reclamation Phase III.*

Will the Secretary provide this Council with the difference in actual figures between the \$150,000 construction cost and the annual maintenance cost of \$1,000 per metre mentioned by him in part (a) of the main reply and the construction cost for the old existing seawall and the relevant maintenance fee?

SECRETARY FOR WORKS (in Cantonese): Madam President, the estimated construction cost for the vertical solid seawall used in the past is \$60,000 per metre, much more cheaper than the new seawall which costs \$150,000 per metre. The maintenance fee for the new seawall is also more expensive. Meanwhile, since the new seawall has debris removal facilities, we will dispose of the debris at least four times a year. Taken this into consideration, its maintenance fee will be even higher. The projected maintenance cost is \$150 per metre for the old seawall but \$1,000 for the new one.

MR ABRAHAM SHEK (in Cantonese): *Madam President, will the Secretary inform this Council whether the industry has been consulted on the design of the new seawall? If so, what is its opinion and if not, why?*

SECRETARY FOR WORKS (in Cantonese): Madam President, in designing the new seawall, we mainly consider whether the construction method is easy. Actually, the new seawall is very easy to construct. Before deciding to go ahead with the construction, we have commissioned a consultancy to study different construction methods. It was finally decided that this method should be adopted for the Jordan Road Reclamation project. In short, we have referred to the consultancy's opinion, though a full consultation has not been conducted.

MR TAM YIU-CHUNG (in Cantonese): *Madam President, the relevant authorities have actually been aware for a long time that vertical concrete seawalls will cause great wave energy. Should the Government have studied and used the new seawall a long time ago to solve the problem and has the relevant work been unduly delayed?*

SECRETARY FOR WORKS (in Cantonese): Madam President, actually, we have been using vertical seawalls all along. Even the West Kowloon Reclamation project used vertical seawall because there was no wave problem at that time. I would like to point out that seawalls would not cause big waves for they are in the passive. Big waves are purely caused by busy marine traffic, they have nothing to do with seawalls. Nevertheless, it is true that vertical solid seawalls cannot reflect the wave energy and hence reduce the reflected energy. This is a fact.

DR LUI MING-WAH (in Cantonese): *Madam President, the Secretary mentioned in part (a) of the main reply that the new seawall could reduce the reflected wave height by at least 50%, which corresponds to a reduction of at least 75% of the wave energy. Yet he has made no comparison with the old seawall. How effective is the new seawall when compared to the old one?*

SECRETARY FOR WORKS (in Cantonese): Madam President, maybe I have not made my point clear enough. The figures quoted in part (a) of the main reply are based on laboratory test results. Although we have decided to install the new seawall in the Jordan Road Reclamation project, we still need to continue to monitor the actual situation. The test results are also based on the comparison made with vertical seawalls. As vertical seawalls are completely incapable of reducing the energy, the wave energy will be fully reflected.

MRS MIRIAM LAU (in Cantonese): *Madam President, the industry has expressed concerns with marine safety because of the waves in the Harbour. Actually, the industry once suggested the Government to use such wave absorbing seawalls more extensively. We are now told that wave absorbing seawalls will be installed in some areas such as newly reclaimed sites. We also learn from the main reply that they are quite effective. Such being the case, will the Government consider a more extensive use of wave absorbing seawalls to reduce waves in the Harbour, thereby enhancing marine safety?*

SECRETARY FOR WORKS (in Cantonese): Madam President, as I stated in the main reply, wave absorbing seawalls will be used if in future we go ahead with the reclamation project in the Harbour.

MR LAU PIING-CHEUNG (in Cantonese): *Madam President, in addition to safety, I think wave absorbing seawalls will affect the visual aspect of both sides of the Harbour. Has the Government assessed how long the new seawalls to be installed in Jordan, Central, and Wan Chai will last and their impacts on the visual aspect of both sides of the Harbour?*

SECRETARY FOR WORKS (in Cantonese): Madam President, I believe the old and new seawalls will basically make no difference to the visual aspect of the Harbour. The only difference that new sea walls make is that we can see on the sea surface a vertical wall with many holes on it for waves to pass through for the purpose of reducing the reflected energy. I believe there is little difference between the new and old seawalls in terms of their visual impact.

MR ERIC LI (in Cantonese): *Madam President, the annual maintenance cost of the new seawall is \$1,000 per metre. Has the Administration taken into account the durability of the new seawall as well? The old seawalls seem to be very durable for I have not heard that they need replacement. Is the new seawall as durable as the old one or is there a difference? Is it of value to recycle the material used for building the old seawall?*

SECRETARY FOR WORKS (in Cantonese): Madam President, from the maintenance angle, there is little difference between the durability of the old seawalls and the new ones since both of them are made of concrete. Therefore, their durability should be basically the same. However, since the new seawall involves a higher construction cost, its maintenance cost will also rise accordingly.

DR LO WING-LOK (in Cantonese): *Madam President, the Secretary stated in part (b) of the main reply that the construction of the new seawall would not have adverse impact on the marine ecosystem of the Harbour. Will the design of the*

seawall help improve the marine ecosystem of the Harbour? If so, will the Secretary consider this when designing the new seawall?

SECRETARY FOR WORKS (in Cantonese): Madam President, it has been the Government's usual practice to conduct Environmental Impact Assessment, including assessing the impact on the ecosystem, for every construction project. Today's discussion is purely focused on the construction of seawalls, that is, a comparison between the new seawall and vertical seawall. There is actually very little difference between the old and new seawalls in terms of their impact on the marine ecosystem, environment and visual aspect.

MR HENRY WU (in Cantonese): *Madam President, the Secretary stated in part (b) of the main reply that the wave chambers of the new seawall may trap debris and therefore access walkway will be provided to enable cleansing work to be carried out. I would like to ask whether the Secretary or the Government has considered the possibility of members of the public entering the wave chambers by mistake, thereby causing danger?*

SECRETARY FOR WORKS (in Cantonese): Madam President, we have considered this matter when designing the seawall. Railings and warning signs will be erected to prevent the public from entering the chambers by mistake.

MISS CHOY SO-YUK (in Cantonese): *Madam President, the sea has become rough because of the reclamation works in the Harbour while these wave absorbing seawall can reduce the waves. Has the Secretary got any plans to gradually replace the existing vertical seawalls with wave absorbing seawalls?*

SECRETARY FOR WORKS (in Cantonese): Madam President, new wave absorbing seawalls will be used for all new reclamation projects. As the old seawalls are in some aspects useful, there is no plan to replace the existing vertical seawalls with wave absorbing seawalls for the time being. Nevertheless, new seawalls will be used for new reclamation projects.

DR RAYMOND HO: *Madam President, we are going to have reclamation in Wan Chai, Central and Western districts in the near future. In designing the seawall, for instance, for details such as the wave chambers and the stability of the seawall to cater for its absorption capability as well as the wave agitation factors, has the Government carried out any hydraulic study on the Harbour area in order to establish the design parameters?*

SECRETARY FOR WORKS: Madam President, we are aware that due to reduction in the total Harbour area, there may be a passive effect on the waves in the harbour. And that is why in all new reclamation projects, we will use the wave absorbing seawalls. In deciding on which design to use, we have actually studied many different kinds of designs. We have carried out studies in laboratories to test the effectiveness of all these designs. And eventually, we adopted this one in the Jordan Road Reclamation project. As I said earlier, after we have established the effectiveness of this new seawall, we will decide on whether the same design will be used in other reclamation projects in the Victoria Harbour.

PRESIDENT (in Cantonese): Last supplementary question.

MR NG LEUNG-SING (in Cantonese): *Madam President, a Member pointed out earlier that although the new design has brought some improvement, the wave chambers of the new seawall may trap debris which makes it necessary for access walkway to be provided, the cost of which has not been included in the annual maintenance cost of \$1,000 per metre. Furthermore, the cost of removing debris from the wave chambers may incur other expenses. Has the Government considered, based on the present design which requires the removal of debris from the wave chambers, designing a seawall that will not trap debris or even reduce 100% of the wave energy?*

SECRETARY FOR WORKS (in Cantonese): Madam President, we have indeed examined a number of new seawalls of different designs. I have also mentioned earlier that laboratory tests have been carried out to different designs. So far, no seawall design has been able to reduce all wave energy. Of course, we will constantly update our designs. We will be very pleased to study and use new designs.

PRESIDENT (in Cantonese): Honorable Members, we have spent more than 17 minutes on this question. We have also broken a record for 12 Members have been able to raise their supplementary questions because they have been very concise with their questions and the Secretary has been able to focus on Members' queries in giving his reply. If we can always do so during question time in future, more colleagues will have the opportunity of raising questions. Therefore, for the sake of yourself and your colleagues, I would like to ask Members to be concise whenever possible, as what we did in handling this question.

Second question.

"Station-skipping" Incidents of East Rail Trains of KCRC

2. **MR LAU KONG-WAH** (in Cantonese): *Madam President, I will be very concise in putting this question. (Laughter) Regarding the two "station-skipping" incidents involving East Rail trains of the Kowloon-Canton Railway Corporation (KCRC) early this month, will the Government inform this Council whether it knows:*

- (a) *the causes of these two incidents and whether they relate to the KCRC's manning scale of drivers, train frequency and train braking system; and*
- (b) *the measures the KCRC will adopt to prevent the recurrence of such incidents?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I believe my main reply is extremely clear.

- (a) The KCRC has investigated into the two incidents and the Chief Inspecting Officer (Railways) (CIO(R)) of the Government has also carried out an independent investigation on the causes of the incidents and their possible impact on passenger safety.

The KCRC's investigation has shown that the incidents were not caused by any system or equipment failure. The drivers concerned admitted that their failure to stop at the stations was due to their own error and was not caused by fatigue or excessive workload. The management has also reviewed the duty roster of train drivers and considered the arrangement appropriate.

The CIO(R)'s investigation covered train operation, engineering and safety issues. According to the initial examination of test reports and computer records, the trains concerned and the signalling system were functioning properly at the time of the incidents. Record also shows that while the two trains did not stop at the stations, the Automatic Train Protection (ATP) signalling system was operating normally. The system ensures a safe distance between trains at all times. The two incidents therefore had no impact on passenger safety.

- (b) To prevent the problem of "station-skipping", the KCRC will take the following additional precautionary measures:
- (i) in addition to the existing annual refresher course, a special session on stopping of trains at stations is being organized for all train drivers;
 - (ii) all trains will be installed with an audible alert signal in the driving cab to alert drivers when approaching a station, the installation of which will be completed in two months;
 - (iii) exploring the feasibility of reprogramming the ATP system whereby drivers will have to slow down gradually in approaching stations, thus reminding and facilitating drivers to make scheduled stops; and
 - (iv) fast-tracking the upgrading of the existing signalling system to incorporate the Automatic Train Operation (ATO) feature. With the ATO feature, all trains will be under computer control and stop at stations automatically. Works have begun with a target completion date by the end of 2002.

MR LAU KONG-WAH (in Cantonese): *Madam President, it is hard to imagine that the "station-skipping" incidents could have happened again and again. However, Mr K Y YEUNG, Chairman of the KCRC, has indicated to the media that, given the extremely busy schedule of the Railway, there was really nothing strange about the occurrence of one or two "station-skipping" incidents each year. I think saying something like this is very reckless, and it has been said by the highest officer in charge of the KCRC. Will the Secretary inform this Council whether this will cause the staff of the KCRC to act recklessly too?*

SECRETARY FOR TRANSPORT (in Cantonese): *Madam President, in addition to the two "station-skipping" incidents occurred in February 2001, only four similar incidents have occurred in the past seven years counting from 1994. Those incidents took place in January 1994, October 1995, May 1998 and January 1999. Compared to the fact that more than two million trains stop at stations every year, the number of "station-skipping" incidents is really very small. From a holistic angle, these two incidents are indeed rare. According to the findings of our investigation, both incidents were caused by human error instead of any mechanical failure or safety problems.*

PRESIDENT (in Cantonese): *Mr LAU, is your supplementary question not yet answered?*

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary has failed completely to answer the crux of my question.*

PRESIDENT (in Cantonese): *Mr LAU, please put your question in unequivocal terms instead of talking about other matters. (Laughter)*

MR LAU KONG-WAH (in Cantonese): *Madam President, the Secretary has not answered the question as to whether the staff of the KCRC would also act recklessly since the person in charge of the KCRC has made such a reckless remark?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I believe that is just the personal opinion of Mr LAU. It is inappropriate for me to make any comment.

MR WONG SING-CHI (in Cantonese): *Madam President, I would like to follow up Mr LAU's supplementary question. According to Mr YEUNG, the Chairman, one or two "station-skipping" incidents are only a minor issue. He also added that the incidents were purely caused by negligence on the part of the staff. But the crux of the matter is, in order to make improvement, we should not only deal with personal problems, the whole system should be changed as well. Will the Secretary inform this Council whether the Transport Bureau and the KCRC will work together in examining the KCRC's future operation to prevent passengers from suffering losses as a result of the recurrence of some personal errors? Will the Transport Bureau discuss with the KCRC to put in place more systems and policies to prevent the services provided by the KCRC from being affected because of a mistake committed by an individual?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I would like to reiterate that though both incidents have caused inconvenience to passengers, they have absolutely not affected passenger safety. It is worth commending that, the KCRC has, after gaining experience from these two incidents, introduced a series of improvement measures. Actually, if the relevant authorities can, immediately after the occurrence of accidents, introduce some proactive improvement measures to prevent the reoccurrence of similar incidents, we should encourage such actions.

MR JASPER TSANG (in Cantonese): *Madam President, the Secretary remarked in the main reply that both investigations carried out by the KCRC and the CIO(R) of the Government had shown that everything was in perfect condition, for the trains concerned and the signalling system were functioning properly and there were no problems with the frequency arrangement. In other words, both investigations have failed to find out the causes of the two incidents. Such being the case, will the Secretary consider that the investigations have failed to achieve their objectives? How can improvement measures be taken if we do not know the causes of the problem?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, perhaps Mr TSANG has not paid attention to what I said in the main reply. We are absolutely clear that the two incidents were caused by human error.

MR MICHAEL MAK (in Cantonese): *Madam President, my supplementary question is very simple. What is human error? Was it because the drivers concerned had fallen asleep or were they not in the least aware that the train had arrived at the stop? What disciplinary action has been taken against them?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, according to the findings of the KCRC's investigation, the first incident was caused by negligence on the part of the driver who mistook the train he was operating for the next empty train that should not stop at the Fanling station. As for the second incident, the driver explained that the train he was operating at that time was running at too high a speed. He decided not to brake the train because sudden braking will cause the passengers even more inconvenience. With respect to the taking of disciplinary action, the KCRC is considering what it should do to follow up the matter.

MR AMBROSE LAU (in Cantonese): *Madam President, the Secretary mentioned in the main reply the taking of additional precautionary measures, including the upgrading of the existing signalling system to put all trains under computer control and stop at stations automatically. Will the Secretary inform this Council of the cost of such works?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, the Automatic Train Operation (ATO) system has actually been put into full implementation by the Mass Transit Railway at the moment. It will also be adopted by the West Rail and new railways in future. The ATP system was used by the East Rail since it was built sometime ago. The change from ATP to ATO actually represents an upgrading process. The KCRC has embarked on the upgrading works of the signalling system for the East Rail. It is estimated to cost approximately \$85 million.

MR IP KWOK-HIM (in Cantonese): *Madam President, when referring to the second incident, the Secretary stated that the driver did not want to put an urgent brake to the train because the train was travelling at too high a speed. However, in the third paragraph of part (a) of the main reply, the Secretary remarked that "the trains concerned and the signalling system were functioning properly". Such being the case, how could the train have travelled at an exceedingly high speed, so much so that danger would have arisen as a result of sudden braking?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, this is where the difference between ATO and ATP lies. Under the ATP system, drivers will be responsible for operating the trains. As the train speed is still under manual control, it may go beyond the limit even when the machinery and signalling system of the concerned train are functioning properly. In future, upon the full implementation of the ATO system, all trains will come under computer control, and the problem of human error will not occur.

PRESIDENT (in Cantonese): Mr IP, is your supplementary question still unanswered?

MR IP KWOK-HIM (in Cantonese): *Madam President, the Secretary was focusing on the system only. He has not answered the question as to whether the trains were actually functioning properly? He has indicated in the main reply that the trains concerned were functioning properly, but was it really the case? He should answer my supplementary question with respect to this point.*

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

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, the problem in operation was caused by human error.

MR ANDREW CHENG (in Cantonese): *Madam President, the management culture and mentality of the senior staff of the KCRC are very important in preventing the reoccurrence of "station-skipping" incidents. For instance, as Mr LAU Kong-wah remarked earlier, Mr K Y YEUNG has taken a reckless attitude by saying that "station-skipping" was just normal. Will the Secretary — he is rumoured to be the next Chairman of the KCRC as well — inform this Council, in addition to the provision of learning sessions for drivers, whether it is necessary for the senior staff of the KCRC, particularly Mr K Y YEUNG, to attend courses for the sake of enhancing the quality of service provided by the KCRC and his safety awareness?*

SECRETARY FOR TRANSPORT (in Cantonese): *Madam President, it is the Government's long-standing policy in not commenting on any unfounded rumours.*

MR ANDREW CHENG (in Cantonese): *Madam President,*

PRESIDENT (in Cantonese): *Mr CHENG, please listen to me first. I am aware the Secretary has misunderstood what you meant. Your supplementary question is not about this issue. You were only making a causal remark. This is why I would ask Honourable Members to put their questions directly instead of making so many causal remarks in raising their supplementary questions. (Laughter)*

Mr CHENG, you may raise your supplementary question again.

MR ANDREW CHENG (in Cantonese): *Thank you, Madam President.*

SECRETARY FOR TRANSPORT (in Cantonese): *Madam President, I am sorry that I have misunderstood the supplementary question raised by Mr Andrew CHENG and given him such a reply. If Mr CHENG raises his supplementary question again, I will make a reply again.*

MR ANDREW CHENG (in Cantonese): *Madam President, the Secretary was being over-sensitive. My supplementary question is: Should the senior staff of the KCRC, particularly Mr K Y YEUNG, attend courses to learn more about the safety awareness for KCRC and the quality of service, just as what front-line staff would do? This is because management culture is very important.*

PRESIDENT (in Cantonese): Secretary for Transport, do you have anything to add? If you think you have answered Mr CHENG's supplementary question, you can choose not to reply.

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I will forward Mr CHENG's opinion to the KCRC.

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, the Secretary mentioned human factors earlier which made me feel very worried. Actually, the point relating to human factors was raised during the scrutiny of the Mass Transit Railway Corporation Bill. At that time, the Government defined human factors strictly and even considered penalty in the form of imprisonment should be imposed. Will the Secretary inform this Council whether the human factors involved in the "station-skipping" incidents were caused by fatigue attributed to mismanagement or by any other reasons? I hope the Secretary can give us an answer as strict as what is provided for in the Mass Transit Railway Corporation Ordinance.*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I have told Members in the main reply that, according to the findings of the investigation, the mistakes made by the drivers were not caused by fatigue, excessive workload or improper duty roster. Actually, both the KCRC and the Administration attach great importance to railway safety because basically we must ensure a safe service before talking about efficiency.

MR ABRAHAM SHEK: *Madam President, I would like to declare my interest. I am a past KCRC staff. I can assure Members here and the general public that our railway staff is among the best in the world. (Laughter) Anyway, this is*

not my question. My question is since the KCRC system is of a fail-safe design, if there is any negligence on the part of the staff, the signal system and the computer system will stop the train automatically. In this case, the two systems must have failed. Is this true?

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, what Mr Abraham SHEK referred to is precisely the protection offered by the ATP system. Assuming there is an obstacle in front of a train when an accident strikes, the ATP system will put the train to a stop and ensure a safe distance with the next train. As nothing like this happened on the day when the incidents occurred, there was no need for the system to be activated. The investigation conducted afterward has shown that the system was functioning properly.

MRS MIRIAM LAU (in Cantonese): *Madam President, the KCRC indicated that it would adopt several precautionary measures, including installing an audible alert signal and reprogramming the ATO system whereby drivers will have to slow down the trains gradually in approaching stations. Will the Secretary inform this Council whether it is necessary for these two measures to be implemented simultaneously? If the audible alert signal can remind drivers to slow down the trains, is it still necessary for the trains to slow down automatically? On the contrary, if the trains can slow down automatically, it may be unnecessary for the audible alert signal to be installed. Why is it necessary for the two measures to be adopted simultaneously?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, since the KCRC considers it necessary to reinforce other measures prior to the completion of the ATP system, the installation of the audible alert signal will be carried out immediately and is expected to be completed in one or two months. As the ATP system will not be completed until the end of next year, other measures can play a definite role in the interim.

MRS MIRIAM LAU (in Cantonese): *Madam President, the Secretary might have misunderstood my supplementary question. It is actually the ATO system that will be completed by the end of next year. Upon the installation of this system, trains will stop at stations automatically. This system is apparently different from the ATP system (as mentioned in paragraph (iii) of part (b) of the main reply). Will the Secretary please explain?*

SECRETARY FOR TRANSPORT (in Cantonese): Madam President, I am sorry that I have confused paragraph (ii) with paragraph (iv) of part (b) in the main reply. If Mrs Miriam LAU was actually referring to paragraph (ii) and (iii), I would say that the simultaneous adoption of the two measures is basically aimed at enhancing protection. Regarding the question raised by Mrs Miriam LAU as to whether one of the measures can already offer adequate protection, I believe we should not stop the KCRC from adopting both measures simultaneously if the KCRC, after due assessment, considers it necessary to do so.

PRESIDENT (in Cantonese): We have spent more than 17 minutes on this question. Let us now turn to the third question.

Increasing Trend of Young Children Sent Abroad for Education

3. **MR KENNETH TING** (in Cantonese): *Madam President, it has been reported that the record of an organization indicates that the number of young children being sent abroad for education has been on the increase for three consecutive years, and these children are sent abroad at a much younger age; there are comments that this situation is related to the hasty and ineffective education reforms implemented in Hong Kong in recent years. In this connection, will the Government inform this Council whether:*

- (a) *it has statistics on the number of Hong Kong children aged 12 or below sent to the United Kingdom or the United States for education in each of the past three years; if it has not, whether it will compile the statistics as soon as possible; and*
- (b) *it has assessed if the above situation is related to the public's lack of confidence in Hong Kong's education system and the education reforms implemented in recent years; if the assessment result is in the affirmative, of the counter-measures in place, including ways to incorporate the public's views when considering education reform initiatives; if the result is in the negative, of the justifications for that?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, Hong Kong parents sending their children to study abroad is a phenomenon which has been existing for a long time. The Government respects the freedom of Hong Kong people entering or leaving the territory, and the decision of parents to send their children abroad to study. Thus, we have not conducted any systematic studies on this matter, and do not have statistics on Hong Kong students studying overseas. However, we believe that in deciding whether to send their children to study abroad, parents must have thought thoroughly and have taken into account various factors, including affordability, their expectations of their children, the ability and aptitude of their children, and so on. In addition, they will have compared the social environment, education system, and development prospects of Hong Kong and those overseas.

According to information provided by the British Council and the American Consulate General, there is an overall increasing trend in the number of students studying in the United Kingdom and the United States during 1998 and 2000. However, neither sources have kept record on the number of Hong Kong children aged 12 or below studying in these two countries. In addition, figures provided by the British Council are estimates only since Hong Kong students holding the Hong Kong Special Administrative Region passport or the British National (Overseas) passport are not required to apply for student visas if they wish to study in the United Kingdom. The figures provided by the American Consulate General on the number of student visas issued also do not have any further breakdown on the level and length of courses. Nevertheless, from our daily contact with the education sector, we are not aware that a large number of primary students are withdrawing from schools to pursue overseas study. In addition, no evidence indicates that people send their young children abroad to study because the education reform is hasty and ineffective.

Indeed, the Education Commission conducted three rounds of wide public consultation during its review of the education system, and over 30 000 written submissions were received. After thorough consideration and balancing different views expressed by the public, the Commission submitted its final proposals to the Chief Executive last September. We will further strengthen our communication with the public and listen to their views when we implement the reform measures.

In working out the implementation timetable for the education reform, the Government has adopted a gradual and pragmatic approach. Support services and measures are also provided to schools and teachers. On the one hand, we have to take into account current circumstances, including the established culture and professionalism. On the other hand, we need to meet the pressing aspirations of the community in raising the quality of our manpower.

Take the Secondary School Places Allocation (SSPA) System as an example. We will put in place the replacement mechanism recommended by the Education Commission (EC) by phases. We have abolished the Academic Aptitude Test in 2000, and have adopted transitional arrangements to provide sufficient time for relevant parties to prepare for and adapt to the changes. We will then conduct an interim review in the 2003-04 school year to evaluate the progress of the reform, and to consider, taking into account prevailing circumstances, whether to implement in the 2005-06 school year the long-term SSPA mechanism recommended by the EC.

As regards the curriculum reform, the Curriculum Development Council proposes that it should be implemented in three phases (short-, medium- and long-term) and that schools should be given 10 years' time to gradually implement the reform measures. During the period, to enable schools and teachers to have a solid foundation to modify their curriculum and teaching methods, the Government will conduct a number of curriculum studies to build up successful experiences, and will provide training and teaching resources to principals and teachers.

As the education reform has just started, it is premature to judge the effectiveness of the reform at this stage. Since the establishment of the Government of the Special Administrative Region, we have introduced many important education initiatives, including putting in place the policy for the medium of instruction, establishing a \$5 billion Quality Education Fund, launching the five-year strategy on IT in education at a cost of \$3.2 billion, accelerating the provision of graduate posts in primary schools, and implementing whole-day primary schooling. These measures are effective, and are conducive to raising the quality of teaching and learning. Although these measures did not originate from the review of the academic structure, curriculum and examination system conducted by the EC, they share the same objectives and complement one other.

Therefore, the assertion that the education reform is hasty and ineffective is based on an incorrect impression.

MR KENNETH TING (in Cantonese): *Madam President, in part (a) of my main question, I have asked whether the authority will compile the statistics, but the Secretary has not answered that yet. Moreover, I would like to follow up another issue. I am slightly relieved after hearing the main reply of the Secretary. However, in a large-scale overseas' education exposition held recently, parents queued up on the first day and filled in forms in order to apply for the information on overseas' primary and secondary boarding schools. In this connection, will the Government take some measures to ease the panic of parents, so as to prevent the recurrence of queuing up for information on overseas' education institutions?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, with regard to the first part of the supplementary question, the Education Department retains some statistics in relation to the annual drop-out rate of students in every grade. We have indeed maintained a database for that. However, as to whether students have withdrawn from schools to pursue overseas study, we have no statistics in that respect. I think Hong Kong is a free society, parents must have considered carefully before they make the decision to send their children abroad to study. We should give more publicity to our own education system in order to show that if students stay in Hong Kong to further study, parents will see that the education system in Hong Kong is able to meet their aspirations for their children. This is the most important thing of all. Of course, the Government can brag about and publicize a lot of things, but in the long run, the practical experiences students gained in the classroom will have the most direct impact on themselves. In short, at this point in time, we have no intention to compile statistics in this respect, because I believe that when parents make the decision to send their children abroad to study, they are under the influence of various factors and the Government can do nothing to influence. Hence, I am doubtful of the extent of help these statistics would do to the Government even if we have obtained them.

As to the second part of the supplementary question, I think it is the trend in recent years for many people to attend overseas' education exhibitions. In fact, many people have been collecting information on overseas studies on a

regular basis. Will it cast a negative impact on Hong Kong? I do not think it is necessarily the case. In the 21st century, people talk about the globalization of knowledge, the globalization of economy and the competition of people. If some Hong Kong teenagers choose to study abroad and come back to work in Hong Kong in future, their experience in studying abroad is beneficial to them. Regarding the issue of parents wishing to send their young children abroad for education, of course I hope parents will look before they leap, so to speak. They should weigh up whether their children are independent enough and willing to study abroad. I knew that in some cases, some children, after arriving at their foreign destinations, had to retreat back to Hong Kong as they were unable to adapt to the environment there. In that connection, we will conduct more promotional activities in order to let parents know that another kind of problem would emerge for students studying abroad.

MS AUDREY EU (in Cantonese): *Madam President, the Secretary mentioned in the second paragraph of the main reply that no evidence indicates that parents send their young children abroad to study because the education reform is hasty and ineffective. Moreover, the Secretary also mentioned in the seventh paragraph of the main reply that it was premature to judge the effectiveness of the reform at this stage. Has the Secretary ever considered that parents actually do not want to put the studies of their children at stake or to let them become guinea pigs of the reform? As the Secretary has just said that it was premature to judge the effectiveness of the reform at this stage, is it then one of the reasons causing parents to send their young children abroad to study?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I think any reform or change will carry a certain degree of uncertainty, but the most important point is how we should face the uncertain prospects or adapt to the changes. In the wake of the globalization of knowledge and of economy in the 21st century, many things, education system being one of them, have changed rapidly. We should teach our children how to adapt to and accept changes. I understand that some parents may ask, "What will the SSPA system be in future? What will its actual impact be on schools?" As a result, I have made it clear in my main reply that we are not saying that we have decided today that the long-term SSPA mechanism must be implemented in the 2005 school year. In fact, we will conduct an in-depth and specific review in the 2003-04 school year before deciding whether or not the system should be

implemented. In an earlier debate on "two-mode" teaching in this Chamber, I also stressed that the SSPA System should be co-ordinated with the medium of instruction policy. We will conduct some studies in this respect, which will prove once again that we will conduct the relevant review seriously, and our prime consideration is that the effectiveness of learning of students not be affected. If parents are unwilling to accept those uncertainties and consider they can afford sending their children abroad to study, and if they believe it is better for their children to study abroad or the future development of their children is better in foreign countries, then I think there is nothing we can do to stop them from sending their children abroad. Ultimately, the decision of course lies with the parents.

MISS EMILY LAU (in Cantonese): *Madam President, the main question of Mr TING is whether the Government has assessed if the public lacks confidence in Hong Kong's education reform, I do not see the Secretary has given a direct answer to that. I note that the Secretary has criticized some elite schools recently by saying that the impression of certain elite schools is quite poor to some people. However, has the Secretary ever thought of the fact that some people are also dissatisfied with the education system? I believe Mr TING has just asked this question: Has the Government assessed the situation, or does the Government think that the public is very satisfied with the existing education system?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, certainly we have not assessed if the public lacks confidence in Hong Kong's education reform in a scientific way. However, as to the opinions of the people of Hong Kong or parents on the existing education system, the EC has collected numerous opinions through three rounds of consultations conducted in the past two years. I believe everybody accepts the direction of our reform, and it is time to take it forward step by step. We have a number of factors to consider, including the reaction of parents, whether they will accept the results we have achieved, how we should publicize our results in order to let parents know whether the schools their children are attending are moving towards the aspirations or objectives of the education reform so as to let them see that changes are actually taking place. So, it involves many factors. Now as the reform has just begun, we will monitor the progress carefully. We are now studying some indicators or reactions of the public in respect of certain reform

measures. I believe we will make a more scientific evaluation after one or two years. However, we do not have such kind of evaluation at the present stage.

DR YEUNG SUM (in Cantonese): *Madam President, the Secretary mentioned in the second paragraph of her main reply that according to information provided by the British Council and the American Consulate General, there is an overall increasing trend in the number of students studying in the United Kingdom and the United States during 1998 and 2000; and the Secretary also mentioned in the seventh paragraph that since the reunification, the Government has introduced many important education initiatives. Actually, the abovementioned trend and the introduction of reforms were concurrent events, taking place at the same time. That is, when the Government was introducing a number of education initiatives, the number of young children being sent abroad to study had increased. Madam President, another point is that even international schools have received enrolment applications exceeding their capacity. Does it mean that parents, particularly parents from the middle class, have not much confidence in Hong Kong's education reform, and should the Government draw their attention to the education system of Hong Kong?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, all of the education initiatives mentioned by me in the main reply have been proved effective. As to the Honourable Member's question of why the number of parents sending their children to international schools to study seems to have increased, I can only speculate on the reason. In the past two years, we have held a number of discussions on the future objective and direction of education. Perhaps the aspirations of the public on the so-called quality education is more specific, as they consider their children should be happy learners, good communicators, courageous undertakers who dare to blaze new trails in a pleasant learning environment. However, are their children learning happily today? Maybe parents now see that the reality is fairly different from their aspirations. Certainly, from the establishment of objectives to the implementation, a period of time must pass before actual results can be seen. Perhaps some parents may feel that society can only enjoy the fruit of an ideal quality education of the 21st century after the completion of these reforms by the Government, but their children cannot wait that long. Therefore, if parents make a personal choice, it is no strange at all. However, I think the most important thing is to pursue our own objectives by carrying out solid reforms, then we can reverse the situation at the end of the day.

MRS SELINA CHOW (in Cantonese): *Madam President, it seems that the Secretary is shying away from addressing the issue of whether the increasing number of students studying abroad or enrolling in international schools may well reflect the discontentment of parents or students towards the education reform of the Government. However, the Secretary mentioned in the seventh paragraph of her main reply that the policy for the medium of instruction is among those effective measures being implemented. May I ask the Secretary if that particular measure is so effective, why we are constantly hearing the Government say that a trial scheme on "two-mode" teaching will be implemented? Besides, in the last couple of days, it has been reported that Secondary Four and Secondary Five classes of Chinese secondary schools will be allowed to use English as the medium of instruction. Will the Secretary actually admit that this chaotic policy for the medium of instruction is one of the reasons why parents are uncertain about what to do?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, with regard to the policy for the medium of instruction, I believe we can open another round of discussion on that issue. The policy for mother tongue instruction mentioned by me is undoubtedly effective in terms of students' understanding of subject contents. We have sufficient studies to support that students in general, especially students of less proficiency in the English language, have made great leaps in academic results because of mother tongue instruction. However, whether the improvement in performance can actually satisfy the aspirations of parents is another issue. Some parents worry that their children might be allocated to a school where mother tongue is used as the medium of instruction. It is because they have never tried to think of the benefits of mother tongue instruction; thus some of these parents may use the policy of mother tongue instruction as a reason for sending their children abroad to study.

PRESIDENT (in Cantonese): We have spent more than 18 minutes on this question. Although several Members are still waiting for their turn to ask questions, I cannot allow any more questions.

Fourth question.

Potential Health Hazards of Using Mobile Phones

4. **MISS EMILY LAU** (in Cantonese): *Madam President, in view of the possible link between brain tumours and the use of mobile phones, will the executive authorities inform this Council whether they will consider:*

- (a) *conducting a study on the impact of the use of mobile phones on human health; if not, of the reasons for that;*
- (b) *implementing a mandatory labelling system whereby the mobile phone's radiation emission level must be marked on it before it is put on sale; if not, of the reasons for that; and*
- (c) *requiring mobile phone services operators to issue warnings on the potential health hazards of using mobile phones, especially by children; if not, of the reasons for that?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President,

- (a) Various studies have been carried out overseas to examine the impact of the use of mobile phones on human health. So far there has been no scientific evidence to suggest that exposure to the radio-frequency (RF) fields arising from the use of mobile phones is likely to cause cancers. The World Health Organization (WHO) and the International Commission on Non-ionizing Radiation Protection (ICNIRP) are reviewing the research results and conducting further risk assessment of RF exposure. A large-scale epidemiological study is being co-ordinated in over 10 countries by the International Agency for Research on Cancer (IARC), which is a specialized cancer research agency of the WHO, to study if there are links between the use of mobile phones and head and neck cancers. The study is expected to be completed in 2004. The Administration will closely monitor the findings and recommendations of this and other studies conducted by the WHO and the ICNIRP. Such health risk studies are large-scale epidemiological studies, which usually take a few years to complete. We consider it more appropriate to wait for results of the more

authoritative researches by international organizations than to embark on a local study separately.

- (b) At present, there is no internationally recognized standard for measuring the level of human exposure to radiation from mobile phones, denoted as Specific Absorption Rate or SAR. We understand that a European Standard for measuring the SAR may be formulated later this year. We consider that it is more appropriate to consider the publication of SAR after a recognized measuring method is available. We are also aware that most countries such as the United States, United Kingdom, Canada, Singapore, Finland and Australia do not have a mandatory labelling system on the SAR level. The Government will closely monitor the development of the European standard.
- (c) As mentioned in (a), there is at present no scientific evidence suggesting that the use of mobile phones will cause adverse health effects. The issuance of health warning label without sufficient evidence might cause unnecessary alarm. We are also aware that most countries such as the United States, United Kingdom, Canada, Singapore, Finland and Australia do not impose a mandatory requirement for issuing health warning on the potential health hazard for the use of mobile phones. The Government will monitor the situation having regard to the development of the medical researches.

MISS EMILY LAU (in Cantonese): *Madam President, the Secretary said, at this stage, there has been no scientific evidence to suggest that there is any possible link between brain cancers and the use of mobile phones. However, she also said that several agencies of the WHO are now conducting separate studies on this issue, and that a European Standard for measuring the SAR will be issued later. Will the executive authorities inform us why the WHO conducts such a study? Are there issues that warrant its concern? And, why do the European countries conduct a study on the SAR?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, a large-scale epidemiological study is conducted by the WHO because it is aware that a lot of people are concerned whether the use of mobile phones will have an impact on human health. This study has to be conducted at an international level because it requires the participation of a large number of patients suffering from brain tumor. To conduct such a study, a comparison has to be made between at least 3 300 patients suffering from brain tumor and those who are not to examine their actual usage rate of mobile phones. This study will be conducted in 10 countries. The scale of the study has to be very large because though the use of mobile phones may only have a small impact on human health, the impact can still be revealed in studies of such a large scale, and can be used as evidence. Now, the use of mobile phones is so popular that the international community is also concerned about its impact. However, so far there has been no sufficient evidence to show that the use of mobile phones has an impact on human health. All health organizations have reached the same conclusion, and they also advise us that so far there has been no evidence to suggest that the use of mobile phones has an impact on human health.

MISS CYD HO (in Cantonese): *Madam President, many mobile phones accessories shops sell small antennas claimed to be able to reduce the level of radiation emission from mobile phones and its adverse impact on human health. According to the Secretary's remark in part (c) of her main reply, these small advertisements may cause unnecessary alarm. Has the Administration taken any actions to ban advertisements which do not tally with the facts? If not, is the Administration indirectly admitting that there is such a possibility?*

PRESIDENT (in Cantonese): Which Secretary will answer this supplementary question? Secretary for Information Technology and Broadcasting.

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, as regards this issue, I believe we have to resolve it through public education, so that people can learn more about the art of spending. As I have said earlier in my main reply, in fact, there is no standardized method to measure the SAR level, not to mention a standard on whether a particular SAR level will have an impact on human health or otherwise. People have only taken advantage of the popularity of mobile phones and the concerns of the public to market such products.

PRESIDENT (in Cantonese): Miss Cyd HO, which part of your supplementary question has not been answered?

MISS CYD HO (in Cantonese): *Madam President, I have specifically asked the Government in my supplementary question whether actions will be taken to ban such advertisements.*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, we have no plans to ban such advertisements for the time-being.

MR MICHAEL MAK (in Cantonese): *Madam President, comparing with other cities in the world, Hong Kong certainly has the highest or second highest mobile phones usage rate. The Secretary for Information Technology and Broadcasting said in her main reply that a large-scale epidemiological study is being conducted by the WHO in co-operation with more than 10 countries and regions, is Hong Kong one of those regions? If not, are we going to take the initiative in co-operating with them?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, Hong Kong has not taken part in this epidemiological study. I have studied the relevant information and learned that Japan has taken part in the study. The WHO will identify appropriate organizations and patients from the 10 participating countries and regions for comparison purposes. I think Hong Kong need not participate in the study, because only a 100-odd to 200 patients suffer from brain tumors each year. Moreover, this study will have to make reference to some archive information and this usually takes a rather long period of time. For example, it may be necessary to examine if the incidence rate of brain tumors has increased over the past 10 or 20 years. Therefore, we cannot help much even if we participate in this study. However, we will keep the WHO studies in view.

MR SIN CHUNG-KAI (in Cantonese): *Madam President, part (b) of the main question referred to the radiation emission level, but in her reply, the Secretary talked about the level of human exposure to radiation from mobile phones, denoted as SAR. The question refers to the emission rate while the answer refers to the absorption rate. Is there any standard to determine the radiation emission level of mobile phones?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, we are aware that at this stage, there is no internationally recognized standard for measuring the level of human exposure to radiation emitted from mobile phones, and that is, the SAR which I talked about earlier. We understand that a European standard for measuring SAR may be formulated later this year. I believe we have to wait some time before a better standard is available.

DR LO WING-LOK (in Cantonese): *Madam President, I think if we wish to grasp information on the impact of brain tumors on the health of Hong Kong people, we should not rely on the experiences of overseas studies only. It is also essential for us to collect local statistics. Will the Government inform us whether there is any comprehensive and accurate cancer reporting system in Hong Kong that can provide us with accurate information in this respect? Moreover, is this system permanent, rather than an ad hoc system for research purposes?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, in fact, Hong Kong has already in place a well established cancer reporting mechanism. Both private hospitals and doctors in private practice, as well as public hospitals and doctors of the public sector have to report on the number of cancer incidences they come across each year. The department concerned is located at the Queen Elizabeth Hospital. It is responsible for collecting information on the diagnosis and treatment of cancer and issuing reports. So, Hong Kong has a rather good cancer reporting mechanism. As regards whether the use of mobile phones is linked to brain tumors, information collected internationally shows that there is no such relation. Furthermore, Hong Kong is not a suitable place for conducting such studies, for only 200 or more brain tumor cases are found in Hong Kong every year. So, even if the use

of mobile phones has any impact, it will be too minimal to be measurable. Therefore, we do not see any point in conducting such a study.

DR TANG SIU-TONG (in Cantonese): *Madam President, I would like to follow up on the Honourable Miss Cyd HO's supplementary question. It is claimed that some mobile phones accessories can reduce the level of radiation emission, will such advertisements be regarded as undesirable medical advertisements? Will the Secretary for Health and Welfare follow up on this matter?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, in fact, this depends on the provisions of the existing legislation. So far, the relevant ordinance is not meant to regulate this type of advertisements, therefore, we cannot regulate them by virtue of the existing ordinance. However, we are aware that recently there are many advertisements on health foods or devices in the market. Therefore, in the long run, we will review the relevant ordinance to see how such advertisements can be regulated.

MR HENRY WU (in Cantonese): *Madam President, the Secretary for Information Technology and Broadcasting informed us in part (b) of her main reply that most countries, such as the United States and United Kingdom, do not have a mandatory labelling system on SAR level. In other words, the Government is aware that some countries or regions have adopted such a system. Can the Government tell us which country or region has adopted a mandatory labelling system on SAR level? Have we collected information in this respect for analysis and evaluation purposes?*

PRESIDENT (in Cantonese): Which Secretary will answer this question? Secretary for Information Technology and Broadcasting.

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, we have provided such an answer because it is not possible for us to grasp information on all countries over the world. According to the information on hand, countries with a high mobile phone usage rate have not adopted such a practice.

PRESIDENT (in Cantonese): Last supplementary question.

MISS EMILY LAU (in Cantonese): *Madam President, in part (c) of my main question, I asked whether mobile phone services operators can be required to issue warnings on the potential health hazards of using mobile phones, especially by children, but I note that the Secretary has not answered this part of my question. I hope the Secretary can tell us if she has got such information. Is the Secretary aware that the Danish Cancer Society has recently conducted a study and come to the conclusion that though there is no serious health hazards, parents are still cautioned to prevent children from being exposed to the radiation emission of mobile phones as far as possible. Is the Secretary aware of this study?*

SECRETARY FOR INFORMATION TECHNOLOGY AND BROADCASTING (in Cantonese): Madam President, we will closely monitor the whole development. We are certainly aware that Denmark and the United Kingdom have issued such cautions, and children are advised to avoid using mobile phones as far as possible. The warning is simply made from their own standpoint because they think it is safer to do so. Though we can certainly take reference from their practice, the Government still thinks that the issuance of health warning label before there is sufficient evidence to suggest that the use of mobile phones will cause adverse health effects is inappropriate. We will continue to monitor these studies and review the situation from time to time.

PRESIDENT (in Cantonese): Fifth question.

Disclosure of Information in Sales Leaflets of HOS

5. **MR FRED LI** (in Cantonese): *Madam President, it has been reported that information about the areas of the slopes and retaining walls within the boundary of Hong Yat Court in Lam Tin, a Home Ownership Scheme (HOS) project for which the application deadline was due last month, and details about obligations in their management, maintenance and repairs were not disclosed in the sales*

leaflets, and such information would only be available to prospective purchasers in the sales brochures issued after the determination of the flat-selection sequence by ballot. In this connection, will the Government inform this Council:

- (a) of the criteria it adopts for determining the information to be provided in the sales leaflets, and the reasons for not providing the information on the slopes in the sales leaflets of the housing estate;*
- (b) how the contents of HOS sales leaflets are regulated under the existing legislation; if no regulation is in place, of the reasons for that; and*
- (c) whether it will consider, when the next HOS project is offered for sale, releasing comprehensive information on the relevant housing estates as early as possible?*

SECRETARY FOR HOUSING (in Cantonese): Madam President, the aim of the sales leaflet is to publicize the HOS project on sale and to invite applications from public housing tenants and the public. Over 300 000 copies of the leaflet are produced. It contains basic information about the project, such as location, major communal facilities in the vicinity, and typical floor plan showing flat size and layout. Attention is drawn to the existence of slopes and retaining walls within the boundary of the development, which future owners are responsible for managing and maintaining. As a general practice, people interested in a HOS project on sale may visit the Home Ownership Centre (HOC) of the Housing Authority (HA), where a three-dimensional model of the project is put on display and designated staff are present to answer specific inquiries about it. Therefore, interested applicants should have sufficient opportunity to learn about the project in detail.

Comprehensive information on the project, as well as the rights and obligations of future owners, is provided in greater detail in sales brochures distributed to successful applicants about seven days before flat selection and actual purchase.

As regards part (b) of the main question, there is no legislation at present governing the contents of publicity materials for domestic properties on sale by developers. Last year, the Housing Bureau launched a public consultation exercise on the Sales Descriptions of Uncompleted Residential Properties White Bill. I intend to introduce a bill into this Council within the current Legislative Session with the aim of ensuring the adequate provision of information in sales brochures on uncompleted residential properties put on sale by all developers, including the HA.

As regards part (c) of the main question, the HA has decided to provide more essential information in sales leaflets in future so that prospective buyers will have more knowledge about the relevant HOS projects.

MR FRED LI (in Cantonese): *Madam President, the Secretary stated in the first paragraph of the main reply that "interested applicants should have sufficient opportunity to learn about the project in detail". However, Madam President, I have received a complaint from a member of the public that he did not find in the sales leaflet of Hong Yat Court the area of the slopes within the boundary of the housing estate. He had telephoned the HOC to make inquiries with staff of the Housing Department, but was not provided with the information. Madam President, would the Secretary tell us what information should be included so that applicants are provided with sufficient information promptly, instead of making the relevant information available only to those successful applicants drawn by ballot for flat selection? Why can the information not be released promptly?*

SECRETARY FOR HOUSING (in Cantonese): Madam President, I think Mr LI might have been misled by that member of the public who lodged the complaint with him. I have with me now a copy of the sales leaflet that he referred to. I have read the leaflet and found on page three a location map showing the surroundings of the housing estate. Beneath the map there is a footnote expressly stating that owners of the housing estate are responsible for the management, repairs and maintenance of the slopes and retaining walls. In fact, Madam President, this sales leaflet already contains very detailed information. We cannot provide more information for prospective buyers as soon as the project is launched for the sales leaflet is intended for publicity among the general public and public housing tenants. That is why as many as

300 000 copies were printed, and having regard to cost-effectiveness, we cannot incorporate more information in the leaflet. However, after the first round of ballot is drawn, successful applicants will be given a sales brochure with more pages (consisting of 24 or even 50 pages). The brochure will certainly provide information in greater detail. But in fact, the sales leaflet has already included the basic information.

MR FRED LI (in Cantonese): *Madam President, I have read this sales leaflet. Madam President, the Secretary has left out the most important point of my supplementary question, that is, the area of the slopes. The sales leaflet made no mention of the area and that consumer is most dissatisfied with this.*

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

SECRETARY FOR HOUSING (in Cantonese): Madam President, I agree that the sales leaflet made no mention of the area of the slopes, although the owners' responsibility was mentioned. But as I have said, in the sales brochure distributed later, the disposition plan therein provided lots of information, including detailed information about the entire area of slopes. Had that member of the public visited the HOC beforehand, he could have obtained the relevant information.

MR CHAN KAM-LAM (in Cantonese): *Madam President, I think the Secretary will encounter many problems when housing estates with slopes are put up for sale. I would like to know if the Secretary has received from the public or prospective HOS applicants any complaint that they are not provided with sufficient information, similar to the complaint mentioned by Mr Fred LI today?*

SECRETARY FOR HOUSING (in Cantonese): Madam President, as far as I understand it, the HA has not received any complaint of this sort. As I have said just now, given that a model of the housing estate is put on display at the HOC where designated staff are present to answer questions, interested applicants can visit the HOC to make inquiries and I believe the staff there can certainly answer their questions.

MR ALBERT HO (in Cantonese): *Madam President, the Secretary mentioned the Sales Descriptions of Uncompleted Residential Properties White Bill in the second last paragraph of the main reply. In fact, the Legislative Council has been consulted on this White Bill, and members of the community are very supportive of its spirit, that is, to enable consumers or home buyers to obtain more background information about uncompleted buildings. Since the Government is prepared to table the Bill for scrutiny by the Legislative Council, it must have drawn up a legislative policy. Will the Government inform this Council whether the Housing Department, in putting public housing on sale, can fully meet the requirements of the Bill, that is, whether their policies can achieve the targets, thereby protecting the rights and interests of consumers?*

SECRETARY FOR HOUSING (in Cantonese): Madam President, before the actual enactment of the Bill, neither I, in my capacity as the Secretary for Housing, nor the Government has the power to order the HA to carry out any particular work, but I have referred the relevant information and views to the HA. As far as I understand it, the HA has, in principle, included lots of information in its sales leaflets and sales brochures. Even by the standard of the Bill to be enacted in future, the information currently provided for home buyers is in compliance with the spirit of the law. All I can say here is that the Government will table the Bill for scrutiny by this Council in this Session as early as possible.

MR ALBERT HO (in Cantonese): *Madam President, I did not catch the answer of the Secretary fully. Can the Secretary please make a clarification? Was he saying that he had provided as much information as possible but it might not necessarily meet the requirements of the law?*

SECRETARY FOR HOUSING (in Cantonese): Madam President, I think Mr HO might have misunderstood my meaning. I was saying that we have brought to the attention of the HA the spirit of the Bill, so the HA is aware of it. At present, they have included as much information as possible in sales leaflets and sales brochures. I believe after the enactment of the Bill in future, the HA can certainly meet the requirements of the law.

MR FRED LI (in Cantonese): *Madam President, let me put the question in a clearer perspective. In the fourth paragraph of the main reply, the Secretary undertook that the HA would provide more information in sales leaflets in future. There may be slopes within the boundaries of HOS projects to be put on sale in the future, so let me ask a question on this point. Will the area of slopes be included in sales leaflets?*

SECRETARY FOR HOUSING (in Cantonese): Madam President, I have discussed this with the HA. In fact, they also agree to include in sales leaflets detailed information about slopes and even the entire disposition plan, so that members of the public can know more about the housing estate concerned. As for the actual area of slopes, I will tell them to include in the leaflets the relevant information as far as possible.

PRESIDENT (in Cantonese): Sixth question.

MR LEUNG FU-WAH (in Cantonese): *Madam President, the Secretary for Education and Manpower is not in the Chamber. Should I go ahead with my question?*

PRESIDENT (in Cantonese): I now suspend the meeting. Council will resume later.

3.54pm

Meeting suspended.

3.58pm

Council then resumed.

PRESIDENT (in Cantonese): Mr LEUNG Fu-wah, you may now ask the sixth question.

Handling of Labour Disputes and Claims by Labour Department

6. **MR LEUNG FU-WAH** (in Cantonese): *Madam President, regarding the labour disputes and claims successfully mediated by the Labour Department, will the Government inform this Council:*

- (a) *among the labour disputes and claims settled upon mediation by the Department in 1999 and 2000, of the number and percentage of cases in which the compensation awarded to the employees concerned was no less than their legal entitlements; and*
- (b) *in respect of the cases successfully mediated, whether the Department has investigated if the employers concerned had contravened the requirements of the Employment Ordinance (Cap. 57) and brought prosecutions against those considered to have breached the law; if so, of the respective numbers of investigations and prosecutions in 1999 and 2000; if not, the reasons for that?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I would like to apologize to Honourable Members first, for I have been engaging in a serious discussion with an Honourable Member in the Ante-Chamber earlier.

- (a) For the two years of 1999 and 2000, a total of 35 452 labour disputes and claims were settled by the Labour Department through conciliation. The conciliation service provided by the Labour Department is mainly to enable the employers and the employees to understand the relevant legislative provisions and then to work out an amicable settlement through compromise. When the Labour Department conciliates labour disputes and claims, it does not adjudicate on the amount of compensation that the employees should receive under the law. As such, the Labour Department is unable to ascertain whether the compensation received by the employees is less than the "statutory compensation" in respect of cases settled through conciliation.

- (b) If an employer is suspected of breaching the Employment Ordinance, the Labour Department will initiate follow-up and investigation action. If sufficient evidence is found and the employee is willing to act as prosecution witness, the Labour Department will take out prosecution. The Labour Department will not give up prosecution merely because the case has been settled through conciliation. In the years 1999 and 2000, the Department has taken out prosecution against employers in 64 cases that had gone through the conciliation process. Among them, 11 cases were successfully settled by conciliation.

MR LEUNG FU-WAH (in Cantonese): *Madam President, in part (a) of the main reply, the Secretary points out that the conciliation service of the Labour Department is mainly to enable the employers and the employees to understand the relevant legislative provisions and to work out an amicable settlement through compromise. In fact, the law clearly provides for the computation of compensations for an employee on termination of service. The Labour Department has also some forms which list out the computation of such compensation claims by employees. If the mediation is successful, the Labour Department will make a detailed record of the final agreement reached. Take the 247 cases we have sampled and in which our representatives have taken part in the conciliation service provided by the Labour Department as an example, in only about 70% of these cases has statutory compensation been awarded. May I ask the Secretary why it is that the amount of compensation awarded can be found in the records of the trade unions but not in the records of the Labour Department? Why cannot the Labour Department be certain about the amount of compensation awarded to the employees in these cases?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, since Mr LEUNG has the answer to the question, he need not have raised this question after all.

I believe the point to note is when an employee lodges a claim, he will think that his claim is totally justified. That is why he will expect to get a certain amount of compensation according to how he would interpret the case. However, when a case is being mediated, both the employers and the employees will usually have a different view of the facts of the case in question and the

Labour Department can in no way determine the truth of the facts. For example, in cases of unreasonable dismissal, forcing an employee to become a self-employed person, or not giving holiday entitlements, and so on, the Labour Department cannot practically tell who is right and who is wrong. Therefore, if the employees think that they have every justification for their case, they may work out an amount of compensation which they think they will deserve. And when they fail to get it in the end, they will think that they have been unfairly treated. This kind of thinking is indeed biased. Mediation means the working out of an amicable settlement through compromise, to find common ground in the midst of contention, or to make both parties willing to come to a settlement. As a general rule, the amount of compensation reached when the dispute is resolved may not be the entire amount of compensation which the employees are claiming. But that does not mean that they are getting any less than the statutory compensation they are entitled to receive.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, in part (a) of the main reply, the Secretary points out that for the two years of 1999 and 2000, a total of 35 452 cases were settled by the Labour Department through conciliation. However, in part (b) of the main reply, she says that the Labour Department has taken out prosecution against employers in 64 cases that had gone through the conciliation process. Is the Secretary trying to tell us that among the some 30 000 cases, only 64 employers have breached the law, and that all the employers in the remaining 30 000-plus cases have not breached the law at all? I think the figure is really shocking. The only explanation for it is that the Labour Department has not attached enough importance to the labour laws and it has not done enough to take out prosecution against the employers.*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, in the some 30 000 cases settled through conciliation, if some cases are successfully mediated or if the employees think that the compensation is satisfactory, they will not be willing to be prosecution witnesses. In such cases, there will not be sufficient evidence to enable investigations to proceed or prosecution to be taken out. The Labour Department has followed up 133 cases and conducted investigations into them. Twenty-three of these cases have undergone mediation and in 64 cases in which prosecution have been taken out, 11 have been settled through conciliation.

MR ANDREW CHENG (in Cantonese): *Madam President, we have often received complaints that when the Labour Department handles labour dispute cases, the impression it gives to people is that it would seek to work out a settlement. In some cases, it even compels the employers and the employees to reach a settlement and finish the matter off. The figures given by the Secretary in her main reply do illustrate this point. The main reply mentions that the law has specified the amount of compensation that the employees may receive. May I ask when the Labour Department is conciliating labour disputes and claims, what are the standards it uses to enable both parties to reach a settlement and that the employees can get the basic and reasonable protection under the law? I think these standards are very important.*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): *Madam President, when hearing the questions raised by the Honourable Members, I have a feeling that they all think the employees are right. If a settlement is reached, it is as if the Government has forced the employers or the employees to accept the results of the conciliation. In my view, conciliation must be voluntary and it cannot be forced. If any party is unwilling to settle the case through conciliation, it can refuse to attend a conciliation conference at any time and the Labour Department will submit the case to the Labour Tribunal for legal proceedings to be instituted. Once legal proceedings are initiated, the procedures will be more complicated. So often times the employers and the employees will choose to have the case mediated by a third party and to reach a settlement. As a matter of fact, this is the intention of both the employers and the employees. That is why in most cases, that is, about 60% of the labour disputes, settlement can be made through conciliation. As for the standards used, they will vary from case to case. Often the disputes involve interpersonal relationships, and emotional contentions are often. When both parties calm down and discuss the matter, an amicable solution can always be found. I do not think we will force any party to accept the agreement reached through conciliation.*

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, perhaps I need to tell the Secretary clearly this. As the Secretary has said earlier, once a case has been referred to the Labour Tribunal, the case will become more complicated and a lot more time is needed. Many employees who may find a job after the labour dispute has occurred. So they would prefer to use the conciliation*

service. In fact, the kind of protection which the employees are getting is the barest minimum. May I ask the Secretary whether she is aware of the amount of compensation that the employees receive after mediation? Theoretically, the Labour Department should be aware of these figures. The Honourable LEUNG Fu-wah has mentioned earlier that according to the statistics compiled by the Federation of Trade Unions, about 70% of the employees have received the compensation they are entitled under the law. But these are our own figures. If the Government wishes to protect employees who are only getting the minimum protection, then in theory the Labour Department should have the number in respect of cases in which the employees have got the statutory compensation after conciliation. It should also have figures concerning those employees who, because of the complicated and time-consuming procedures, have agreed to accepting meagre compensations. I think the Secretary should provide us with the information on these. If there is no such information right now, the Labour Department should make a record of these figures in future, for the Labour Department will need to handle a lot of problems in the process of conciliation.

PRESIDENT (in Cantonese): When raising questions, Members should only be raising questions instead of telling the Government how it should handle problems. If they wish to do so, they should bring these out on other occasions.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I think the supplementary question raised by Miss CHAN is actually a repetition of Mr LEUNG's question. They assume that the amount of compensation claimed by the employees is actually what they should receive. Then the amount of compensation they receive after conciliation is less than what they should have got. However, this assumption is in itself flawed. When engaging in conciliation, we find that there are some cases where the party to be blamed cannot be determined at all or that it is not sure whether the employees should get the amount of compensation claimed. Therefore, even if the Labour Department may have such figures as the Honourable Members do, the Honourable Members may still think that their questions have not been properly answered, that is, the number of cases in which the employees have received compensation less than the amount to which they are entitled under the law. The Labour Department does not have such figures.

PRESIDENT (in Cantonese): Miss CHAN, is your question still unanswered?

MISS CHAN YUEN-HAN (in Cantonese): *Madam President, maybe the supplementary question raised by me was too long. (Laughter) I would like to ask whether the Labour Department is willing to compile statistics on these figures.*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, that cannot be done at all, for the Labour Department is not playing the role of a judge and it does not investigate into the cases and determine who is right and who is wrong. The Labour Department only plays the role of a co-ordinator and a mediator and in the process, there is bound to be compromise. Since the amount of compensation is reached as a result of compromise, the issue of compensation to which the employees are entitled is therefore out of the question, for such an amount does not exist at all.

MR ALBERT HO (in Cantonese): *Madam President, after listening to the main reply and the supplementary questions raised by Members, I understand that some Members are concerned about the fact that despite the vast number of cases which saw mediation by the Department, only a very small number of employers were prosecuted in the end. My concern is that the Labour Department is presently playing the double roles of a mediator and an investigator cum prosecutor. Will this lead to any conflict of roles which may impair the conciliation work and may lead to a wrong impression that it is not fair in conducting the prosecution and the investigation? For even if these jobs are undertaken by two different teams of people, they are still under the same department. As a matter of fact, this may lead to worries as to if the Labour Department can be trusted and that all the information of a case should be submitted to it. It is because people will worry that the Labour Department may use such information to take out a prosecution in the Court. Will this undermine the effectiveness of the conciliation work of the Labour Department?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, we are also very concerned about this issue and so a lot of measures have been adopted to prevent such a situation from happening. The

Labour Department actually has different teams of people responsible for the conciliation and prosecution. Besides, no records will be made of any information given by both parties. An agreement is produced only after a settlement is reached. There will not be any records of the remarks made during the conciliation process. We will also not submit the records concerned to the Labour Tribunal and the Small Claims Tribunal. So in this regard, I do not think the Labour Department should have any conflict of roles.

MR LEUNG FU-WAH (in Cantonese): *Madam President, the Secretary said the employees are wrong in their assumption that their claims are totally justified. I would like to cite a live example and I hope the Secretary can say whether this is also wrong. At the end of last year, an entertainment park in Tai Wai closed its business. The employer asked the several hundred employees whether they would agree to a compensation equivalent to 80% of the amount specified in the labour legislation. The employer also said that the staff could file a suit against him if they disagreed. May I ask the Secretary whether it is wrong in that case?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I do not intend to comment on any individual case.

MR HENRY WU (in Cantonese): *Madam President, in part (a) of the main reply, the Secretary mentions that there is a total of more than 30 000 cases of labour disputes and claims, however, I believe not every one of these cases would involve one employer. May I ask the Secretary, how many employers are involved in cases settled by the Labour Department through conciliation and how many employers are involved in those cases which fail settlement through conciliation?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I think I need to give a reply later in writing on this question of how many companies and employers are involved in these cases. (Annex) For the two years of 1999 and 2000, a total of 61 108 labour disputes were handled by the Labour Department, of which 35 452 cases were settled through conciliation. The difference between these two figures is the number of cases which were not settled through conciliation. These cases would be referred to the Labour Tribunal.

PRESIDENT (in Cantonese): Question time shall end here.

WRITTEN ANSWERS TO QUESTIONS

Progress of Development Plan on West Kowloon Reclamation

7. **MR TIMOTHY FOK** (in Chinese): *Madam President, regarding the plan to develop the West Kowloon Reclamation into an integrated arts, cultural and entertainment district, will the Government inform this Council:*

- (a) *of the progress of the plan; and*
- (b) *when it will announce the timetable and relevant details of the open competition on the planning design for the district?*

SECRETARY FOR PLANNING AND LANDS (in Chinese): Madam President,

- (a) Regarding the proposed development of the southern tip of the West Kowloon Reclamation into an integrated arts, cultural and entertainment district, the Government has announced that a Concept Plan Competition will be organized. Details of the competition have been drawn up and the Government is in the process of putting together a Panel of Jurors comprising experts from within and outside Hong Kong.
- (b) It takes time to put together the Panel of Jurors, but it is expected that barring unforeseen circumstances, the competition will be launched shortly. As for the exact date of the competition, it will be decided following discussions with Jury members. The timetable and details will be announced when the competition is launched, and will be widely publicized.

Effectiveness of Crowd Control Operations

8. **MR IP KWOK-HIM** (in Chinese): *Madam President, on certain holidays, the authorities adopt measures of closing vehicular access to roads or implementing one-way pedestrian traffic at places where large crowds gather or celebrations are held. In this connection, will the Government inform this Council:*

- (a) *whether it has reviewed the effectiveness of such measures; if it has, of the results of the review; if it has not, the reasons for that;*
- (b) *of the criteria adopted by the police for deciding whether or not to implement one-way pedestrian traffic;*
- (c) *whether it will assess the inconvenience caused to residents nearby before deciding to implement closure of roads; and*
- (d) *whether police officers on the spot are empowered to make on-the-spot changes to the predetermined arrangements; if so, of the guideline they have to follow?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) Shortly after each major crowd management operation, the police would conduct comprehensive review meetings both internally and with the event organizer, other government departments and working units involved. The purpose of these meetings is to review the policing strategy and other operational arrangements put in place by other key stakeholders. This would enable the police to identify ways for continuous improvement in future crowd management operations.
- (b) The police have clearly laid down policy and procedures concerning crowd and traffic management at major public events. Prior to compiling his Operational Order for such an event, the Police Commander will conduct a comprehensive risk assessment to identify and analyse potential problems that may arise given the nature and location of the event, size and demography of crowds

likely to be taking part, road and traffic conditions as well as the prevailing weather, and so on. Based on the outcome of the risk assessment, the Police Commander will formulate his operational plan and necessary contingency measures which may include the implementation of one-way pedestrian flow system.

- (c) Any crowd and traffic management measure will inevitably affect nearby residents. In order to minimize any inconvenience caused, the police will, before finalizing its operational plan, carefully strike a right balance between maintaining public order and ensuring public safety and the inconvenience resulted from the measures.
- (d) In general, the police have contingency plans formulated to cater for any possible emergency situations. Under the present command structure, there is a mechanism to ensure that the contingency measures are promptly implemented if there are any emerging problems. The basic principle is that the Police Field Commander will, on the basis of his professional judgement, decide whether to activate the contingency plans and, if necessary, seek further instructions from the Overall Commander.

Land Premium Income from Small Houses

9. **MR LAU WONG-FAT** (in Chinese): *Madam President, regarding the cases involving applications for removing from the land lease of small houses the provisions restricting their assignment, for which additional premiums are required to be paid, will the Government inform this Council:*

- (a) *the number of such cases approved; and*
- (b) *the amount of additional premiums received in each of the past five financial years?*

SECRETARY FOR PLANNING AND LANDS (in Chinese): Madam President, in the past five years, the cases approved and premiums collected relating to the removal of the assignment restrictions in the land lease of small houses are as follows:

<i>Financial Year</i>	<i>Number of Cases Approved</i>	<i>Premium Collected (\$ million)</i>
1995-96	539	636.5
1996-97	573	573.2
1997-98	669	838.8
1998-99	685	795.4
1999-2000	572	524.4

Study of Underground Water

10. **DR TANG SIU-TONG** (in Chinese): *Madam President, regarding the study of underground water in Hong Kong, will the Government inform this Council:*

- (a) *whether it has conducted or planned to conduct comprehensive and systematic studies on the following:*
 - (i) *the physical phenomena of underground water in Hong Kong (including the water flow, flow rate and water level) and the extent of contamination in it;*
 - (ii) *the effects of urban development and reclamation on the physical phenomena of underground water; and*
 - (iii) *the effects of changes in the physical phenomena of underground water on slope safety, drainage capacity, the environment and ecology;*
- (b) *if studies have been conducted, of the scope, year of completion, conclusions and recommendations of these studies as well as the contents of the follow-up studies; if there are plans to carry out studies, of the scope, commencement date and estimated costs of such studies, and whether local academics will be commissioned to do the researches; if there are no such plans, the reasons for that;*

- (c) *whether the Slope Safety Technical Review Board (SSTRB) has recommended in the past five years the conduct of studies on the physical phenomena of underground water; if so, whether the recommendations have been adopted;*
- (d) *whether, in planning the development of new towns or before the commencement of reclamation works, assessments have been made of the impact of such development projects or reclamation works on the physical phenomena of underground water; if so, of the results of the assessments, including the effects of physical changes of underground water on the drainage capacity of the Northwest New Territories; and*
- (e) *whether it will consider improving the design of drainage networks by drawing on the knowledge of the physical phenomena of underground water, so as to enhance the drainage capacity of low-lying areas and stability of slopes; if so, of the details; if not, the reasons for that?*

SECRETARY FOR WORKS (in Chinese): Madam President,

- (a) Apart from the two notable underground water studies mentioned in the reply to question (b) below, the works departments have not carried out any comprehensive and systematic studies on underground water in Hong Kong.

The effects of engineering works on groundwater flow and *vice versa* are examined on a project-specific basis. There are no plans for systematic nor Hong Kong Special Administrative Region-wide groundwater flow studies at the moment.

- (b) Details of the studies conducted are as follows:

- (i) *Mid-levels Study*

This study was to examine the various geotechnical factors that could govern the future development in the Mid-levels area. The study was completed in 1982. Results of the study indicated that there were two interrelated groundwater systems, a main water table in the bedrock and decomposed

rock aquifers, and perched water tables in colluvium. Following this study, the Government amended the Buildings Ordinance and related Regulations, imposing new restrictions and geotechnical control on developments in the Mid-levels Scheduled Area.

(ii) *Hydrogeology Studies of Yuen Long Area*

The Government commissioned two hydrogeology studies at the Yuen Long area. These two studies, completed in 1989 and 1991 respectively, investigated the hydrogeological conditions for the use of pumping wells for flushing, the hydrochemistry of the groundwater and the potential of sinkhole formation. The key recommendations included monitoring of existing piezometers to identify the change in the overall pattern of groundwater behaviour, provision of piped flushing water to pump-well users, control of discharge of acids into the area of Deep Bay, and control of future construction activities with respect to ground investigation, foundation works and large-scale pumping in the Yuen Long area so as to minimize the potential of sinkhole formation. In response to these recommendations, legislation was enacted in 1990 to prevent discharge of acids into waters in Deep Bay and to make Yuen Long one of the Scheduled Areas under the Buildings Ordinance that are subjected to special control for proposed building works.

- (c) In the past five years, the SSTRB has made three recommendations relating to underground water and hydrological/hydrogeological studies. The details are tabulated below:

SSTRB's Recommendations

Actions by the Government

SSTRB Report No. 7

May 1998

To carry out studies to relate the hydrological response to rainfall to landslide mechanics and incidence.

Hydrological studies have been included in landslide investigations reports where required.

*SSTRB's Recommendations**Actions by the Government**SSTRB Report No. 9**January 2000*

To pay special attention to the three-dimensional hydrogeological conditions and recharge-discharge relations in the landslide investigation of Shek Kip Mei landslide site.

The hydrological characteristics of the landslide site and its surrounding areas have been carefully considered in the landslide investigation. The investigation reports were agreed by the SSTRB.

*SSTRB Report No. 10**January 2001*

To include micro-basin hydrology/surface flow/interflow studies in the Tsing Shan Foothill Area Study.

The Civil Engineering Department is considering the recommendation.

- (d) Site investigations have been carried out to obtain data on geology and groundwater conditions for engineering feasibility studies or detailed designs for new town development or reclamation projects. However, from engineering considerations there has not been the necessity for an overall assessment of the impact of the proposed new town development or reclamation projects on the physical phenomena of underground water.

The drainage channels in the Northwest New Territories have been reviewed in the recently completed Yuen Long, Kam Tin, Ngau Tam Mei and Tin Shui Wai Drainage Master Plan Study. The existing drainage channels, together with the planned ones, are found to be able to provide sufficient flood protection to the area. It should be noted that changes in underground water levels do not have a significant impact on the design of the channels.

- (e) Underground water flow should not in general affect the performance of the drainage system. The characteristics of the rainfall in Hong Kong are such that heavy downpours can take place within very short durations. The surface runoff generated from the rain can flow quickly over the land to reach nearby surface drainage channels. The drainage system must have high conveyance capacity for delivery of the runoff to the sea. On the other hand, underground water flow is slow. The majority of underground water will not reach the surface again and affect the flood capacity of the drainage system.

With regard to slopes, an effective way to improve the stability of slopes is to lower the groundwater levels. This can be done by installing subsurface drainage measures such as horizontal drains and cut-off drains. Information on groundwater flow collected as part of the site investigation is used in the design of such measures.

Frauds in Transactions of Uncompleted Small Houses

11. **MR TAM YIU-CHUNG** (in Chinese): *Madam President, regarding frauds in the transactions of uncompleted small houses in the New Territories, will the Government inform this Council:*

- (a) *of the number of such fraud cases received by the police in each of the past three years, and the number of developers involved; and*
- (b) *whether it will step up publicity efforts to warn the public against being cheated?*

SECRETARY FOR PLANNING AND LANDS (in Chinese): Madam President,

- (a) The police have not kept separate records of reported frauds in the transactions of uncompleted small houses in the New Territories. The information requested by the Honourable Member is therefore not available.

- (b) The Crime Prevention Bureau of the police is responsible for conducting publicity and programmes for crime prevention. The police are mindful of the concerns and interest of the public. They will consider appropriate measures to alert the public of any criminal matters. For the time being, the police consider that the number of fraud cases involving transactions of uncompleted small houses in the New Territories does not seem to suggest that the issue warrants a specific publicity measure.

The Lands Department has published information booklets relating to the building and the purchase of village houses in the New Territories. These booklets are freely available for public information at the New Territories District Lands Offices. Lands Department representatives also give talks on the subject of purchasing village houses in the New Territories in seminars organized by the Estate Agents Authority periodically.

We consider the existing publicity measures by the police and the Lands Department adequate for the time being. More publicity will be considered if the need arises.

Deportation and Removal of Persons

12. **MISS CYD HO** (in Chinese): *Madam President, regarding the deportation and removal of persons, will the Government inform this Council:*

- (a) (i) *of the number of removal orders made by the Chief Executive against undesirable immigrants under section 19(1)(a) of the Immigration Ordinance (Cap. 115);*
- (ii) *of the number of removal orders made by the Director of Immigration, a Deputy Director of Immigration or an Assistant Director of Immigration under section 19(1)(b) of the Immigration Ordinance against persons who did not have the right of abode in Hong Kong;*

(iii) *of the number of deportation orders made by the Chief Executive under section 20(1)(a) of the Immigration Ordinance against immigrants who had been found guilty of an offence punishable with imprisonment for not less than two years; and*

(iv) *of the number of deportation orders made by the Chief Executive on the grounds of public interest under section 20(1)(b) of the Immigration Ordinance*

in the past three years;

(b) *of the respective numbers of appeals which were allowed, petitions which were made for suspension or rescission of the above orders and the petitions which were allowed in each of the above categories of cases;*

(c) *whether it will consider publishing the above statistics regularly; if not, of the reasons for that; and*

(d) *whether it will consider requesting the Central People's Government to remove the reservation, in respect of "restrictions on expulsion from Hong Kong" when the International Covenant on Civil and Political Rights (ICCPR) was extended to Hong Kong, which does not confer a right of review in respect of a decision to deport a person not having the right of abode in Hong Kong or a right to be represented for this purpose before the competent authority; if not, of the justifications for that?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

(a) and (b)

Statistics on deportation and removal orders issued between 1998 and 2000 under the Immigration Ordinance (Cap.115) and statistics on appeals, petitions and objections made and allowed are as follows:

	1998	1999	2000
(i) Removal orders made under section 19(1)(a) ¹	0	0	0
(ii) Removal orders made under section 19(1)(b) ²	1 130	1 206	4 325
Statutory appeals lodged ³	579	483	2 310
- allowed	(2)	(0)	(0)
- rejected	(577)	(481)	(2 225)
- being processed (pending the hearing of the Immigration Tribunal or verification of status of the appellants concerned)	(0)	(2)	(85)
Non-statutory petitions lodged	120	24	47
- allowed	(5)	(2)	(0)
- rejected	(114)	(9)	(23)
- being processed (pending the hearing of the Court of Final Appeal on the right of abode or verification of status of appellants concerned)	(1)	(13)	(24)

¹ Under section 19(1)(a) of the Immigration Ordinance, the Chief Executive may make a removal order against a person if it appears to him that that person is an undesirable immigrant who has not been ordinarily resident in Hong Kong for three years or more.

² Under section 19(1)(b) of the Immigration Ordinance, the Director, Deputy Director or an Assistant Director of Immigration may make a removal order against a person who does not enjoy the right of abode in Hong Kong, or who does not have the Director's permission to remain in Hong Kong.

³ A person against whom such a removal order has been made may appeal to the Immigration Tribunal within 24 hours against the order.

	1998	1999	2000
(iii) Deportation orders made under section 20(1)(a) ⁴	538	690	504
Statutory objections lodged under section 53 ⁵	1	0	0
- rejected	(1)	(0)	(0)
Non-statutory objections lodged	26	26	32
- allowed (deportation order rescinded)	(13)	(6)	(4)
- allowed (deportation order suspended)	(2)	(4)	(7)
- refused or withdrawn	(11)	(16)	(17)
- being processed	(0)	(0)	(4)
(iv) Deportation orders made under section 20(1)(b) ⁶	0	0	0

- (c) The yearly numbers of removal and deportation orders executed are available on the homepage of the Immigration Department. They are also published in the Department's Annual Report and the Hong Kong Annual Report.

⁴ Under section 20(1)(a) of the Immigration Ordinance, the Chief Executive may make a deportation order against an immigrant if the immigrant has been found guilty in Hong Kong of an offence punishable with imprisonment for not less than two years. The Chief Executive's power has been delegated to the Secretary for Security.

⁵ An immigrant against whom a deportation order has been made may lodge an objection to the decision with the Chief Secretary for Administration within 14 days. Under section 53 of the Immigration Ordinance, the objection will be considered by the Chief Executive in Council.

⁶ The Chief Executive may make a deportation order under section 20(1)(b) if he deems it to be conducive to the public good. The Chief Executive's power has been delegated to the Secretary for Security.

- (d) Article 13 of the ICCPR provides that an alien lawfully in the territory of a State Party to the present Covenant may be expelled therefrom only in pursuance of a decision reached in accordance with law and shall, except where compelling reasons of national security otherwise require, be allowed to submit the reasons against his expulsion and to have his case reviewed by, and be represented for the purpose before, the competent authority or a person or persons especially designated by the competent authority.

When the ICCPR was extended to Hong Kong by the Government of the United Kingdom in 1976, a reservation in respect of Article 13 of the ICCPR was entered on behalf of Hong Kong. This reservation is necessary to safeguard the integrity of our immigration control which must be vigorously enforced given Hong Kong's small land size and high population density. Our relative economic prosperity in the region will make Article 13 vulnerable to abuse if it is applied to Hong Kong. We have no plans to request the Central People's Government to withdraw the reservation. To do so will only cause confusion and may send a wrong signal to illegal immigrants. In any event, the existing appeal system for persons subject to removal or deportation has been working effectively. Persons concerned may also seek judicial review or petition the Chief Executive against a removal or deportation order under Article 48 of the Basic Law. There are ample opportunities for them to make representations or to seek redress.

Eligibility for Home Loan Interest Deductions

13. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, at present, if owners of mortgaged dwellings which are used as their principal places of residence have assessable income in a financial year, they are entitled to claim "home loan interest deductions" in respect of the interest paid on mortgages in that year; if they have no assessable income, they may nominate their spouses who live in the same dwelling and have assessable income to make such claims. In this connection, will the Government inform this Council:*

- (a) *of the reasons for the Administration stipulating that these persons may only nominate their spouses but not their children to lodge the claims; and*
- (b) *whether the Administration will consider amending the relevant legislation to give the children of such persons the same right; if not, of the reasons for that?*

SECRETARY FOR THE TREASURY (in Chinese): Madam President, under the Inland Revenue Ordinance, the maximum home loan mortgage interest deduction under salaries tax in respect of a property is \$100,000 in a year of assessment. Each taxpayer is entitled to a home loan interest deduction in any five years of assessment in respect of a property which is used by him/her as his/her principal place of residence in each year of assessment. Where a property is jointly owned by more than one person, the interest deductible for the property, subject to a maximum of \$100,000 in a year, would have to be apportioned between the owners in the same ratio as their respective shares of the ownership of the property. No transfer of entitlement between joint owners is allowed, except under section 26(F) of the Ordinance.

Under section 26(F), where a taxpayer is entitled to the home loan mortgage interest deduction but has no income, property or profits chargeable to tax for that year of assessment, he or she may nominate his or her spouse who is not living apart, to claim the deduction for that year of assessment.

Allowing eligible taxpayers to nominate only their spouses (and not their children or any other persons) to claim the deduction is in line with the existing tax policy under which tax liability is assessed on an individual basis and entitlement to tax deductions is not transferable, with married couples being the only exception. It is for this reason that the Inland Revenue Ordinance allows only married couples to elect to be jointly assessed, whereby the two individuals' net chargeable income is aggregated and a single assessment is raised as if they are a single taxpayer. In a joint assessment, even if only the husband or the wife is eligible to claim the home loan mortgage interest deduction as an individual taxpayer, the deduction will be made against the aggregated income of

the couple. However, if only the husband or the wife is eligible to claim the home mortgage interest deduction but he or she has no income chargeable to tax in any year of assessment, the couple will not be able to benefit from the deduction through election for joint assessment. The nomination option merely seeks to provide an alternative channel to these married couples whereby they can benefit from the deduction as if they are allowed to elect for joint assessment.

As we do not consider it appropriate to allow the income of any individual taxpayer to be jointly assessed with any other persons except his or her spouse, we see no case to extend the scope of the nomination provision relating to home loan mortgage interest deduction under section 26(F) of the Ordinance to cover the taxpayer's children or any other persons.

Impact of Windshear on Ascending or Descending Aircraft

14. **MR ALBERT CHAN** (in Chinese): *Madam President, regarding the impact of windshear on ascending or descending aircraft, will the Government inform this Council:*

- (a) *of the details, findings and recommendations of the studies on windshear commissioned by the Administration when designing the Hong Kong International Airport (HKIA) at Chek Lap Kok (CLK);*
- (b) *during the first two years after the opening of the HKIA,*
 - (i) *how the incidence of windshear recorded compares with the estimation of the above studies; and*
 - (ii) *whether there were incidents in which aircraft movement was affected by windshear; if so, of the details of these incidents and the contingency actions taken by the Civil Aviation Department (CAD); and*
- (c) *of the measures to ensure that the phenomenon of windshear will not jeopardize the safety of ascending or descending aircraft?*

SECRETARY FOR ECONOMIC SERVICES (in Chinese): Madam President,

- (a) Before the construction of the HKIA, the Government commissioned a consultant to conduct detailed windshear studies at CLK. These studies found that while there would be windshear induced by mountains and strong winds at CLK, the occurrence rate of about 0.5% of the hours in a whole day was comparable to that at Kai Tak. The studies concluded that such phenomena should not constitute a determining factor against the selection of CLK as the site for the new airport. Furthermore, the studies recommended that a sophisticated windshear warning system should be installed. The International Air Transport Association Regional Co-ordinating Group concurred with the conclusions and recommendation of the study reports.
- (b) (i) During the last two and a half years since the opening of the airport (July 1998 to December 2000), 636 reports of windshear had been received, representing 0.15% of all flights in and out of the airport.
- (ii) Since the opening of the new airport, 29 landing flights have had to abort landing on account of windshear. Of these 29 flights, four were diverted to other places. The remaining 25 flights landed successfully after an aborted attempt. As for take-off, there is no record of aircraft having to adopt special procedures on account of windshear. The CAD follows the requirement of the International Civil Aviation Organization in disseminating aviation meteorological information (including windshear warnings) to pilots, so that they can adopt the necessary flight procedures. Pilots are generally trained on the appropriate flight procedures when encountering windshear. As for air traffic control, there are standing arrangements to handle landing or departing flights which are affected by weather conditions (including windshear).

- (c) In accordance with the consultants' recommendations, the Hong Kong Observatory (HKO) has introduced windshear detection equipment and a warning system since the opening of the airport. The system adopts the most advanced technology and includes a number of wind sensors in and around the airport as well as a Doppler Weather Radar at Tai Lam Chung. The radar is used to detect windshear caused by thunderstorms.

The HKO will continue to improve its windshear warning services. These include analysing windshear experienced at CLK, further upgrading warning techniques and procuring a light detection and ranging (LIDAR) system, which will enhance the ability of the HKO to detect windshear in dry or non-rainy weather. The system is scheduled to be installed and put on trial in 2002.

As mentioned in paragraph (b)(ii) above, the Air Traffic Control Unit of the CAD disseminates windshear warnings immediately by radio to arriving and departing aircraft. This arrangement enables the pilots concerned to adopt the proper flight procedures, or defer the landing or take-off, having regard to the prevailing circumstances so as to ensure flight safety.

Recycling of Construction and Demolition Materials

15. **DR RAYMOND HO** (in Chinese): *Madam President, regarding the recycling of construction and demolition (C&D) materials, will the Government inform this Council:*

- (a) *of the average weight of C&D materials dumped at landfills every day last year;*
- (b) *whether it has arranged for the recovery of C&D materials from landfills; if so, of the manpower involved and the weight of C&D materials recovered daily; and*
- (c) *of the number of companies now engaged in recycling C&D materials in Hong Kong, and the support provided to such companies?*

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Chinese):
Madam President,

- (a) Last year, an average of 7 480 tonnes of C&D materials were disposed of at landfills each day.
- (b) There is a sorting facility at the South East New Territories Landfill to recover inert C&D materials like rubbles, rocks and stones. Thirteen workers are involved in the operation of the facility. The facility processes about 1 100 tonnes of materials, and recovers about 1 000 tonnes of inert materials each day. We have not installed similar facilities at the West New Territories Landfill and the North East New Territories Landfill because the materials disposed of at these two landfills are mostly wastes with little inert materials that can be reused or recycled.
- (c) There are about 250 companies involved in the recycling of C&D materials.

The Environmental Protection Department (EPD) has provided information about these companies to the construction industry to facilitate business contacts between the two industries. The information is also available on the EPD's website. In addition, over the past two years, we have made available seven short-term tenancy sites for use by recyclers, including recyclers of C&D materials. We will continue to identify more land for the purpose.

Our measures to promote recycling of C&D materials would also support the development of the industry. For example, we require contractors of public works projects to sort and recover useful materials. We will establish large-scale facilities to enable the construction industry to carry out off-site sorting and recycling. We will also experiment with the use of recycled aggregates in public works projects. We believe these measures will provide business opportunities for C&D materials recyclers.

Housewives Excluded from Mandatory Provident Fund Scheme

16. **MR LEUNG YIU-CHUNG** (in Chinese): *Madam President, full-time housewives are excluded from the Mandatory Provident Fund (MPF) Scheme implemented by the Administration. In this regard, will the Government inform this Council:*

- (a) *of the present number of full-time housewives;*
- (b) *whether it has studied if the above exclusion constitutes discrimination against full-time housewives and denial of their contribution to society; if it has, of the results of its study; if it has not, the reasons for that;*
- (c) *whether it has consulted the Equal Opportunities Commission (EOC) and sought legal advice on whether such exclusion constitutes a breach of the provisions of the Sex Discrimination Ordinance (Cap. 480) as well as the Family Status Discrimination Ordinance (Cap. 527); if it has, of the outcome of the consultation and the legal advice obtained; if it has not, whether it will consult and seek legal advice shortly; and*
- (d) *apart from implementing the Comprehensive Social Security Assistance Scheme and providing the Old Age Allowance, whether it has any policies and measures to support the livelihood of full-time housewives when they reach 65 years old; if so, of the details; if not, the reasons for that?*

SECRETARY FOR FINANCIAL SERVICES (in Chinese): Madam President,

- (a) There is no commonly accepted definition of full-time housewives. According to the General Household Survey conducted by the Census and Statistics Department during September to November last year, about 790 000 females were found to be economically inactive owing to engagement in household duties.

- (b) The MPF Scheme is an employment-related retirement protection system. Unless specifically exempted by the law, all members of the workforce (regardless of sex) have to participate in the MPF Scheme. The question of discrimination does not arise. In fact, housewives and other people who are not economically active may also invest in savings and endowment plans available in the market to meet their future needs.
- (c) Since the question of discrimination does not arise, we do not see the need to consult the EOC nor to seek legal advice.
- (d) The Government has in place a comprehensive policy on "Care for Elders". The major goal is to improve the elders' quality of life, and to ensure that they will continue to enjoy a sense of security, a sense of belonging and a feeling of health and worthiness. The targets of the policy include, *inter alia*, elders who are full-time housewives.

Apart from providing financial assistance for those in financial need, for elders with care needs, the Government has provided a full range of residential, and home and community care services. As the majority of elders prefer to age at home and most of their families also wish to take care of them, the Government has been increasing and strengthening the provision of various home and community care services for frail elders and support services for their family care providers. The Government will soon implement a new service to support elders who are likely to require admission to a care and attention home but whose needs could be better met through enhanced care at home.

To care for elders who cannot be adequately taken care of at home, the Government will continue to provide residential care services through a mixed mode of service provision, with participation from subvented, private and self-financing care home operators.

The Government recognizes the importance of providing adequate medical and health support to elders. Community Geriatric Assessment Teams provide outreach medical support services to residential care homes. A total of 18 Elderly Health Centres are in place to provide preventive and curative medical services to elders.

As regards housing needs, the Government will continue to give older persons in need priority access to public housing, and increase the supply of public rental flats of suitable design with appropriate facilities. The Government will also make use of the expertise and experience of the private sector to provide housing for elders.

Refresher Courses for Serving Teachers

17. **MR CHEUNG MAN-KWONG** (in Chinese): *Madam President, with regard to refresher courses provided by the Education Department to serving teachers, will the Government inform this Council:*

- (a) of the number of places provided for serving teachers in the respective refresher courses on English Language, Chinese Language, Putonghua and Information Technology Education in each of the past five years and the respective public expenditure involved;*
- (b) whether schools may apply to the authorities for funding to engage substitute teachers so that serving teachers can attend refresher courses; if so, of the refresher courses meeting the relevant application criteria, and the relevant funding allocated in each of the past five years; if not, the reasons for that; and*
- (c) of the refresher courses terminated in the past five years and will soon be terminated by the authorities, the reasons for their termination and the replacement courses provided?*

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

- (a) Each year, the Administration offers a wide range of training courses for serving teachers. Some courses are organized by the Education Department direct, whilst others are commissioned by the Department and organized by various training institutes. These courses cover different aspects of teaching skills, subject knowledge, and other professional issues. Depending on the complexity of the

subject, the duration of each course differs, and could range from half a day to a few months. Courses which have a long-term demand are run year after year, whilst courses designed to meet ad hoc training needs or to address topical issues are run as and when demand arises. Thus, the number of training courses, as well as the number of training places, could vary quite considerably from year to year.

The expenditure incurred each year is mainly a function of the number of courses, their duration, and whether they are organized by the Department direct or commissioned out. For courses run by the Department direct, the costs (in particular, staff costs) are usually absorbed by the Department's resources and hence not separately identifiable.

In the past five years, the Government has provided various in-service training courses on English, Chinese, Putonghua and information technology (IT). Details are set out in the table below. The figures should be interpreted in the context of the background set out in the above two paragraphs.

<i>School year</i>	<i>Subject (Note 1)</i>	<i>No. of places</i>	<i>Expenditure (in \$M) (Note 1)</i>
1996-97	English Language	6 498	29.78
	Chinese Language	1 755	29.93
	Putonghua	750	17.48
	IT	2 164	0 (Note 2)
1997-98	English Language	6 526	29.28
	Chinese Language	2 561	28.83
	Putonghua	1 343	25.10
	IT	1 656	0.22
1998-99	English Language	3 890	29.14
	Chinese Language	1 688	30.35
	Putonghua	1 810	22.05
	IT (Note 3)	74 123	17.46

<i>School year</i>	<i>Subject (Note 1)</i>	<i>No. of places</i>	<i>Expenditure (in \$M)(Note 1)</i>
1999-2000	English Language	8 343	37.28
	Chinese Language	1 693	32.83
	Putonghua	1 814	20.20
	IT (Note 3)	46 146	26.98
2000-01 (projected total)	English Language	2 777	35.46
	Chinese Language	1 194	32.13
	Putonghua	561	17.53
	IT (Note 3)	63 318	70.02

Note 1: some courses are run by the Education Department with its own resources. The expenditure for such courses are not separately identifiable.

Note 2: run by the Education Department through deployment of its resources.)

Note 3: In 1998-99, the Education Department implemented a "Provision of Multimedia Computers for Primary Schools" project, which includes the training of all primary school teachers. The Administration issued a five-year Strategy on Information Technology in Education in November 1998. One of the initiatives is to provide training places at four different IT competency levels for teachers so that they could use IT more effectively to support teaching in the school curriculum. Figures on training places and expenditure have already been included in the relevant statistics for the 1998-99, 1999-2000 and 2000-01 school years.

- (b) Government and aided schools may make use of resources provided to employ substitute teachers when serving teachers are granted sick leave, maternity leave or study leave. As the Education Department's accounts in respect of substitute teachers do not

include a breakdown by reason for employing substitute teachers, the expenditure figures for employing substitute teachers due to serving teachers taking study leave are not available.

- (c) The Administration regularly reviews and updates the content of the training courses, and provides new courses to replace outdated ones. As this is an ongoing task and there are a large number of training courses involved, no specific statistics are kept.

Staffing and Services of Refuge Centres for Women

18. **MR LAW CHI-KWONG** (in Chinese): *Madam President, there are now three refuge centres in Hong Kong which provide temporary accommodation for women and their children who are faced with family crises. Regarding the staffing of and the services provided by these centres, will the Government inform this Council:*

- (a) *of the staffing establishment of each centre;*
- (b) (i) *of the number of admissions of women into these centres and their average length of stay; and*
- (ii) *whether there have been instances in which these centres were fully occupied, resulting in women in need not being admitted immediately; if so, of the highest number of women awaiting admission and their average waiting time*
- in the past three years;*
- (c) *whether the women occupants, on admission into these centres, are required to sign an undertaking to move out after a certain period of time; if so, of the length of the period; and*
- (d) *whether there are in/out time restrictions for the occupants of these centres; if so, of the reasons for setting these time restrictions, and whether the centres allow entry and exit of those occupants who go to work and return outside the permitted hours?*

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

- (a) Each of the three refuge centres in Hong Kong provides 40 places. The current staffing establishment of each centre is one Assistant Social Work Officer, one Senior Social Work Assistant, one Social Work Assistant, five Welfare Workers and four Workmen. In addition, the women and children staying in the centres also receive other outside welfare services, as appropriate.
- (b) (i) In the past three years, the number of women and their children admitted to these centres is as follows:

	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i> <i>(up to</i> <i>December 2000)</i>
Women	526	575	675	535
Children	559	601	753	509
Total	1 085	1 176	1 428	1 044

As for the average length of stay, 65% of women and children residing in the refuge centres stay for less than one month. Only 2% stay for longer than three months.

- (ii) In 1999-2000, the average occupancy rate in the centers was 90%. Since the refuge centres provide an immediate emergency shelter service, there is no wait-listing mechanism. Although each refuge centre has a set capacity, each handles urgent requests for admission flexibly, including referring the case to the other two centres when this is necessary. If women in need cannot be admitted immediately into the refuge centres due to full enrolment, the referring social worker will make alternative arrangements, including identifying temporary accommodation with, for example, relatives or renting other suitable accommodation.
- (c) Upon admission, residents are requested to sign a consent form indicating their willingness to be admitted and agreeing to comply

with the centre's rules, including the normal duration of stay. The length of stay depends mainly on the welfare plan which is prepared, the long-term housing arrangements and the views of the women. Since these centres only provide a temporary refuge service, residents are normally not expected to stay for more than three months. However, depending on individual needs, the centres can exercise discretion regarding the length of stay. According to the centres' records, in 1999-2000, 22 women stayed for longer than three months.

- (d) To ensure the safety of the women and their children and in order to maintain a stable daily routine for other residents, there are time rules in the centres. Residents are normally free to enter and leave the centre between 6 am and 10 pm. To address the particular needs of individual residents, the centres adopt a flexible approach in meeting the working hours of the residents.

Installation of Green Traffic Light Signal Countdown Timers

19. **MRS SOPHIE LEUNG** (in Chinese): *Madam President, regarding the feasibility of installing green traffic light signal count-down timers in Hong Kong, will the Government inform this Council:*

- (a) *of the progress of the relevant study; and*
- (b) *whether it plans to conduct tests on the countdown timers in order to evaluate their effectiveness and their suitability for Hong Kong; if so, of the timetable for conducting the tests and the costs needed; if not, the reasons for that?*

SECRETARY FOR TRANSPORT (in Chinese): Madam President, as far as we are aware, the green traffic light signal countdown timers available in the market operate on a fixed, pre-set mode. Our traffic lights, on the other hand, are adjusted automatically according to traffic condition and vehicle flow, and involves variation to the duration of the red and green phases of a signal cycle. These two systems are incompatible in their operation and if used together will cause confusion to the motorists.

A recent overseas research study has also shown that the use of advance warning system, such as countdown timers, to alert drivers of the change of the green light to red are not without problems. Such devices may cause some motorists to suddenly increase their speed near the junction to catch the green signal, thus subjecting the pedestrians at the junction to greater danger. While others may be overly cautious and brake their vehicles too abruptly, thus causing the vehicles behind to collide into them.

We will, however, continue to monitor developments on this front to further assess the effectiveness of such devices and their possible introduction into Hong Kong.

To reduce possible conflicts between pedestrians and vehicles at busy signalized junctions, the Administration has installed pedestrian flashing green countdown timers on a trial basis at two crossings at the junction of Lai Chi Kok Road and Nathan Road since June 2000. We are currently assessing the effectiveness of the scheme. Subject to the outcome of the trial, the Administration will decide whether to extend the usage of such devices to other locations.

Flight Delays

20. **MR HOWARD YOUNG:** *Madam President, regarding flight delays, will the Government inform this Council of:*

- (a) the respective numbers of delays in flight departure and arrival for more than one hour, since the opening of the Hong Kong International Airport (HKIA) at Chek Lap Kok; and*
- (b) the actions the Airport Authority (AA) and the Government have taken to reduce flight delays?*

SECRETARY FOR ECONOMIC SERVICES: Madam President, our reply to the two parts of the Honourable Howard YOUNG's question is as follows:

- (a) Since the opening of the HKIA, the number of flights delayed for more than one hour are given in the table below:

<i>Flight Season</i> ^{Note}	<i>Passenger and cargo flights</i>					
	<i>Departure</i>			<i>Arrival</i>		
	<i>Total no. of movements</i>	<i>No. of delays</i>	<i>% of total movements</i>	<i>Total no. of movements</i>	<i>No. of delays</i>	<i>% of total movements</i>
Summer 1998 (6 July 1998 to 31 October 1998)	26 859	3 492	13%	26 874	1 612	6%
Winter 1998 (1 November 1998 to 31 March 1999)	34 011	3 061	9%	33 992	2 040	6%
Summer 1999 (1 April 1999 to 30 October 1999)	45 017	2 692	6%	45 034	2 639	6%
Winter 1999 (31 October 1999 to 25 March 2000)	33 892	2 125	6%	33 769	2 168	6%
Summer 2000 (26 March 2000 to 28 October 2000)	53 595	3 414	6%	53 442	3 276	6%

On average, over 80% of passenger aircrafts depart from or arrive at the HKIA on time which, according to industry practice, means within 15 minutes of the scheduled departure or arrival time.

^{Note} The summer flight season starts from the last Sunday in March and ends on the last Saturday in October. The rest of the year is the winter flight season. Commercial flights at the HKIA started on 6 July 1998.

Statistics pertaining to the winter 2000 flight season are not yet available.

- (b) Flight delays of over one hour at the HKIA are mainly due to bad weather, aircraft technical problems, disruptions at other airports, or operational decisions of the airlines concerned to defer the departure in the case of departing cargo flights.

To reduce the amount of flight delay, concerted efforts have been made by the Government, the AA and its business partners (for example, ramp handlers) to facilitate the operation of every flight at the HKIA. The AA and its business partners regularly review the gate allocation, baggage handling and ramp handling procedures with a view to improving efficiency. The Civil Aviation Department will continue to provide high-standard air traffic control services with a view to ensuring a safe, efficient and orderly traffic flow for arriving and departing flights. For example, it deploys additional manpower during peak periods such as Chinese New Year, Easter and Christmas, and so on, to handle the increased traffic.

The AA will continue to ensure that the capacity and facilities of the HKIA are sufficient to meet increasing demand. For example, eight aircraft stands will be provided within the cargo area in 2001, bringing the total number of stands to 96. The runway capacity has been raised to 45 movements per hour since March 2000, and will be further increased to 47 movements per hour during the busy hours with effect from March 2001.

MOTION

PRESIDENT (in Cantonese): Motion. Resolution under the Pharmacy and Poisons Ordinance.

PROPOSED RESOLUTION UNDER THE PHARMACY AND POISONS ORDINANCE

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. The motion seeks to amend the Poisons List (Amendment) Regulation 2001 and the Pharmacy and Poisons (Amendment) Regulation 2001.

Currently, we regulate the sale and supply of pharmaceutical products through a registration and inspection system set up in accordance with the Pharmacy and Poisons Ordinance. The Ordinance maintains a Poisons List under the Poisons List Regulations and several Schedules under the Pharmacy and Poisons Regulations. Pharmaceutical products put on different parts of the Poisons List and different Schedules are subject to different levels of control in regard to the conditions of sale and keeping of records.

For the protection of public health, some pharmaceutical products can only be sold in pharmacies under the supervision of registered pharmacists and in their presence. For certain pharmaceutical products, proper records of the particulars of the sale must be kept, including the date of sale, the name and address of the purchaser, the name and quantity of the medicine and the purpose for which it is required. The sale of some pharmaceutical products must be authorized by prescription from a registered medical practitioner, a registered dentist or a registered veterinary surgeon.

The Amendment Regulations now before Members seek to amend the Poisons List in the Poisons List Regulations and the Schedules to the Pharmacy and Poisons Regulations, for the purpose of imposing control on a number of medicines.

Firstly, the Pharmacy and Poisons Board proposes to tighten the control of pharmaceutical products containing phenylpropanolamine by including them in the First Schedule of the Pharmacy and Poisons Regulations. This means that every time a pharmacist sells such products, he must make a record of the sale, sign it and also require the customer to sign.

Secondly, the Board proposes to add three new medicines to Part I of the Poisons List, and the First and Third Schedules to the Pharmacy and Poisons Regulations so that pharmaceutical products containing any of them must be sold in pharmacies under the supervision of registered pharmacists and in their presence, with the support of prescriptions.

The two Amendment Regulations are made by the Pharmacy and Poisons Board, which is a statutory authority established under section 3 of the Ordinance to regulate the registration and control of pharmaceutical products. The Board comprises members engaged in the pharmacy, medical and academic professions. The Board considers the proposed amendments necessary in view of the potency, toxicity and potential side-effects of the medicines concerned.

With these remarks, Madam President, I move the motion.

The Secretary for Health and Welfare moved the following motion:

"That the following Regulations, made by the Pharmacy and Poisons Board on 29 January 2001, be approved -

- (a) the Pharmacy and Poisons (Amendment) Regulation 2001; and
- (b) the Poisons List (Amendment) Regulation 2001."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for Health and Welfare 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 of the Members present. I declare the motion passed.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Mr LAU Chin-shek and Mr James TIEN have each given notice to move four proposed resolutions. As the four resolutions proposed by the two Members are identical, I will decide which Member shall move his motions according to the order of notice given. Now, I will call upon Mr LAU Chin-shek to move his first motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the motion, as set out on the Agenda, be passed.

During these last two months, motions of "anti-fare and fee hikes" and the like were proposed nearly in every meeting of this Council. I believe that my standing was "often heard and well remembered" by the President, Honourable colleagues in this Chamber, the Secretary for the Treasury, the Financial Secretary and the press. Today, the Honourable James TIEN and I have proposed four resolutions, which will be the last batch to be proposed recently. Therefore, I would like to sum up what has transpired in the "attack and defense battle for anti-fare and fee hikes" during these two months.

By some calculation on my fingers, together with the resolutions to be dealt with today, I have moved 49 resolutions in total and proposed that more than 400 items of government fees and charges be frozen. Among them, the fee increase for approximately more than 160 items was turned down after colleagues had voted on them. By looking at the figures alone, we only managed to stem part of the "gigantic surge" in fee increases proposed by the Government. It cannot be said that we were very successful. However, I believe that a clear message has been conveyed by us through these many debates, that is, the existing economic situation has not yet fully recovered and many citizens are still living in hardships, so, neither the Government nor the public utilities should increase their prices and fees recklessly.

Apart from us Members who represent the grassroots, in fact, quite a number of colleagues from other sectors did raise some points in these debates which deserved careful and serious consideration by the Administration. For example, the representative of the industrial and business sector, Mr James TIEN, once pointed out, "I am of the view that the fees which have a direct impact on the public will of course affect their livelihood directly; fees which have no direct impact on the people's livelihood will also affect them in an indirect way." The Honourable Eric LI of the Accounting sector also noted, "I totally agree to the point that some improvements are seen in the existing economy. However, the growth is not comprehensive. It is likely that slightly better improvements are noted for some individual businesses. It will still take quite some time before an overall and full-scale economic improvement can be effected." In addition, the Honourable Michael MAK, representative of the Health Services also mentioned, "In view of the stability enjoyed by society in Hong Kong today, the unemployment rate is still on the high side. The confidence of society as a whole is still to be enhanced. Under such circumstances, if the Government of Hong Kong and some large consortia take the lead to increase their fees, regardless if they are related to the people's livelihood or not, other public utility corporations will absolutely be encouraged to demand increases in prices. Then, the green light for a price hike will be switched on".

I fully agree to the points raised by colleagues as quoted. They reflected that the voice of opposition against the present price hikes initiated by the Government had come from representatives of people from different walks of life and of different trades, so the Government definitely could not ignore it.

I believe that in these few months, the "surge of increase in fees and charges" has actually risen again in Hong Kong. The one which took the lead was the Government. I agree that even though Members of this Council vote against all items proposed for increase, it is unlikely that we can stop other public utilities from increasing their prices. However, if we do nothing and do not question the Government about its so-called "non-livelihood related" fee increases, the "surge of increase in fees and charges" will be fuelled and its force will grow even stronger. In the past few meetings, we succeeded in preventing the Government from increasing some of the fees. In this way, we can on the one hand do something material to impede the surge of fee increases initiated by the Government, on the other hand, I believe that the message of "anti-fare or fee hikes" has also been conveyed to those public utility corporations. Therefore, I think that it does mean something to propose the resolutions to oppose fee increases.

Moreover, I believe that quite a number of colleagues here share my point of view as well. That is, the public very much hopes that the Legislative Council can really "do something" to look after the well-being of the people. I always think that these livelihood-related questions concerning the anti-price hike can unite different political parties and independent Members of this Council now. In fact, the Legislative Council has solid powers to review and vote against fee increases proposed by the Government. If we do not even exercise this power, but allow the Government to initiate the surge of fee increases instead, I believe the public will be very disappointed.

As regards the increases in respect of fees and charges that are related to the people's livelihood, the Government has obviously interpreted them in a very narrow sense. The economic growth in Hong Kong was up by a two-digit figure last year, yet the Financial Secretary decided to impose a temporary freeze on only four types of fees which have significant impact on the people's livelihood, namely water tariffs, waste disposal fees, tuition fees and medical charges. At the same time, he insisted on proposing increases for the remaining items, numbering over a thousand. I think that it was very irresponsible of the Government to do so. Last month, this Council passed a freeze of all fees for services provided by the Judiciary. This is a good example to illustrate that many of the "non-livelihood related" fees as perceived by the Government do in fact affect the lives of the public in a substantial way.

I wish that the Government can seriously review the justification of the whole series of fee increases proposed this time and give more consideration to the hardships suffered by the public and the views expressed by colleagues of this Council in future, otherwise the Administration will continue to come up against a brick wall!

Madam President, next I would like to talk about the contents of the four resolutions being dealt with today in detail, especially how these fees are related to the people's livelihood. First of all, we are going to vote on the fees payable for the issue of certificates of compliance for fire and building safety of clubs.

The increase of this fee will affect more than 500 clubs and the so-called "clubs" may include those commercial undertakings like dining clubs and

karaoke. Other than these, some of them may be non-profit-making organizations like clansmen associations, alumni and religious groups, and so on. May I ask, "squeezing money" from alumni and religious groups which do not do any business and make no profit is not affecting the people's livelihood? Therefore, I wish colleagues can think it over again and support my resolution of freezing the fee for clubs.

As for the other three resolutions, they mainly concern with some registration fees and licence fees. For purposes of supervision of fire service safety by the Government, people of the categories concerned are requested to register and apply for a licence. Obviously, supervision is to be carried out for the public objective of protecting the safety of the general public. How are the fees charged for these services related to the "user pays" principle? The Government supervises the fire safety of certain organizations and requests certain categories of people to register, which will not directly enable these organizations or people to make more money. Hence, why does the Government have to recover the full cost of the supervisory work on the premise of "user pays"? As to whether these services should be charged according to the "user pays" principle, I think a review is definitely needed.

At the same time, I also question whether all registration fees and licence fees are "non-livelihood related". It can be said that the Government has been "ambivalent" in respect of the criteria for classifying livelihood related and non-livelihood related fees. It is simply baffling. Early this month, when the price increase in water service installations was being dealt with, Secretary for the Treasury Denise YUE indicated in the lobbying letter addressed to Members that plumber licence fees, and so on, which were related to the people's livelihood or the business environment, would not be included in the items for price increase. If the Government admitted that plumber licence fee was related to the people's livelihood and the business environment, why were the registration fees for lift examiners and fire service installations workers not related to the people's livelihood? I wish the Secretary could give this Council a reasonable explanation.

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

Mr LAU Chin-shek moved the following motion:

"That the Clubs (Safety of Premises) (Fees) (Amendment) Regulation 2001, published as Legal Notice No. 13 of 2001 and laid on the table of the Legislative Council on 17 January 2001, be amended by repealing section 2(a), (b), (c), (d), (e), (f), (g) and (h)."

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

PRESIDENT (in Cantonese): I shall call upon Mr James TIEN to speak on the motion.

MR JAMES TIEN (in Cantonese): Madam President, this resolution was proposed by Mr LAU Chin-shek and me together, but I would usually let him give his notice first because the job done by him was more thorough even though I had attended more Subcommittee meetings than Mr LAU. In fact, he already said what I had intended to say. In respect of the registration fees for lift examiners or fire service installation contractors, I wish to add one point. In fact, most of the fees have currently achieved a cost recovery of more than 80% or close to 90% and the difference is not very big. Taking the current business environment into consideration, does the Government need to recover 100% of the cost so urgently? I opine that the Government should consider delaying the increase for these fees. Moreover, are these items related to the people's livelihood? We have had frequent debates on this question. In fact, these items may not affect the people's livelihood directly but I think they will definitely affect the people's livelihood in an indirect way.

I wish Members from other political parties would consider this point and I do not want to waste too much of your time. Thank you, Madam President.

MR CHAN KAM-LAM (in Cantonese): Madam President, the House Committee agreed on 19 January to the formation of a Subcommittee to study the four items of subsidiary legislation related to fee revision published in the Gazette on 12 January. Now, I will speak in my capacity of Chairman of the Subcommittee.

The Subcommittee held a meeting with the Administration on 8 February and requested the Administration to furnish us with further information on a number of issues. After discussion, the Subcommittee agreed that individual Members should consider on their own whether they would support those subsidiary legislation.

Madam President, I would like to speak now in my capacity of the representative of the Democratic Alliance for Betterment of Hong Kong (DAB) on the resolutions proposed by Mr LAU Chin-shek and Mr James TIEN.

The four items of government fees under discussion today include the fee for the issue of certificates of compliance for clubs, builders' lifts and tower working platforms fees, fire service installation contractors registration fee and timber stores licence fees. After careful consideration, the DAB thinks that the fees only involve operators of a small number of trades and there is no direct impact on the people's livelihood. Therefore, we support the Government to increase the fees for those items and object to the resolutions proposed by Mr LAU Chin-shek.

According to the information submitted by the Government last week, certificates of compliance are currently issued to approximately 500 clubs. A majority of them are premises for entertainment where people can have food and beverages, play mahjong, sing karaoke, and so on. Others include some clansmen associations, sports clubs, alumni, and so on. The relevant fee is calculated on the floor area of the clubs, which accounts for only a very small percentage of the overall operating cost. I believe the probability of this increase being transferred onto consumers is also very small. Of course, it is most welcome that the Government has taken the initiative to lower the fee payable for the issue of certificates of compliance of clubs with a floor area above 1 000 sq m.

Moreover, the ordinance stipulates that all certificates of compliance are renewed annually. Therefore, during the discussions of the Subcommittee, I suggested that the Government could refer to the existing legislation governing hotels. Certificates of compliance can be issued to qualified clubs on three-year or five-year terms and a concessionary fee which is more favourable than that of annual renewal can be provided for the choice of the person-in-charge of the club. Although the suggestion had nothing to do with the fee revisions under discussion today I wish that the Government could seriously consider this suggestion.

As for other fees in respect of builder's lift and tower working platforms, fire service installations contractor registration fees and timber stores licence fees, on basis of the principles set down by us in the past for the registration and licence renewal fees for a range of professions, we are of the view that the proportion of the fees to the whole investment is negligible. Besides, the registration fee for fire service installations contractor is one-off and permanent. Therefore, the DAB supports the Government to increase the fees for the relevant services.

Madam President, I so submit.

MR AMBROSE LAU (in Cantonese): Madam President, the items proposed for a fee increase involve four major categories, including the fee for issue of certificates of compliance for clubs, builder's lifts and tower working platform fees, fire service installations contractor registration fees and timber stores fees. The Hong Kong Progressive Alliance (HKPA) opposes the Government to increase the fee payable for issue of certificates of compliance for clubs, but we will support the proposal to increase the fees for the other three items.

We are of the view that the increase in the fee payable for issue of certificates of compliance for clubs will substantially affect the operation of clubs. There are altogether more than 500 clubs in Hong Kong which are required to apply for a certificate and quite a number of members will be involved. If the proposal for increasing the fee payable for the issue of the certificates of compliance for clubs, the fees involved will be between \$4,000-odd and \$25,000-odd, and it is to be paid annually. Therefore, the fees to be paid by club members may be increased accordingly if the Government increases the fees. Furthermore, other than premises for leisure and entertainment, other non-commercial organizations such as industrial and commercial/professional bodies, clansmen associations, religious groups, alumni, and so on, will be involved. The fee increase will make them shoulder a heavier burden. Moreover, it is also unreasonable for the certificate to be issued annually. If there is neither change of address nor large-scale renovation carried out by the groups concerned, actually the annual application for certificate of compliance is really unnecessary. For the reasons mentioned above, the HKPA opposes the proposed increase in the fees payable for the issue of certificates of compliance for clubs.

As to the proposal for fee increase in the other three categories, the HKPA has no objection because the increase will affect neither the operation of the trades nor the people's livelihood in a substantial way.

Madam President, I so submit.

MR SIN CHUNG-KAI (in Cantonese): Madam President, the situation today is very interesting because the "royalist camp" no longer maintains its "royalist" stand in respect of one of the motions under discussion today. In fact, this is also a very strange phenomenon because the motion concerns with the fee payable for the issue of certificates of compliance for clubs. I do not quite understand why subsidies should be given to those organizations concerned, such as the Hong Kong Jockey Club. Certainly, it does not need subsidy by the Government, instead, the Club can make considerable contribution to society.

As regards the four items of fee increase today, the Democratic Party supports the Government. In fact, on the contrary, it is quite difficult to link these fee increases with those fees related to the people's livelihood. We found it hard to get some concrete proof to substantiate the argument that the fees proposed for increase are related to the people's livelihood directly. However, in the course of scrutiny, our colleague, the Honourable CHAN Kam-Lam, suggested whether the Government could issue a certificate of compliance with a validity period of more than one year. In fact, I agree to the view expressed by Mr CHAN Kam-Lam. The Government may consider applying some degree of flexibility in respect of some low risk clubs or certificates issued regularly. For example, certificates valid for two or three years can be issued for such clubs. By so doing, the ultimate purpose is to cut down the cost of these clubs. If we wish to render assistance to clubs, I think more money can be saved by using the above method rather than freezing the fees. I wish the Secretary for the Treasury could take this suggestion into consideration.

Moreover, in the letter addressed to us by the Secretary for the Treasury, or during the discussions at the Subcommittee meeting, it was mentioned that there would be a substantial increase in the fee payable for the issue of certificates of compliance for clubs with a floor area of 401 sq m to 1 000 sq m or above. However, clubs with a floor area up to 1 020 sq m are very few in

number. The fee payable for the issue of certificates of compliance for clubs with a floor area of 1 020 sq m almost doubled that of those with a floor area of 999 sq m, with the fee increasing from \$25,000 to more than \$30,000. The rate of increase for this category is bigger. Of course, the rate of increase for some categories will after all be greater. In short, this is a problem with the fee structure. It is hoped that the Secretary for the Treasury will urge the Home Affairs Department to review the relevant fee structure if she has the chance to do so. Despite our queries on the fee structure, we think that the rate of increase will not have great impact on the people's livelihood. Therefore, the Democratic Party opposes the motion proposed by Mr LAU Chin-shek, and supports the Government to increase the fees.

SECRETARY FOR THE TREASURY (in Cantonese): Madam President, Mr LAU Chin-shek has said that he will move resolutions to negative the four pieces of subsidiary legislation relating to the revision of several items of fees and charges that do not directly affect the people's livelihood and general business activities. These cover the fees and charges relating to the issue of certificates of compliance for clubs, builders' lifts, tower working platforms, registration of fire service installations contractors and timber stores. I wish to give my response to all these four resolutions in the same speech today.

The first of these four pieces of subsidiary legislation concerns the fees payable for the issue of certificates of compliance for clubs. Under the relevant ordinance, any person who wishes to operate, establish or manage any club premises (that is, premises used solely for a club and its members on a permanent or temporary basis) must obtain a certificate of compliance issued by the Home Affairs Department, so as to ensure that the club premises concerned comply with fire and building safety regulations. The purpose of requiring the issue of certificates of compliance is to ensure the safety of users (that is, club members and their guests).

The fees for the issue or renewal of certificates of compliance fall into nine types, and they were last revised in March 1996. With the exception of club premises measuring more than 1 000 sq m in area, the fees payable for the issue of certificates of compliance for all other clubs of smaller sizes can only achieve a cost recovery rate of 67% to 96%. We propose to increase the fees payable

for the issue of certificates of compliance for clubs of smaller sizes by 4% to 15%. It is hoped that the full costs can thus be recovered within one to three years. Besides, since the fee payable for the issue of certificates of compliance for clubs larger than 1 000 sq m in area is slightly above the cost recovery level, we also propose a slight reduction for it.

Since this fee revision will only affect a very small number of club operators, numbering about 500, and also since the fee for issue of a certificate of compliance occupies only a small proportion of the operating costs, we believe the increases will not be transferred onto the general public. Mr CHAN Kam-lam and the Honourable SIN Chung-kai requested the Government to review the existing fee structure. I will continue to study this matter in conjunction with the Home Affairs Bureau. The two Members also mentioned the validity period and renewal of licences which involve public safety considerations, but I undertake that I will ask the Secretary for Home Affairs to conduct a more in-depth review on this.

The second of these subsidiary legislation concerns the fees relating to builders' lifts and tower working platforms. To ensue safe operation, these equipment require periodic examination and test after the completion of installation, re-erection or any major alterations. There is also a requirement on the registration of examiners and contractors. For the protection of the safety of construction workers, we do not recommend relaxing the regulation imposed by the Government in order to save costs of service delivery.

There are eight items of fees relating to the issue of certificates of test/examination and the registration and re-registration of examiners and contractors. These fees were last revised in December 1997, and currently, they can only achieve a cost recovery rate of 82% to 90%. We propose to adjust these fees upward by 10%, or by \$55 to \$375 in actual money terms.

In the past one year, the Electrical and Mechanical Services Department issued about 490 certificates of test/examination. And, there were respectively 14 and 46 registered recognized examiners and contractors, each with an effective registration period of three years. The proposed revision will be minimal when compared with the operating costs of registered contractors or the total investments in a building project. For this reason, we do not think that the increases will be transferred onto the general public.

On 16 October last year, we consulted the major owners of builders' lifts and tower working platforms and registered contractors and examiners on the proposed fee revision. Most of them raised no objection to the Government's proposal to increase the fees.

The third piece of subsidiary legislation concerns the registration fees for fire service installations contractors. These contractors are responsible for the installation, maintenance, repairs and examination of all fire service installations and equipment. For reasons of public safety, the Fire Services Department (FSD) will apply very great caution when vetting the relevant applications for registration. Besides conducting a detailed study on the information provided by the applicant, the Department will also test the fitness of the applicant for registration and his knowledge about fire service installations and the relevant laws. In addition, staff of the Department will also carry out site visits to inspect the workplace and tools of the applicant, so as to ensure their compliance with fire safety requirements.

There are nine items of fees relating to applications for registration as fire service installations contractors, and these fees cover registration, written tests, interviews, workplace inspections and alteration of registration particulars. These fees were last revised in May 1996, and currently, they can only achieve a cost recovery rate of 27% to 83%. To reduce the impact of the fee revision, we propose to adjust them upward by 10% to 20%, or by \$35 to \$205 in actual money terms.

In the past 12 months, the FSD approved a total of 65 applications for registration as fire service installation contractors. As at 31 January, there were totally 760 registered fire service installation contractors. Most of the existing contractors are companies, and only 1% of them are individuals. Usually, registration is permanent with no need for renewal, except when there is a need for cancellation under some special circumstances. For this reason, we do not think that the proposed fee increases will exert any pressure on the industry, nor do we think that the people's livelihood will be affected.

The last piece of subsidiary legislation concerns the licence fees for persons or companies operating timber stores. Since the goods stored in timber stores are highly inflammable, the FSD must impose strict regulation on them for the sake of public safety. That is why during the process of vetting new licence applications or renewal applications, staff of the Department will visit the timber

stores concerned to examine their sizes and fire service installations. Licensing or renewal conditions will be imposed as appropriate to ensure that the timber stores concerned can comply with fire safety requirements.

A timber store licence is valid for a period of one year. There are five items of fees, relating to the issue of a licence, licence renewal, transfer of an existing licence, amendment of the conditions or particulars of a licence and issue of a duplicate of a licence. These fees were last revised in May 1996, and currently, they can only achieve a cost recovery rate of 44% to 95%. To reduce the impact of the increases, we propose to adjust these fees upward by 5% to 15%. The increases for four of these items in actual money terms range from \$20 to \$50. For the remaining item, the increase is \$305. In the past 12 months, the FSD issued a total of nine new licences and approved 88 renewal applications. We believe that these increases will have minimal impact on the industry, and we also believe that the people's livelihood will not be affected.

In June last year, we consulted the relevant Panel of the then Legislative Council on these four pieces of subsidiary legislation, and no objection was raised by the Panel.

Finally, I sincerely call upon Members to support the Government's fee revision proposals outlined above, so that taxpayers' subsidy for the service users can be reduced.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LAU Chin-shek be passed. 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 LAU Chin-shek rose to claim a division.

PRESIDENT (in Cantonese): Mr LAU Chin-shek has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Howard YOUNG, Mrs Miriam LAU, Mr Abraham SHEK, Miss LI Fung-ying, Mr Michael MAK, Mr LEUNG Fu-wah and Mr LAU Ping-cheung voted for the motion.

Dr LUI Ming-wah, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr SIN Chung-kai, Dr Philip WONG, Mr WONG Yung-kan, Mr LAW Chi-kwong, Mr Henry WU, Dr LO Wing-lok and Mr IP Kwok-him voted against the motion.

Geographical Constituencies and Election Committee:

Mr LEE Cheuk-yan, Miss CHAN Yuen-han, Mr LEUNG Yiu-chung, Mr LAU Chin-shek, Dr TANG Siu-tong and Mr Ambrose LAU voted for the motion.

Miss Cyd HO, Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Mr CHAN Kam-lam, Mr Andrew WONG, Dr YEUNG Sum, Miss Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr Albert CHAN, Mr WONG Sing-chi, Ms Audrey EU, Mr NG Leung-sing and Mr YEUNG Yiu-chung voted against the motion.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 22 were present, 12 were in favour of the motion and 10 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 24 were present, six were in favour of the motion and 17 against it. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the motion was negatived.

PRESIDENT (in Cantonese): Mr LAU Chin-shek, please move the second motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I will have improvement today.

Madam President, I move the motion, as printed on the Agenda, be passed.

Madam President, this resolution seeks to amend the Lifts and Tower Working Platforms (Safety) (Fees) (Amendment) Regulation 2001 in order to freeze the proposed increase in fees and charges in respect of builders' lifts and tower working platforms.

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

Mr LAU Chin-shek moved the following motion:

"That the Builders' Lifts and Tower Working Platforms (Safety) (Fees) (Amendment) Regulation 2001, published as Legal Notice No. 14 of 2001 and laid on the table of the Legislative Council on 17 January 2001, be repealed."

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is not 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 and by the Election Committee, who are present. I declare the motion negatived.

PRESIDENT (in Cantonese): Mr LAU Chin-shek, please move the third motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move the motion, as printed on the Agenda, be passed.

Madam President, this resolution seeks to amend the Fire Service (Installation Contractors) (Amendment) Regulation 2001 in order to freeze the proposed increase in fees and charges for the registration of fire service installations contractors.

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

Mr LAU Chin-shek moved the following motion:

"That the Fire Service (Installation Contractors) (Amendment) Regulation 2001, published as Legal Notice No. 15 of 2001 and laid on the table of the Legislative Council on 17 January 2001, be repealed . "

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is not 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 and by the Election Committee, who are present. I declare the motion negatived.

PRESIDENT (in Cantonese): Mr LAU Chin-shek, please move the fourth motion.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR LAU CHIN-SHEK (in Cantonese): Madam President, I move that the last motion under my name, as printed on the Agenda, be passed.

This resolution seeks to amend the Timber Stores (Amendment) Regulation 2001 to freeze the fee increases related to timber store licences.

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

Mr LAU Chin-shek moved the following motion:

"That the Timber Stores (Amendment) Regulation 2001, published as Legal Notice No. 16 of 2001 and laid on the table of the Legislative Council on 17 January 2001, be repealed."

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

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(Members raised their hands)

PRESIDENT (in Cantonese): I think the question is not 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 and by the Election Committee, who are present. I therefore declare the motion negatived.

PRESIDENT (in Cantonese): Two motions with no legislative effect. I have accepted the recommendations of the House Committee as to the time limits on speeches for the motion debates. I shall not repeat the relevant recommendations for Members are well familiar with them.

First motion: Conditions of employment offered by subvented organizations and contractors of government projects or services.

CONDITIONS OF EMPLOYMENT OFFERED BY SUBVENTED ORGANIZATIONS AND CONTRACTORS OF GOVERNMENT PROJECTS OR SERVICES

MR LEE CHEUK-YAN (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

Madam President, on behalf of the Hong Kong Confederation of Trade Unions (CTU), I move this motion for debate today to help people with negative income, that is, workers whose income is not enough to support their families. These workers together with owners of negative assets, for whom the Honourable Howard YOUNG has urged the Government to provide assistance, are the two major social groups who have been hit the hardest by the financial turmoil. I hope the Government will address their plights squarely.

However, Madam President, I have started to doubt whether I should move this motion today because whenever I move a motion for debate, I will invariably discover a new "ordeal of workers" which is always more tragic than the last one.

Two years ago when I moved a motion on minimum wages for the first time, surveys conducted by the CTU showed that the McDonald's, the most

notorious exploiter, paid its workers an hourly rate of \$13 at the lowest. In May last year when I moved for a second time a motion on minimum wages, I saw at an office of the Labour Department in Tuen Mun an advertisement for the post of a baby-sitter, the wages for which were a mere \$10.1 per hour. The then Secretary for Education and Manpower responded that it was a mutually favourable arrangement endorsed by him. Before I move this motion on the conditions of employment offered by subvented organizations and contractors of government projects or services today, the headlines on newspaper yesterday read, "Worker being paid at \$7 hourly was forced to live in public toilet". I would not venture to expect the Secretary for Education and Manpower to bring any good news to wage earners today. But I hope the Secretary can at least tell us expressly and unequivocally whether she supports an hourly rate of \$7. Does she consider an hourly rate of \$7 a disgrace? Is it a mutually favourable arrangement to force a worker working for a contractor to live in a public toilet?

Madam President, I do not intend to discuss minimum wages or the regulation of working hours. The focus of this debate today is whether we should allow the Government to create poverty using public funds, whether we should allow the Government to exploit workers using public funds, and whether we should step up control over outsourced services to eliminate the serious exploitation by contractors?

To be honest, it is somewhat unfair for the Secretary for Education and Manpower to give a reply on behalf of the Government today. The design engineers of the overall contracting-out system are the senior and junior treasurers, that is, the Financial Secretary and the Secretary for the Treasury. To economize on expenditure, they adopted a broad-brush approach to force government departments to "cut their flesh" to enhance productivity, requiring departments to outsource a substantial part of their work. But in contracting out government services, they refused to include in the tender documents the minimum standards of employment. As a result, the exploiters were able to reap huge profits in the process at the expense of their workers who were condemned to poverty. So, the Housing Department (HD), the Food and Environmental Hygiene Department (FEHD) and the Leisure and Cultural Services Department (LCSD) must bear the name of "unscrupulous government departments" and take the blame, but the Secretary for Education and Manpower will have to give an explanation for the shameful employment terms created by the Government.

But in the final analysis, the Chief Executive, TUNG Chee-hwa, will be victimized. In last year's policy address and the most recent Question and Answer Session, the Chief Executive vowed solemnly that he would care for and help the 20% of families that are most impoverished. Workers working for contractors belong to these 20% of families. Why does the Government turn a blind eye to them? Why does it not take some actions? Is the Chief Executive being hypocritical, or is it that Mr TSANG, the Chief Secretary for Administration-designate, has pulled wool over the eyes of our honest and upright Chief Executive and neglected the plights of the people in formulating the outsourcing policy and hence created this human tragedy of a worker being paid at \$7 per hour to clean public toilets and sleeping in a public toilet? Madam President, I hope the Secretary will tell us in her reply if the Chief Executive is hypocritical in that his words do not tally with his deeds, or if the Financial Secretary has done the Chief Executive injustice, making the Government, being the ultimate employer of these workers, become unscrupulous, unsympathetic and unrighteous? Today, I am sowing dissention openly, hoping to draw the Chief Executive to the side of workers so that the Chief Executive will honour his promises to care for the impoverished workers and change the existing outsourcing policy which shows no sympathy for the ordeals of workers.

The reason why I have moved this motion today is that significant retrogression has been seen in recent years over the terms of employment for workers working for contractors of government services. First, before the two Municipal Councils were scrapped, the outsourcing contracts of the Urban Services Department and Regional Services Department (RSD) still contained clauses prescribing the level of wages. For instance, the Regional Council had passed a resolution to require contractors to pay their workers at a rate not lower than a particular level. In fact, there are still 50 items of services under the FEHD and another 20 under the LCSD for which the contracts contain terms similar to those of the former Regional Council contracts. But these contracts are diminishing in number for they will not be renewed upon expiry. After the two Municipal Councils were scrapped by the Government, the provision of municipal services has been fully taken up by government officials. As a result, even the final safeguard of these workers' wages has collapsed, giving rise to employment conditions as pitiful as "\$7 per hour". To some degree, colleagues who supported the Government to scrap the Municipal Councils back then are virtually accomplices of the Government in "murdering workers with a borrowed knife".

Workers employed by contractors earn less and less wages but on increasingly longer working hours. Five or six years ago, some workers employed by contractors of security or carpark management services outsourced by the HD still worked under a three-shift system. Nowadays, the system of eight hours per shift has almost vanished. Yet there is this more frustrating point in respect of property management. Although a consensus had been reached at the meeting of the property management tripartite committee convened by the Labour Department, and the employers had also agreed to request the HD to specify the implementation of the three-shift system in contracts of security services to be outsourced, senior government officials of the HD were concerned about money only and refused to make an undertaking. Thus senior government officials are even more unscrupulous than employers. Just this past Sunday, the Hong Kong Buildings Management and Security General Workers Union, an affiliated association of the CTU, assembled at the headquarters of the HD to protest against the HD's indifference to the plight of workers.

The third instance of retrogression is the further relaxation of control by the Government over services outsourced. For example, the HD has been gradually contracting out all the property management services of housing estates. Property management companies can decide on their own to sub-contract the cleaning, security and carpark management services at housing estates. In other words, the HD is no longer directly responsible for monitoring against exploitation of workers employed by contractors. There is also similar development in the LCSD. For instance, the LCSD has started, on a trial basis, to contract out all the management work relating to its outsourced services in respect of the cultural and recreational facilities under its management to a management company.

Relaxation of government control is also seen in subvented organizations. Surveys conducted last year showed that the wages for workers employed by contractors of cleaning and security services at universities were just enough for subsistence. Some contractors had even violated the labour legislation by not allowing workers rest days and sick leave. This is indeed a disgraceful facet of the ivory tower. Moreover, the implementation of lump sum grant mode of subvention in welfare institutions has subjected these institutions to financial pressure, making them begin outsourcing their services or employing workers on short-term contracts so that they can dismiss workers or cut salaries at any time. In future, we might see an absurd phenomenon in which welfare institutions

might have to assist their workers to apply to the Social Welfare Department for Comprehensive Social Security Assistance for low-income people.

I believe the Secretary will point out in her reply later that the Government will only monitor the standard of performance, that is, the output, of contractors, whereas the employment terms for workers, that is, the input, will be determined by the market. The theory of the Government is that if a contractor employs workers on unreasonable terms, the standard of the contractor's performance will be jeopardized and this will eventually reduce the chance of the contractor to be awarded the contract.

I cannot agree with this policy of the Government to care about output only to the neglect of input. Will the Secretary please think about this. When she knows that a worker working for a contractor of cleaning services is earning a mere \$7 per hour and is forced to live in a public toilet, will she feel comfortable when she walks into a clean, tidy and pleasantly scented public toilet?

Will the Secretary please think about this. When she knows that a worker working for a contractor of security services outsourced by the HD has experienced traumas both physically and mentally as a result of working excessively long hours and being paid overly meagre wages, will she feel at ease living in a housing estate where she can go in and out safely?

Even if the Secretary feels comfortable and at ease, does the Secretary believe one can really "rear a good horse without feeding it with hay"?

Today, I propose that the conditions of employment offered by subvented organizations and contractors of government projects or services to their staff should comply with the minimum standards of employment in the hope that the Secretary can feel comfortable and live in contentment. These proposals are nothing new. For instance, in the days of the Municipal Councils, the requirement of minimum wages was already stipulated in contracts for outsourced services. The system of eight hours per shift proposed by us today is also a conventional practice of the security industry previously. That is to say, minimum wages are nothing new at all. As the Secretary knows, the importation of labour is also subject to the requirement of minimum wages for we do not wish to see foreign workers being extensively exploited. So, our debate today is eventually confined to a very small area, not about minimum wages or upper limits on working hours, but about whether we should allow the

Government to exploit workers with its resources and public funds. While the Government is the indirect employer, should we allow it to simply sit with folded arms? Overseas experience has also proved that these proposals are practicable.

In recent years, trade unions and grass-roots organizations in the United States have launched a living wage campaign, calling on contractors of services outsourced by the federal government and state governments to pay their workers at a level sufficient to meet all the necessary living expenses of the workers' families. Contractors are also required to pay for retirement protection and medical insurance for their workers. So far, over 10 states in the United States have enacted a living wage act which has produced very positive results as the people in general are more satisfied with the services. This has precisely refuted the flawed argument of the Government that it can still guarantee the standard of service without paying attention to the terms of employment of workers. Besides, the state governments do not need to increase expenditure substantially because through open tender, contractors cannot shift all the additional costs onto the Government, thus preventing contractors from reaping extortionate profits.

Madam President, colleagues who oppose this motion or those who will abstain in the vote today may talk about at length the principle of free market, arguing against government intervention. However, I believe free market should not become a totem of the new century. I do not oppose free market. But when this new-fangled religion or new totem in the free market has overridden humanity and devoured our moral conscience, it will "smack somewhat of an evil cult", and even affect the social tranquillity in Hong Kong. If that really happened, then the situation would certainly warrant our grave concern.

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

Mr LEE Cheuk-yan moved the following motion: (Translation)

"That this Council urges the Government to require that the conditions of employment offered by subvented organizations and contractors of government projects or services to their staff should comply with the minimum standards of employment, including minimum wages and upper limits on working hours."

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

PRESIDENT (in Cantonese): Mr YEUNG Yiu-chung will move an amendment to this motion, as printed on the Agenda. The motion and the amendment will now be debated together in a joint debate.

Mr YEUNG Yiu-chung, you may now speak and move your amendment.

MR YEUNG YIU-CHUNG (in Cantonese) : Madam President, I move that the Honourable LEE Cheuk-yan's motion be amended, as set out on the Agenda.

Madam President, the motion moved by Mr LEE Cheuk-yan today should be about protecting the rights of workers working for contractors against exploitation, rather than the setting of minimum wages. However, in his motion, he mentioned minimum wages and upper limits on working hours. Therefore, although the DAB agrees that we should seek to protect the remuneration and benefits of the workers, I have to move an amendment on behalf of the DAB in order to avoid confusion in respect of the motion. First of all, I would like to reiterate our stance regarding the setting of minimum wages.

The DAB thinks that since the issue of minimum wages is very controversial, it warrants a consensus among the Government, the employees and the employers and before there is this consensus, we have reservations about its implementation. In fact, many economists have pointed out that legislating on minimum wages may cost workers with lower competitiveness job opportunities, and the minimum wages will become the maximum wages. Moreover, it will cause difficulties in the operation of the small and medium enterprises. All these problems have to be solved before minimum wages can be implemented. Though such a system is common in a lot of countries, we have to conduct a detailed study in the light of the actual situation here before it is introduced into Hong Kong. This proposal can only be smoothly implemented with the consent of the Government, the employees and the employers.

In recent years, Madam President, many government departments have actively looked into contracting out services in order to reduce operating costs and enhance efficiency. Services ranging from those closely related to everyday life like the management of public housing estates and municipal cleansing services, to the out-patient service of the Department of Health and the issue and renewal of driving licences and vehicle registration of the Transport Department have already been or will be provided to the public by outsourcing. Undoubtedly, contracting out services will invariably be more cost-effective than the present practice of the Government providing such services single-handedly. For example, in the middle of last year, the Public Accounts Committee of this Council found that in contracting out some of its work, the Highways Department had managed to reduce costs by half as opposed to the same work being taken up by departmental staff. And in certain items, the cost difference amounted to 21 times.

However, contracting out services will have serious impact on many workers. For example, last year, the outsourcing exercises of the FEHD and the LCSD resulted in the unemployment of quite a number of front-line short-term contract workers. In the FEHD alone, 300 contract workers lost their jobs because of the outsourcing exercise. In fact, unemployment was not their only problem. Even if they were employed by the contractors, their remuneration and benefits would be substantially reduced because the Government had not required the contractors to provide reasonable remuneration for their workers. At a meeting of the Legislative Council Panel on Manpower last year, a Member said that the monthly salaries of a number of workers had been substantially reduced from \$8,000 to \$3,000 or \$4,000. Take a case in the HD as an example, the current monthly salary of a newly recruited Workman II is \$8,000. However, after the HD has contracted out its management and security work, the monthly salary of a contractor's worker is only half of the above-mentioned amount. However, their working hours are lengthening. A few days ago, a few hundred workers working for the contractor of the HD took to the streets to stage a protest against this situation. Apart from the reduction in remuneration, the benefits stipulated in the Employment Ordinance, for example, rest days, paid leave, and so on, are "voluntarily" given up by the workers who are keen to retain their jobs in the present difficult situation. I believe Members have heard about all these.

Madam President, the Government has said that the objective of contracting out works and services is to obtain goods and services of the best value for money in order to help carry out various programmes and work projects. The remuneration of the staff of contractors, like the pricing of other production costs, should be totally decided by the demand and supply mechanism of the labour market. The DAB appreciates the explanation by the Government, however, we think the explanation is far from comprehensive because apart from making sure that public money is put to the best use, the Government should also seek to protect the benefits and rights of the workers from exploitation, especially those workers were previously employed by the Government. They are now employed by the contractors only because of the Government's outsourcing policy. The DAB is of the opinion that the Government should strike a proper balance between the protection of a free market and the protection of the rights of the workers.

At present, the wages of the contractor staff is on the low side and their rights are subject to exploitation. While this can be attributed to the supply and demand situation of the labour market, it may be induced by the various problems in the present system. For example, in the past, we often pointed out that under the sub-contracting system, multi-tier sub-contracting would only result in multi-tier exploitation. This not only affected the quality of the works and services, but also seriously impacted on the rights of workers to enjoy reasonable remuneration and benefits. With regard to the protection of the rights of workers stipulated by the Employment Ordinance, various government departments have taken measures in the light of their own situation to make sure that the contractors will comply with the relevant provisions. For example, before a contract is awarded, the department concerned has to make sure that the contractor was clean on record in respect of violation of major labour legislation; and a system of sanction to blacklist contractors who have breached the Employment Ordinance. However, can these measures still be effective under the multi-tier sub-contracting system? Can these measures target the exploitative acts of sub-contractors? Can these measures free workers from being forced to "voluntarily" give up their rights under the Employment Ordinance? Moreover, apart from the sub-contracting system, that the Government always goes for the "lowest bidder" in vetting and approving tenders is one of the reasons why the benefits of the workers are exploited. I hope the Government would clarify and respond to the above queries and comments.

Madam President, when the Hong Kong economy booms, everybody has a job. However, after the 1997 financial crisis, the Hong Kong economy has suffered a great blow. The average pay of the people did not rise but fell. However, in such a bad situation, there are still people in society who prefer working hard for a living to going for social assistance. We should affirm their resilience and determination. At the same time, we should seek to ensure that they can enjoy a reasonable standard of living. Although there are still many outstanding problems to be solved with regard to legislation on minimum wages, the Government can at least adopt a more positive attitude in drafting the terms of outsourcing contracts for works and services. For example, when awarding such contracts, the Government can actually set a reasonable level of remuneration to be followed by the contractors. This may not be the ultimate solution to the problem but it can at least protect the rights of a considerable number of workers working for contractors. Furthermore, the Government should review various measures put in place to ensure contractors' compliance with the Employment Ordinance and make a set of guidelines applicable to various departments. In addition, the Government should review the sub-contracting system in respect of various outsourcing contracts and its standard of going for the lowest bidder in vetting and approving tenders.

With these remarks, I urge Members to support my amendment. Thank you, Madam President.

Mr YEUNG Yiu-chung moved the following amendment: (Translation)

"To delete "minimum" from "minimum wages" and substitute with "reasonable"; to delete "upper limits on"; and to add ", provision of rest days, paid leave and termination benefits, and so on, so as to enable the staff to enjoy the full employment protection and benefits conferred by legislation; at the same time, the Government should explore ways of ensuring that the remuneration and benefits for the staff concerned will not be subject to unreasonable exploitation" after "working hours"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, made by Mr YEUNG Yiu-chung to Mr LEE Cheuk-yan's motion, be passed.

MR CHEUNG MAN-KWONG (in Cantonese): Madam President, on the question of whether a minimum standard of employment should be set for outsourcing, the Government pointed out last year in its reply to a Legislative Council question raised by a Member that "the spirit of outsourcing is to enhance cost-effectiveness, and the Government will also consider whether the service contractors are able to provide satisfactory services instead of setting out requirements for employment standard. If the service companies are to provide satisfactory services, they must pay a reasonable market price before competent employees can be employed for the provision of reasonable or satisfactory services. In other words, the market mechanism will compel the service companies to observe market rules to a certain extent that might involve the payment of a reasonable remuneration as required in the market out of the need to provide satisfactory services."

Madam President, this is only what the Government thinks; the reality is simply another thing. In outsourcing its services, the Government has always been criticized for declining quality. Tenants of markets under the HD have complained that after the management has been outsourced, the problem of unlicensed hawkers hawking in the estate boundaries has seen no improvement, and the quality of management has declined. Two years ago, since the contractor for the clearing up job of the Lunar New Year Fair lacked experience, the progress of clearing up the aftermath was extremely slow and the Government finally had to deploy its own staff to assist. The FEHD has outsourced the cleaning service of public toilets but has so far issued over 2 000 warning letters because the contractor has failed to meet the standard as promised. Although the Government said that service quality and performance will be closely monitored, obviously it is not at all easy to ensure service quality and the administrative cost involved is also very high.

Outsourcing is carried out under the principle of "the lowest bidder wins". Coupled with the fact that the Government has in recent years been promoting enhanced productivity, cutting funding for subvented agencies and reducing expenditure, service bidders can but cut cost in order to scramble for business to survive. Cleaners of cleaning services outsourced by universities have to work for 10 hours at \$14 per hour but are entitled to no statutory holidays. For security officers of the HD, they have to work for 12 hours daily and their monthly salary is a little more than \$3,000. Earlier, it was reported that a toilet cleaner had to work for 14 hours at an hourly rate of \$7; he was not entitled to any leave and had to take the toilet as his home. The wage level for services

outsourced by the Government is even lower than that of McDonald's, which stands at \$15 per hour. If the quality of service can be maintained under such working conditions, I will instead worry about the health of these workers. The reason is only simple. Please put yourselves in their shoes and imagine: low salaries, long working hours but have to maintain service quality. This is tantamount to exploiting the workers to the last drop of juice, testing the limit of human ability. Working 10 hours a day can be said to be normal, while working 11 hours will make a person nervous. What we are talking now is 12 hours, 13 hours or even 14 hours. If this person will not become dizzy as a result, he must be a superman. Moreover, the chances of injuries at work will become relatively higher if a person is overworked and lacks rest on a long-term basis. If the Government still believes that maintenance of service quality is evidence of reasonable remuneration, it is only giving up its social moral and responsibility, and acting as an accomplice in compressing wages for workers as well as an unscrupulous employer behind the scenes.

Madam President, there are only two reasons why the Government is able to save public expenditure by resorting to outsourcing of services. First, contractors of outsourced services really possess the expertise and can thus achieve the goal of cost-effectiveness; second, the salaries of workers will be lowered. In order to meet the first target, only those work involving special expertise can be outsourced. However, the Government is now outsourcing all kinds of work, irrespective of their nature. I just cannot imagine how much more effective it can be by handing over the cleaning of toilets to a contractor. Even outsourced, the same method is used and the workers are still cleaning the toilets equally hard. Just as pointed out frankly by the British Finance Ministry in its report on privatization in 1986, the reason why outsourcing of services is able to save expenditure is that the contractor is offering his workers poorer pay, just as the case of that toilet cleaner.

The Democratic Party does not oppose the system of outsourcing in its entirety. If outsourcing can trim down the oversized bureaucratic structure, thereby releasing resources for other services that can improve the people's livelihood, we will surely support it. Nevertheless, the Government cannot overdo its enhanced productivity programme by taking away every ounce of fat from the workers in one go, leaving them undernourished. For example, before the scrapping of the two Municipal Councils, a cleaner can earn a monthly salary of \$9,000; after outsourcing, he can only make one third of that amount. Is this reasonable? Is there hideous exploitation? Is this humane to that

worker? In outsourcing its services, the Government should not think that since the quality of services can be maintained, the problem of whether the salaries offered are reasonable is also solved. This is because the Government should have its social responsibility, social conscience, and take into consideration the circumstances of the workers, their dignity and their health.

Besides, the Government should not think that setting out employment conditions in contracts is an interference in market operation. Setting out the minimum employment standards in contracts will not bring about any negative effect as a result of putting in place a general minimum wage, such as reducing the chances of employment thereby turning good intentions bad. For example, when an aided school has to employ a janitor, no matter what level his minimum salary is pitched at, the school must have the service of this janitor. The result of this is only that the Government needs to increase funding correspondingly. Only when workers can get acceptable pay that service quality can be improved. As for the Government, if it has to exploit the workers in order to save expenditure, it is but an unscrupulous government. I call on the Government to reconsider the motion moved by Mr LEE Cheuk-yan today. We support this motion.

MISS LI FUNG-YING (in Cantonese): Madam President, having said that something should be done to boost the overall competitiveness of Hong Kong, the SAR Government introduced the civil service reform in 1999. It laid emphasis on bringing the civil service establishment under control so as to realize the target of enhanced productivity while seeking to increase the productivity of the public sector, thus providing the people with better quality services. We should welcome the intention of such reforms.

Nevertheless, things go against our wishes. The general public is still unable to enjoy the so-called quality service provided by the Government. For families with members eat the bitter fruit first, they even have to eat the bitter fruit first. In order to reform, departments focus on "enhanced productivity", which always means retrenchment. Incumbent staff will have to work harder, or their services will have to be outsourced; whenever "efficiency" is mentioned, the departments will often be corporatized, and so on. Their once "iron rice bowl" jobs are now at risk, dealing a severe blow to the morale of the Civil Service.

Meanwhile, in outsourcing its projects or services, the SAR Government puts stress on the "market" mechanism and "the lowest bidder wins". In delegating its power to subvented agencies, powerful and effective monitoring measures are also neglected, resulting in the SAR Government washing its hands off or an unregulated situation. The cruel fact is that a large number of low-qualification, low-skill workers have to bear the brunt of economic restructuring, enduring a merciless blow. Long-term unemployment or underemployment has cost them their dignity, self-confidence and bargaining power. Even some subvented agencies and contractors have capitalize on this opportunity to suppress wages, increase working hours and make excessive demands on work. Take an ordinary janitor as an example. He is only given the salary of an ordinary janitor but is required to perform the duties of a technician — being able to do carpentry work, plumbing and electricity related jobs, and virtually a jack of all trades. Some employers even exploit the workers level by level through the use of measures such as short-term contracts and sub-contracting, and so on. Since the workers are afraid of losing their rice bowls, they can only suppress their rage and accept silently requirements that are unreasonable or even illegal. Just now, many colleagues have mentioned similar cases and there have also been repeated reports in the newspaper.

Madam President, the Employment Ordinance (Cap. 57) and the Factories and Industrial Undertakings Ordinance (Cap. 59) provide for the employees of Hong Kong a minimum standard of protection. Why is it then that when the SAR Government delegates its power to the subvented agencies, allowing them to outsource their services or projects, fails to lay down written requirements that the employers mentioned above should enforce strictly the standard as provided by legislation? In examining and comparing the tenders, why can it not take the legislation as an important element for consideration, so as to ensure that workers will not be subject to merciless and unreasonable exploitation? Is the SAR Government condoning non-compliance of the law by employers? Can we turn a blind eye to workers leading an inhumane life under multi-tier exploitation?

Hong Kong is to develop into the leading metropolis of Asia. As a developed civilized society in the Orient, we should all the more ensure that each and every citizen is able to live with dignity. The International Labour Convention has laid down in writing that there should be protection for minimum wages. Even mainland China has put in place a system of minimum wage protection in keeping with the development of society. In comparison, we can

see that the SAR Government is following too much its old course with respect to the protection of reasonable remuneration and benefits for employees, and the situation is getting worse. It only emphasizes that things have to be left to the market discipline, to the neglect of the reasonable demands of the general working class. Under the circumstances of supply exceeding demand in the labour market and the unemployment rate continues to stand high, why is the Government still refraining from taking effective measures to provide suitable guidance? That being the case, how can the Government boost its popularity rating?

I hope that the Government can answer the people's wishes, take positive measures and give back to the grassroots their basic protection and to do them justice.

With these remarks, I support the original motion and the amendment.

THE PRESIDENT'S DEPUTY, MR FRED LI, took the Chair.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy, the motion proposed by Mr LEE Cheuk-yan today is of double meaning to the Hong Kong Confederation of Trade Unions (CTU). This is particularly so for the Hong Kong Buildings Management and Security Workers General Union (the General Union) which is an affiliated member of the CTU. Apart from fighting for the workers of outsourced jobs humane conditions and terms of work, we are also realizing the unfulfilled wish of a comrade of union movement who passed away sadly two and a half years ago.

About more than five years ago, a group of caretakers and security guards formed the General Union with the assistance of the CTU to fight for improvements to the situation of "lowering wages, longer working hours" in the trade. In mid-1998, the General Union carried out a questionnaire survey on work treatments of workers of jobs outsourced by the HD, and planned to announce the findings of the survey in a press conference to be held on 20 August. A few hours before the press conference was to be held, the then Chairperman of the General Union, Mr NG Woon-fung, passed away sadly.

Three months before Mr NG passed away, the doctor had already told him that he could only live for a couple more months. Despite the fact that he was in the last three months of his days, Mr NG continued to play an active role in promoting the organization work and activities of the General Union. At that time, colleagues of the General Union persuaded him to take a good rest since the work of the General Union could be shared by other members. However, Mr NG said, "Having been able to know a group of friends with a common goal and work together in the General Union is itself fate. I have worked hard all my life, and I do not want others to follow my footsteps. I am just putting in my last effort."

August 1998, Mr NG had to return to his home town in the Mainland to rest. Before he embarked on his journey, he urged the colleagues of the General Union over and over again to inform him of the date of the press conference on the findings of the survey on work treatments for workers of jobs outsourced by the HD so that he could attend. Mr NG hurried back from his home town to Hong Kong in the afternoon of 19 August but died of sickness in the small hours of 20 August. He finally was not able to attend the press conference.

There is this South Korean unionist song: "There have never been cheers to praise and encourage, labour may not bring you happiness; drifting in the bottom of society, hearts which have gone through oppressions are not dead Even though it is impossible for anything to be achieved this life, it is hoped that there will be successors in the future." For the past two and a half years since the death of Mr NG, colleagues of the General Union dare not lie idle and have continued to press for improvements to the working conditions for those in the property management trade. They hope that the unfulfilled wish of Mr NG can be realized soon. However, I am ashamed to say that the pay today for workers in the security trade is even worse than that of two and a half years ago.

Recently, the General Union has completed another survey on pay for security guards for services outsourced by the HD. It is found that over three quarters of the workers are not satisfied with the present excessively long working hours, and on average, around 80% have less than two hours a day to spend on their own and with their families. Moreover, despite the fact that almost half of these workers of outsourced services are working 12 hours, 14 hours a day, they are still not making enough to support their families, living below the poverty line.

These cold figures are in fact a reflection of the present miserable plight of tens of thousands of living workers. When their hourly pay is as low as \$7, \$10, and have to work for 12 hours or even 14 hours a day, are human beings only worth finding themselves two meals and no more? Apart from enabling the workers to have enough to eat and wear, what is left of such adverse returns for work? Do workers need to have time to spend with their families and friends? Do workers need to have time to do some thinking? Is there a need for an intelligent life? Even animals need to have time to wonder in nature and enjoy the natural surroundings apart from finding two meals. Why is it then that human beings, being the wisest of all creatures, can only have time to lead a hard, busy life for their meals because of the Government's policy on outsourcing?

I think that today, the Government is evading its responsibility. Our discussion today is not on the overall labour policy, therefore, the Secretary for Education and Manpower should not be representing the Government in its reply. What we are discussing today is the social responsibility of the Government as the ultimate employer of workers of outsourced jobs. Thus, we should have the Secretary for the Treasury, the Financial Secretary here to reply. This evasion of responsibility by the Government is not only a sign of "making life difficult for the daughter-in-law" but I am also strongly dissatisfied with this arrangement. The editorial of the *South China Morning Post* yesterday put the case very strongly: But even the most ardent free market advocates would be hard-put to justify a \$7 hourly pay. It is not merely unethical, but inhumane, especially when the ultimate employer is the Government. A socially responsible administration must take action to stop it. Before I came into the Legislative Council Building today, a protesting female worker outside handed me a broom for cleaning the toilets. It represents the \$7 hourly pay and the bitterness of those cleaning workers who have to work for over 10 hours. They are asking us to sweep away the shameful hourly pay of \$7, \$10. Today, I have to state solemnly that if the Government fails to formulate a standard policy on outsourcing which is reasonable for the employees, I will surely take drastic actions to protest against the Government's tolerance of the situation of our labour earning the cheap hourly pay of \$7, \$10. I so submit.

Thank you, Mr Deputy.

THE PRESIDENT'S DEPUTY, MRS SELINA CHOW, took the Chair.

MISS AUDREY EU (in Cantonese): Madam Deputy, there are frequent reports in the newspapers about contractors of government services exploiting their staff. Either their wages are greatly reduced or their working hours are increased without any increase in wages. Recently, the Complaints Division of this Council has also received complaints substantiated by evidence that the cleansing contractors of the HD are exploiting their staff. Not only are their wages relatively low, they do not enjoy any statutory holidays and have to work 29 days a month. The Government should address this problem squarely.

Article 39 of the Basic Law refers to the International Covenant on Economic, Social and Political Rights, of which Article 7 states to the effect that States parties to the Covenant must ensure that workers are provided with fair wages and equal remuneration for work of equal value without distinction of any kind, and ensure that workers are entitled to rest, leisure and reasonable limitation of working hours and periodic holidays with pay, as well as remuneration for public holidays. At present, Hong Kong legislation does not provide for any reasonable safeguard for wages or working hours. While the cleansing contracts outsourced by the HD state that staff should be paid reasonable wages, they are merely empty words on paper and have never been enforced by the HD. The rights of employees' are protected by the Employment Ordinance, yet the housing managers of the HD pay no heed even though they are fully aware that the cleaners work 29 days a month and do not enjoy any statutory holidays. If the Government continues connive at employers exploiting their staff, it would be indirectly encouraging employers to break the law.

The Government has all along refused to deal with these issues under the excuse that the employment terms are an agreement between employers and employees. Nevertheless, the Government has an obligation to balance the different interests in society. When the economic environment is favourable and supply and demand are balanced in the employment market, both employers and employees have bargaining power. In that case, the Government should naturally not interfere. However, when the balance between supply and demand is lost, the Government has a responsibility to protect those who have no bargaining power from being exploited.

Actually, the Government has set a precedent for interference in the employment market. In the early '90s, during the take-off of the Hong Kong economy when employers had to increase wages to hire staff, the Government introduced the labour importation policy to lower the operating cost of employers. Then why does it insist on non-interference today? Of course, Hong Kong's competitiveness will be affected when operating costs keep escalating. But when the disadvantaged groups are being exploited and oppressed continually, it will create a hostile climate which the Chief Executive is most unwilling to see, as well as many social problems.

Madam Deputy, the exploitation of staff by contractors of government services is very serious mainly because of the following reasons:

- (1) At present, in contracting out work, the Government only pays attention to output, such as whether the quality is satisfactory and whether it is cost-effective, while neglecting the protection of the rights of workers. For those employers who breach the Employment Ordinance and exploit their staff, the departments responsible will at most punish them with the demerit system. However, this has little deterrent effect on contractors. Even if they receive the maximum demerits and are excluded from the list of eligible bidders for government contracts, they can bid again under the auspices of another company. This has happened over and over again.
- (2) There is inadequate staff to monitor the situation: the Labour Department has only about 150 labour inspectors to inspect some 300 000 companies in Hong Kong and they can hardly monitor all the companies. Very often, it has to rely on reports made by the workers themselves. However, those being exploited are mostly older workers with a low education level. They may not be aware of their rights. Even if they know their rights, they may not dare to report due to the difficulty of finding a job now. As a result, they can only continue to put up with unfair treatment.

- (3) The penalties do not have any deterrent effect: over the past two years, while inspecting public housing estates, the Labour Department issued 254 summons and successfully prosecuted 36 cleansing contractors of the HD. They were fined a total of some \$340,000, the fine for each summons being only some \$1,300. For employers, the risk of exploiting staff is very low indeed and there is no deterrent effect at all.
- (4) Due to the principle of awarding contracts to the lowest bidder, contractors may try to win contracts with an unreasonably low tender price, which may even be lower than the cost. In order not to operate at a loss, they will naturally try to save cost by deducting wages, using inferior materials and doing shoddy work.

In the light of these reasons, the Government should consider adopting the following measures:

- (1) The tender documents and the contracts awarded should contain provisions for the protection of workers, such as prohibiting sub-contracting, stipulating that contractors must submit information on the wages and working hours of workers and setting out the maximum working hours, holidays and reasonable wage range.
- (2) The Government should encourage contractors to treat their staff well by setting up a bonus or merit system to reward model contractors.
- (3) The Government should enhance monitoring and take active actions against employers who have breached the law, such as by issuing warnings or even terminating their contracts and referring the cases to the Labour Department.
- (4) The Government should explore penalties with real deterrent effect to deter employers from flouting the law.

- (5) The Government should examine the existing system for assessing tenders to allow contractors to operate with a more reasonable tender price.
- (6) Last and most important of all, the Government must change its attitude towards this issue and refrain from shirking its responsibility for protecting the rights of workers, in order to set an example for Hong Kong businesses.

With these remarks, Madam Deputy, I support Mr YEUNG Yiu-chung's amendment.

MR FREDERICK FUNG (in Cantonese): Madam Deputy, since the progressive contracting out of projects or services by the various government departments, there have been frequent reports on "long hours and low wages". Many organizations have also expressed concern about the employment terms offered by contractors of government projects and services to their employees. However, there are some comments in the community that establishing the minimum standards of employment will increase operating cost and damage labour relations, and that this will undermine the competitiveness of Hong Kong economy in the long run. However, the Hong Kong Association for Democracy and People's Livelihood and I disagree that the competitiveness of Hong Kong economy depends on such factors and conditions. The competitiveness of a region — I mean the competitiveness of its economy — depends on the quality of its human resources, its investment environment, its government and its social stability. That is why I do not think establishing minimum wages and setting upper limits on working hours will undermine the competitiveness of the overall Hong Kong economy. There is causal relationship between them.

At present, the majority of employees in Hong Kong work more than 44 hours a week. The entry requirement of some trades and professions, such as security guards, even states that they have to work 60 hours a week. However, prolonged working hours may not be good for efficiency, since a person's energy and strength are limited. Continuous overtime work will not only affect employees' health, but will also directly affect the efficiency and quality of work. This is especially true for security staff. Security guards have to be on their alert while on duty. How could a security guard who always has to work

overtime do his job properly? Actually, the efficiency of an enterprise will be enhanced if employees are given suitable rest.

In my view, establishing minimum wages and upper limits on working hours does not mean that employees cannot work overtime. It only means that when the departments or organizations concerned require their staff to work overtime, they should give them reasonable compensation according to the minimum standards of employment. In fact, the Civil Service of the Hong Kong Government has a set of guidelines on overtime work, including the calculation of overtime compensation or overtime payment. This shows that the Government admits and recognizes that it should compensate its staff for overtime work, and is doing so right now. Why is it that only civil servants are entitled to such compensation, but not other employees?

In my view, the more controversial point in today's motion debate is whether Hong Kong should establish minimum wages. The opponents' argument is that establishing minimum wages will cause operating costs to rise and undermine Hong Kong's competitiveness in the Asia Pacific Region. The high production cost may put off overseas investors thinking of investing in Hong Kong and cause more unemployment. Some members of the public also fear that establishing a minimum wage system before the economy has fully recovered will increase the difficulties of operation of employers and lead to the closing down of more enterprises.

But as I said just now, the overall operating cost is not the only consideration for investment. Investors will also take into account other social and political factors. Besides, the establishment of the minimum wage system will provide workers with a safety net, ensuring that low-income workers and their families can enjoy an acceptable minimum standard of living. The setting of minimum wages can also ensure that half-skilled and low-skilled workers, as well as more elderly workers can enjoy a minimum standard of living. This will help to reduce expenditure on Comprehensive Social Security Assistance (CSSA) and other social security systems. Thus, we think this is a necessary measure. Madam Deputy, I wish to cite an example with which I am familiar and discuss it with Members. It concerns certain methods of contracting out adopted by the HD. At present, there are 580 000 public housing units and over 200 000 Home Ownership Scheme flats under the HD's management. The cleansing services for the majority of the housing estates, as well as the caretaking and security services are contracted out to private contractors. In

particular, the HD has contracted out the services for entire housing estates since 1996. The HD has done much calculation before contracting out services. What advantages would it bring to the HD and the Government? Most important of all, it saves them money. This is the best part of it. The HD contracts out services by tender. Of course, it claims that low price is not the most important factor in the tender process and that the quality of contractors will also be considered. However, when the quality of different contractors is the same, the lowest bidder will have an edge. Thus, the criterion of awarding contracts to the lowest bidder is not immaterial but critical. Let me tell Members that once the lowest bidder has won the contract, the housing estate for which management services have been contracted out will save the HD \$1 million a month and \$10 million a year. In other words, the contracting out system can bring financial benefit to certain government departments, public organizations or subvented organizations. This shows that this system benefits not only contractors, but also government departments which can save money by outsourcing.

As we know, the government car parks changed their system five years ago from three shifts a day, each lasting eight hours, to two shifts a day, each lasting 12 hours. Is there any change in the salary of the caretakers? There is. Each caretaker, watchman or security guard is now earning \$1,000 more. Madam Deputy, while the daily workload of these staff has been increased by 50%, their salary has only been increased by 20%. Is this reasonable? If they quit this job, can they find another one? Thus, in discussing today's motion, we should not put all the blame on the contractors. While the contractors may be wrong, the organizations which have contracted out the services are saving money at the expense of the workers. Otherwise, how could the HD save \$1 million a month? Thus, in reviewing this system, I hope the Government will also examine the government departments and the services that have been contracted out, in addition to examining the contractors. Only by doing so can we ensure that our workers can earn a more reasonable income and enjoy a more reasonable standard of living.

Thank you, Madam Deputy.

MR LEUNG FU-WAH (in Cantonese): Madam Deputy, the figures released by the Census and Statistics Department told us that the overall economy of Hong Kong has been recovering. Last year, we recorded a double-digit economic

growth for the whole year. The unemployment rate recently announced is 4.3%, adjusted slightly downwards from the last report. However, the other side of the fact tells us that even Mr TUNG Chee-hwa, the Chief Executive, and Mr Donald TSANG, the Financial Secretary, have spoken publicly on more than one occasion that the general public, especially the grassroots, has yet to benefit from the current economic recovery. The Government believes that as long as the economy continues to improve, the grassroots will ultimately share the fruits of economic recovery. Nevertheless, not a few realities show the contrary, telling us that the income of some grass-roots workers has already reached an extremely unreasonable level.

According to the affiliated unions of the Hong Kong Federation of Trade Unions (FTU), the phenomenon that workers doing outsourced jobs have their wages unreasonably and repeatedly deducted does not only occur in the Food and Environmental Hygiene Department (FEHD). In the Hospital Authority (HA), for instance, some cleansing work of hospitals is also being contracted out. In accordance with the outsourcing contract of the HA, each worker should be able to get a monthly salary of more than \$8,000. However, what they can actually obtain is some \$4,000 per month. Then where have the few thousand dollars gone? Since the sub-contracting system is free of supervision, many contractors are profiting from our public money while the workers stand to suffer.

Later on, this Council will have a motion debate proposed by a number of Members on how to assist families with negative assets. However, two days ago, the Government already stated clearly that "due to principles of free economy, the Government will not use public money to assist individual investors. In regard to the issue concerning whether the Government should assist families with negative assets, there are divergent views in the community, and it is actually not appropriate to discuss this in the present motion debate. But I believe members of the public will agree that public money should be used in the most proper way. Our Government has long been boasting itself as a good employer, and that is why the Employment Ordinance is not applicable to civil servants. Since the outsourcing fees offered by the FEHD and the HA are close to the market price, the Government has actually taken out cold hard cash from its pocket, so the workers should then obtain a reasonable level of remuneration.

We have also found that not only have those contractors of government outsourcing work pocketing the money themselves, they have also deprived workers of their statutory rights protected by labour legislation. For instance, the mode of employment for long-term casual workers renders them unable to enjoy the statutory protection in respect of paid leave, terminal payments, and so on. We are of the opinion that when the Government pays the outsourcing fees with public money, there are certain principles that it has to consider:

Firstly, the remuneration and treatment for employees who provide services indirectly to the public should be set at a relatively reasonable level.

Secondly, the Government should avoid indirectly becoming an unscrupulous principal contractor. It should particularly avoid taking the "lowest bidder wins" standard as the only consideration for outsourcing.

Thirdly, the Government should closely monitor these contractors in order to make sure that they will not breach the labour legislation. In this connection, we reckon that the Government should act on its own initiatives. It could not just wait for complaints passively and inactively, because the unscrupulous means adopted by the unscrupulous employers will inevitably affect the image of the Government of the Special Administrative Region at the end.

Fourthly, the Government should inhibit sub-contracting. Take the construction industry as an example, many negative phenomena such as industrial accidents and employment of illegal workers are actually related to the multi-tier profit-reaping sub-contracting system.

Fifthly, the Government has to guarantee quality service. Anyhow, this is closely related to the remuneration and benefits of employees.

This kind of outsourcing service, which is lacking proper supervision, is gradually affecting the private market. To the grass-roots workers in particular, who are devoid of bargaining power, this is tantamount to rubbing salt into wounds.

Society can definitely not enter a stage of hitting the grass-roots workers when they are down and making the poor even poorer, thus rendering their lives even more miserable.

Madam Deputy, the spirit behind this speech and the spirit behind my questions put forward not long ago are the same and related. The FTU requests that subvented organizations and government departments should stipulate clearly on the outsourcing contracts the terms and conditions offered to the employees by the contractor, including reasonable wages and a reasonable upper limit on working hours. Besides, the employees should also enjoy protection by the Employment Ordinance. I agree with Mr YEUNG Yiu-chung that the Government should strike a balance between enhancing efficiency and offering reasonable treatment. This move does not constitute intervention in the market, as taxpayers have the right to inquire about the proper use of public money. We definitely do not wish to be the accomplices of these unscrupulous employers. Finally, I also agree with a point made by a Member earlier, that is, the public officer who replies to this question should not be the Secretary for Education and Manpower, but the Secretary for the Treasury or the Financial Secretary.

I so submit. Thank you, Madam Deputy.

MR KENNETH TING (in Cantonese): Madam Deputy, in the past few years, the establishment of the Civil Service has been growing at an average yearly rate of 1.3%. It is indeed necessary for the Government to implement the Enhanced Productivity Programme in order to streamline the bloated structure of the Government and to cut non-essential staff. For this, outsourcing of some government work can streamline the operation system of the Government and reduce service costs. Besides, with more participation by private organizations, the efficiency of government services can also be enhanced.

According to a study report released by the HD not long ago, due to the duplicating structure of estate management of the HD, the cost of management for public housing estates was 65% higher than that for private estates. While the average cost of managing one unit by the HD was \$330 per month, it was nearly \$200 only in the private sector. The report even pointed out that \$1.3 billion can be saved in 10 years' time. We can thus see that if those government services with exorbitant costs are contracted out, quite a lot of public money can really be saved.

As regards the original motion moved by Mr LEE Cheuk-yan, although it seems that it is directed against the subvented organizations and those contractors running government projects or services, its objective has still not departed from

the propositions of "minimum wages" and "maximum working hours". Mr LEE has been repeatedly harping on his old tune. No matter how the motion is packaged, it can still not cover its nature of intervening in the free market.

On the other hand, although the Honourable YEUNG Yiu-chung has avoided using the word "minimum" and substituted it with "reasonable" in his amendment to the motion, what is meant by "reasonable"? Basically, in a free market, wages are determined by supply and demand of the market. The meaning of "reasonable" wages is controversial. Therefore, we have to conduct a detailed study on socio-economic factors, supply and demand of labour in the market, and so on, before we can determine the level of wages. I am afraid the so-called "reasonable" level of wages determined today will be outdated very soon, as the level thus set will never be able to catch up with the rapid changes and fluctuations in a free market.

However, I would like to point out that setting minimum wages does not necessarily mean that the rights and interests of employees are protected. In 1946, G. STIGLER, a famous economist, pointed out in an essay which had caused a sensation among economists that employers would avoid paying the "minimum wages" which they thought were too high by not employing, or employing less workers, thus pushing the overall unemployment rate even higher. The setting of minimum wages would deprive the low-skilled workers of their employment opportunities and might even render them unemployed. As a result, the "low income" which they originally could have made would become "zero income".

In regard to the other kind of employee protection mentioned in the amendment, the Liberal Party, in fact, has all along opposed exploitation of employees by employers. I would like to point out that the scope of employee protection prescribed in the existing Employment Ordinance is already sufficient, which includes rest days, statutory holidays, paid annual leave, sickness allowance, severance payment, long service payment, and so on. In case any employer is in breach of the Ordinance, he will surely be punished or prosecuted.

Besides, there is a "4-1-18" requirement under the existing labour legislation. It means that whenever an employee has been working for the same employer for four successive weeks, and for at least 18 hours per week, he will be entitled to the protection of labour rights and interests as stipulated in the

legislation. Since the basic legal rights and interests of part-time employees in general are also protected by legislation, we should not request the Government or subvented organizations to impose numerous restrictions when outsourcing services, such as "maximum working hours" or "minimum wages". For this will affect the flexibility of outsourcing services and thus impede the operation of commercial organizations.

With these remarks, Madam Deputy, I oppose the motion and the amendment.

MR LEUNG YIU-CHUNG (in Cantonese): Madam Deputy, last week the Chief Executive announced the names of the successors of the Chief Secretary for Administration and the Financial Secretary. A new team of financial officials is thus formed. I believe many bosses will certainly feel happy about it. But to members of the ordinary public, it may be the beginning of nightmares for one can imagine that the Government may, in future, give even more weight to economic benefits, thus neglecting or belittling other social values, particularly social justice and care for the people, in which case members of the ordinary public will be sacrificed. Some may consider that this is a conspiracy theory or that these concerns are unwarranted. But Members need only take a look at the past performance of the Government and they will agree that my concerns are not unfounded. Over the past few years, I have seen the Government outsourcing its services to economize on the ever-increasing costs for that is the best way to cut costs. Should staff costs drop continuously, the Government can save lots of money. However, I am gravely concerned that the outsourcing system and the practice of multi-tier sub-contracting will lead to layers and layers of exploitation. Coupled with the Government shirking its responsibilities, social justice will be sacrificed for economic benefits.

Members may have heard the story of old Mr YEUNG from reports in the media in the last couple of days. A contractor of public toilet cleaning services outsourced by the FEHD employed Mr YEUNG at an hourly rate of \$7. Mr YEUNG is required to work 14 hours a day, so he has to take his meals in the public toilet. This is shocking indeed. But if Members can pay a little more attention to workers working for contractors, they will find that Mr YEUNG's case is not uncommon. According to the information of the Census and Statistics Department, the working hours of local workers have been increasing;

18.2% of the working population work over 60 hours a week, but there are at the same time continued downward adjustments in wages. A survey conducted by the Oxfam last year pointed out that as many as 320 000 workers made a monthly income of less than \$4,500. One of the main reasons why these marginalized workers are in dire straits is outsourcing of services by the Government to save money. Civil servants normally work eight hours a day, and the starting salary for a Workman II doing security or cleaning work is some \$9,000. But after the outsourcing of these kinds of work, a two-shift system instead of a three-shift system is implemented for security workers. Their working hours are extended from eight to 12 hours a day, but they are generally paid some \$5,000 or less, and some are paid even as little as \$3,000 to \$4,000. In comparison, is it not that the terms of employment for workers now are far worse than before? Looking at the figures alone, it can be seen that the Government has indeed achieved great savings by outsourcing its services, but I am worried that savings are achieved only ostensibly, and the truth is society, particularly the lower class, is made to bear the consequences.

Let us look at another case. It is about the tragedy of a female cleaner working for a contractor of cleaning services under the HD. A female cleaner employed by a contractor of cleaning services outsourced by the HD, who carried out cleaning work without safety facilities, fell from a height of 10 ft and was in critical conditions. In fact, under the principle of "the lowest bidder wins" of the Government, contractors often fail to provide adequate facilities to ensure the safety of workers for expenditure savings. Besides, given the overly long working hours, workers are always fatigued and this will easily lead to accidents. Exploited by contractors, workers are consequently made to suffer the ill consequences of cost-cutting by the Government. Is this a policy that a humane government should adopt?

In fact, as I have said earlier, outsourcing government services will achieve savings only ostensibly. In order to adjust the quality of services to make it commensurate with the costs, contractors tend to take on less workers than required, resulting in a heavier workload for workers. This situation is very common. I have handled some cases concerning cleaning services. Given inadequate workers, the contractors were unable to clean up some so-called "refuse black spots" satisfactorily. The Government, however, asked its temporary workers to help the contractors out. I have received this sort of

complaints, and talked to the relevant departments, concerning these cases. This reflects that the attempts of the Government to save money have invariably become counter-productive. On the one hand, the Government has to take on temporary workers to make good the work that is not satisfactorily done by contractors, but on the other, the wages for workers working for the contractors or those of temporary workers are on the low side. What advantages are there in doing so? Should a government that is genuinely concerned about the people's livelihood continue to do so?

I remember that when scrutinizing the Budget last year, I asked the Home Affairs Department to provide information on the remuneration of security guards working for its contractors, but the Director replied that no such information was available. The Government pays for the services of these companies out of public coffers, but it is indifferent to their operation. Is this an attitude that a responsible government should take? I even doubt if the Government has deliberately condoned these contractors by not bringing them under any form of regulation, thus resulting in those instances of inhumanity. For instance, clause 5 of the HD's outsourcing contracts stipulated "reasonable wages" for workers, but is it "reasonable" for a cleaner to be paid some \$3,000? Given that there is this provision in the contract, why is the HD not doing anything to monitor contractors and stop such exploitation? Is this an attitude that the Government should take? Since workers have consistently complained that contractors have not given them rest days or other fringe benefits as provided for in labour legislation, why do the relevant government departments not take actions? Is the Government only minded to achieve the target of providing services at the lowest costs through outsourcing in disregard to what consequences will follow? I think the Government should not exploit the people or sacrifice their interest for money.

Thank you, Madam Deputy.

MR ANDREW CHENG (in Cantonese): Madam Deputy, the Democratic Party supports the motion moved by Mr LEE Cheuk-yan today. The Democratic Party has always been concerned about the wages and fringe benefits of employees, maintaining that they should be given reasonable returns for their hard work. And, regarding the issue of working hours, the Democratic Party has more than once requested in this Council that the Government should set down the number of standard working hours in a week, so as to enable

employees to receive compensation for their over-time work and prevent them from being exploited by unscrupulous employers.

Madam President, the contracting out of government services is nothing new at all, and the types of services involved are many, covering cleaning, security, translation, municipal and welfare services, and so on. However, although the existing contracting out mechanism has been operating for more than a decade, the Government has so far failed to work out a uniform and clear policy on the contracting out of services. It seems that over the years, the various government departments have all been acting on their own, with different quality indicators and no central supervision. To date, the Government has yet to set up a department to compile statistics on the huge numbers of services outsourced. There are no statistics on the number of posts outsourced and the general levels of wages and treatment, for example.

It is basically fine for the Government to contract out some of its services to save the administrative costs arising from bureaucratic procedures. But this should not be used as a means of exploiting workers. In recent years, perhaps because of the economic downturn, many organizations and the mass media have uncovered an increasing number of cases of exploitation of workers employed to provide outsourced government services. These workers often have to work very long hours with low wages. For some particular posts, the wages offered are even lower than those offered by some chain stores. Have the relevant Policy Bureaux or departments ever shown concern or paid attention to these problems? Or, is it true that the Government has simply chosen to turn a blind eye to all this, to tolerate the contractors concerned, and even to allow itself to become an unscrupulous employer, just because it wishes to save resources?

Madam Deputy, regarding the contracting out of government services, as early as 1998 when the then Provisional Urban Council discussed the matter, Provisional Council members belonging to the Democratic Party already asserted that minimum levels of wages should be set down in the relevant invitations to tenders for the contracting out of Urban Services Department services, so as to protect employees against exploitation and ensure better quality of services. Madam Deputy, the last two times when Mr LEE Cheuk-yan moved his motions on minimum wages in this Council, the Democratic Party abstained from voting on one of the occasions and cast a negative vote on the other. The Democratic Party must make it very clear that its failure to support Mr LEE Cheuk-yan's motions on minimum wages was not caused by its lack of concern for low-

income workers. Rather, we were worried that the territory-wide introduction of minimum wages in the private labour market might produce undesirable results despite its good intentions; we feared that instead of protecting low-income workers, minimum wages might force some small and medium enterprises to close down and deprive these workers of their jobs, thus taking away their meagre monthly income of \$3,000 or \$4,000.

Madam Deputy, subvented organizations and the contracting out of services are however different from the private market as they involve the use of public money and the number of posts required for service delivery is already fixed. The introduction of minimum wages for subvented organizations and the contracting out of services, or any attempts to fix contractual wages with reference to similar posts in the Civil Service, will not result in any reduction in the number of posts. At worst, this may lead to slightly higher costs, but in any case, the costs will still be lower than those incurred if civil servants are to deliver the services themselves. What we are discussing today is the utilization of resources. We are not of course encouraging the Government to act like a spendthrift, but at least, when it comes to subvented organizations and the contracting out of services, that is, when the Government is the "employer" who actually pays for the services, it should behave like a responsible employer and offer reasonable treatment and remuneration to staff under its indirect employment.

Madam Deputy, the amendment of Mr YEUNG Yiu-chung involves in essence a detailed description of the "minimum employment standards". As for the request that the Government should "explore ways of ensuring that the remuneration and benefits for the staff concerned will not be subject to unreasonable exploitation", the Democratic Party is also prepared to support it.

Madam Deputy, I so submit.

DR RAYMOND HO (in Cantonese): Madam Deputy, Hong Kong was a poor society in the past. People were living in hardship. During the '50s and '60s, Hong Kong people did not seek to establish a thriving and prosperous city, instead, they only wanted to have their stomachs filled. They were not eager to make any achievement in their careers, for all they asked for was a stable job. At that time, the competition in the labour market was very keen. The wages of Hong Kong people were comparatively lower than those in other developed

countries. Therefore, quite a number of foreign investment companies were attracted to set up their factories in Hong Kong then, the textile and garment industry being a good example. After a lapse of 40 to 50 years, Hong Kong has become an international city today. In retrospect, Hong Kong owes its success today in some measure to this group of inexpensive labour. Sometimes, I would ponder over it again and again. If the then Hong Kong Government had imposed a minimum wage limit, would those foreign investment companies have invested in Hong Kong? Would Hong Kong have become the king of the garment and textile industry in Asia? Would Hong Kong be as successful as it is today? From the economics perspective, the implementation of minimum wages will undermine the competitiveness of businessmen. From the angle of the people's livelihood, this policy may reduce people's employment opportunities. Therefore, the proposition today of imposing a minimum wage limit on employers engaging in works and services outsourced by subvented organizations and the Government is, in my view, open to discussion.

I agree that from the employee's point of view, the fixing of minimum wages and upper limits on working hours is protection for them. However, the question remains: Is this method feasible? It is understood that there are still black market labour in Hong Kong. If the Government fixes a minimum wage limit, I am afraid black market labour will be induced to grow continuously. In other words, the employment opportunities for Hong Kong people will be affected. Furthermore, a minimum wage limit will make employers shoulder a heavier burden. If the employers cannot bear this heavy burden, they have no choice but close down their businesses. In that case, those who suffer in the end will be the employees. This point is illustrated by the example of Mandatory Provident Fund (MPF). Last year, the Government implemented the MPF system, what was the result? The result was obvious to all. Restaurants closed down one by one after the implementation of MPF at the end of last year. Why? The reason was that some employers could not afford these additional expenses. So, what was the consequence? The upshot was groups of Hong Kong people joined the ranks of the unemployed one after another. If the Government implements a minimum wage limit, I am afraid that the same story will be repeated. Finally, employees will lose more than they gain. Worse still, if this group of employees have to apply for Comprehensive Social Security Assistance because of long-term unemployment, then both the Government and the taxpayers will have to bear this additional expenditure. I believe it is never the wish of the Government and the general public to see these two things happen.

As regards the upper limits on working hours, I think this is yet another issue open to discussion. Recently, some trade unions have urged the HD to change the shift system for contracted out property management from two shifts to three shifts. I sympathize with most of the security guards who take up the outsourced work for they have less than an hour to spend with their families every day. However, the point is, if the existing system is changed from two shifts to three shifts, then the working hours for a security guard will change from 12 hours to eight hours daily. As the saying goes, "work more and get more", so if the new system is really implemented, the wages of security guards will be adjusted downward accordingly because of it. This is not at all unreasonable. However, how would the security guards opt between higher pay but shorter working hours and lower pay but longer working hours? This issue warrants discussion.

I do not wish to see, nor do I agree to employees being exploited by their employers. However, in order to make Hong Kong stay competitive, I disagree to the proposal that the Government should set a minimum wage limit and upper limits on working hours. On the contrary, I think that the Government can, by way of other methods, achieve the purpose of protecting employees, for example, by granting rest days, pay leaves, termination compensation, and so on, to employees. I wish that a balance can be struck between these benefits and the existing system of wages and working hours. It is also my wish that employees can get a reasonable remuneration and employers can continue to run their businesses. If these two can come true, I trust that the rate of employment in Hong Kong will then be assured.

Madam Deputy, I so submit. Thank you.

MR CHAN KWOK-KEUNG (in Cantonese): Madam Deputy, since the HD started the trial of contracting out such services as security and cleansing, outsourcing has become a "sure win tactic" in "cutting manpower" and "lowering costs" by government departments. In the eyes of department heads, junior rank staff of considerable seniority are the so-called "high pay" staff and a burden on the department's expenditure. They must be removed because once they have been got rid of, enormous savings will be made. Moreover, after the work has been contracted out, there will be a significant cut in workload in respect of staff management and supervision of subordinates by senior management. It will only bring them a hundred merits but no harm.

From what we have observed, a majority of the staff affected by outsourcing are staff at junior ranks. In the course of government departments deciding to contract out the services, the staff had no bargaining power at all. They could only be led by the nose and taken advantages of. They might lose their jobs because of outsourcing. Even if they were lucky enough to be employed by the organizations taking over the outsourced work, their wages had already been cut substantially.

The Government and subvented organizations have the power and abilities to improve the remuneration given to staff doing outsourced work because the power of selecting contractors lies in their hands. As long as they do not put their focus solely on money and as long as they have regard to labour protection, the circumstances mentioned above can then be avoided.

Take the HD as an example. In 1999, the HD stated expressly that the contracts for outsourced security services had stipulated the upper and lower limits of wages for different ranks of security guards. For example, the salary of a security guard at the most junior rank was around \$4,000 to \$7,000; and the monthly salary of a supervisor at the most senior rank was around \$10,000 at the maximum. With respect to the cleansing service contracts of the HD, there are also rules for compliance. In statistics of the Census and Statistics Department on wages, there are stipulations on the level of wages for certain types of work.

From this, it can be seen that departments contracting out their work can specify in the contracts the remuneration of employees of contractors. Such departments are also duty-bound to monitor the contractors further, see whether the contractors have said one thing but done another, and to monitor whether the conditions of work other than wages are reasonable or not, for example, whether the working hours are too long or not. Currently, most security officers and cleansing workers usually have to work more than 10 hours, and they are made mentally and physically exhausted.

Moreover, some unscrupulous contractors even deliberately contravene the labour legislation. For example, some cleansing service contractors of the HD requested cleaners to sign a voluntary resignation note when they reported duty. If the contractors failed to be awarded any contracts for contracting-out work on the next occasion, the employers would use this note as proof to dismiss workers, saying that the workers had resigned voluntarily. As a result, they would not have to give workers any termination compensation like severance pay, payment in lieu of notice, and so on. Furthermore, deduction of statutory

holidays is also commonplace. The method adopted by contractors is to divide the full sum of remuneration by 30 days and require employees who take leave on rest days to earn no pay. The employees' wages are very low already, certainly they do not want to take leave because they will not get their full pay if they take their leave. Contractors who engage in such acts can still say presumptuously that they have not breached the legislation, for it is the employees who voluntarily give up their rest days.

Some people will say, then, given the harsh terms of employment, workers can quit their jobs. However, life is miserable for many a thing to a man in his middle age. The situation of unemployment for low-skilled people has not yet improved. Cleansing, security, and so on, are the types of work which have been invariably contracted out and are suitable for them to take up. If they do not take these, how many other choices are there for them? If they refuse to take up a job with harsh terms and live on CSSA instead, they will be labelled as lazy bones. Therefore, the workers would rather work with toil than live on assistance.

Contractors have been employing every means possible to exploit workers. One of the major reasons is the criteria of awarding contracts for contracting-out work, that is, "the lowest bidder wins". The only means that contractors could make a profit from it is to exploit the workers. The work was contracted out by the Government in the good name of achieving cost-effectiveness and savings in resources, so as to secure the support of taxpayers in general. However, how many citizens would like to see the price for achieving cost-effectiveness is paid out of exploiting workers?

Madam Deputy, when the Government and subvented organizations contract out works projects or services, they have the duty to prescribe requirements on workers' wages and working hours. The basic rights of labour should not be used to exchange for savings in cost. In past discussions in the Legislative Council on minimum wages, the major reason of objection raised by the Government was that minimum wages would distort market prices. In fact, if workers are compelled to reluctantly take up jobs which subject them to serious exploitation because of the need of living, I as the representative of the labour fail to see any reasonable remuneration. What I can see is a distortion of the workers' dignity.

Madam Deputy, I so submit.

MISS CYD HO (in Cantonese): Madam Deputy, for many of those who advocate free market economy, their faces will instantly turn pale on hearing minimum wages, upper limits on working hours and the right to collective bargaining of trade unions. But when they hear news about a person being paid \$7 per hour, having to work 14 hours daily for 30 days a month with a monthly income of a meagre \$2,940, and even having to make a public toilet home, these people will remain calm and will not be shocked at all. They can even say that in a free market, those workers can choose not to take up these jobs.

In Hong Kong, however, many expenses of living payable by the public are not regulated by the free market. In respect of food, we see chained supermarkets holding the lion's share of food supply. When it comes to rice, there are various limitations on rice importers, licences, and so on. On housing, we all know that the supply of land has never ever been a free market. To "pop up" the property market, the Government took such measures as imposing a moratorium on land sale, abolishing the target of "85 000", and so on. As a result, expenditure on housing still accounts for 40% of the total family income of an ordinary household despite a slackening property market, and it takes \$800 to rent a bedspace apartment for a month. In respect of transport, all means of public transport are franchised services, and fares are subject to respective regulation mechanisms. Some public utilities, such as electricity supply, are still under statutory protection for the level of profits. While various expenses of living are determined by well-structured mechanisms, we are nevertheless going so far as to ask those workers who have no bargaining power to uphold the free market principle when the existing system is defective and fails to provide adequate protection for workers. This social phenomenon is unfair. The fact is that expenses of living are not determined by the free market, but when it comes to workers' wages, Members have outrageously spoken to great length on free market economy.

In our so-called free market, what choices are available for the disadvantaged workers? They have two choices. First, they can continue to work for a monthly salary of \$2,940. While they may not have enough to eat, they will not starve in any case. But they have to reside in public toilets. Second, they can apply for Comprehensive Social Security Assistance (CSSA), but their children must sign to declare that they will no longer provide for their parents. Other than these two choices, workers can only choose to live on no food. If that is not an option, then in Hong Kong, which is described as a free market economy and an events capital of Asia, those workers are only given these two choices. This is grossly shameful.

I believe that having a place to live in and being spared hunger are the basic conditions of living generally accepted by the people of Hong Kong. Therefore, I urge the Government to enact legislation on survival wages as soon as possible. Some Members may think that I am making a proposal wrapped in yet another new packing. They may think that after proposing minimum wages and reasonable wages, I am now suggesting legislation on survival wages. But if these expenses of living have made it impossible for a worker to secure a basic living even if he works laboriously 30 days a month and he may have to apply for CSSA under the category of low-income families, this is precisely subsidizing contractors who suppress workers' wages from public coffers.

Madam Deputy, the Government outsourced its services for the purpose of saving public money. But after its services are outsourced and savings achieved, the Government has completely neglected the operation of the contractors. Worse still, at the last Legislative Council meeting, the Government, in response to questions raised by Members who had received complaints, still refused to conduct a review to look into the problems of the outsourcing system. While the Government put the savings (that is, money saved from outsourcing cleaning services, and so on) in its left pocket, money flowed out from its right pocket (for granting CSSA and other allowances to assist the low-income families), benefitting only contractors who have reaped colossal profits. Last time, Secretary Denise YUE had firmly refused to review the operation of contractors. I just hope that after learning from Members that there have been so many complaints and so many inequities, officials present today can seriously carry out a review to look into the loopholes of the existing outsourcing system.

Madam Deputy, I support the original motion of Mr LEE Cheuk-yan.

MR JAMES TIEN (in Cantonese): Madam Deputy, the Liberal Party supports the operations of the free market, but unlike what the Honourable Miss Cyd HO has said, it does not mean that we are not shocked to find that workers are paid \$7 hourly for a day's work. We are also displeased about the practices of such unscrupulous contractors.

Madam Deputy, at present, the operation of free economy of Hong Kong is different from that of other countries in one way, that is, the Hong Kong dollar is pegged to the US dollar. US dollars are used in the United States, and they can certainly afford to have minimum wages. Minimum wages are also in force

in many other countries, but their economy is structured in such a way that they can depreciate their currency to offset the impact of minimum wages. At present, minimum wages are in force in many Southeast Asian countries, but we can see that once the value of their local currency is depreciated, the value of minimum wages in those countries has not increased in terms of that currency. When we look at the existing business environment of Hong Kong, we can see that the Government is still asking for recovery of costs or even increasing fees and charges in face of inflation or deflation. On the other hand, the rental of some premises has already dropped, but apart from the starting salaries of individual new recruits, the wages of most "wage earners" have not been cut. Does Hong Kong still remains highly competitive under the prevailing world economic climate? I have doubts really. Since receipts from the tourism industry have dwindled and a lot of goods have been returned to Hong Kong due to the decline in the volume of sales in Christmas goods exported to the United States, will Hong Kong and mainland manufacturers still be making a large profit? This is also one of my concerns.

Today, we are talking about the outsourcing of government services. The Liberal Party is of the view that though the Government spends about \$200 billion each year, with 65%, that is, more than \$100 billion on paying wages, we question whether wages offered by the Government, especially those to lower-rank civil servants are reasonable, and whether it is much higher than that offered by the private sector? Many Members said earlier that civil servants get a salary of about \$9,000 to \$10,000 monthly for performing cleaning, security and maintenance duties, but their counterparts in the private sector can never get the same rate. Of course, we do think that a monthly salary of \$3,000, offered by some contractors to workers for undertaking outsourced jobs of the Government, is too low, but then how should their salary level be determined? At first, we were inclined to support the amendment proposal of Mr YEUNG Yiu-chung for terms like "reasonable" and "conferred by legislation" is used in his amendment. However, in explaining what he meant by reasonable wages, he said it should be considered and determined by the Government. If that were the case, then as the Honourable Kenneth TING has said, I wonder if this implies that another pay scale should be introduced and whether this is the same as minimum wages. Furthermore, should contractors be requested to offer wages on par with that of civil servants at about \$9,000 to their workers? If so, then no matter whether such services are contracted out or not, the Government will have to spend the same amount of public money. Conversely, what is meant by reasonable wages? Does it mean that private companies have to offer cleaners a

monthly salary of \$5,000 to \$6,000? Mr YEUNG has not said anything about this in his amendment. Under such circumstances, "reasonable wages" is only a term that may mean a minimum, medium or maximum wage.

Madam Deputy, I would like to talk about the contracting out system, of which the Liberal Party has a certain view. Under the outsourcing arrangement of the Government, there are cases where contracted out services are sub-contracted out. We think the Government should conduct a detailed study on this issue. I would like to talk about a few recent cases which have come to my notice. One of these cases involved the contracting out of security services of the Housing Department (HD). It was originally contracted out to a newly established company whose shareholders are former staff of the HD. They received a sum of money under the Voluntary Retirement Scheme, and financed a company to put in a bid for undertaking the security duties of a housing estate where they used to work before leaving the HD. The company then employed a group of workers with lower wages. In our opinion, in contracting out its services, the Government should award them to big companies that have enormous capital, can provide training for their staff, and ensure that their operations can meet the required standards. This is what we think a so-called contracting out system of the Government should be. We have never thought that the Government would contract out the cleaning work of public lavatories in a few streets to a contractor who would then contract it out to a sub-contractor. If the Government maintains a stricter policy that requires contractors to provide services of a certain quality, then they will certainly not be able to employ qualified workers who can provide the kind of service that meets the requirements of the Government at an hourly rate of \$7. Of course, we understand that the nature of outsourcing for every office and department is different. For the HD, it is mostly security, cleaning and maintenance jobs, while the Food and Environmental Hygiene Department contracts out other types of work. However, the crux of the problem is whether the Government should allow contractors to continue to sub-contract out their jobs, while it does not have the power to monitor the performance of sub-contractors? In this regard, we think we should review the policy of outsourcing government services.

Madam Deputy, based on the above reasons, we cannot support the amendment as well. Thank you, Madam Deputy.

MISS CHAN YUEN-HAN (in Cantonese): Madam Deputy, there are hundreds of thousands of grass-roots workers in Hong Kong. They have experienced the second economic restructuring in the 1980s and they are caught in the third economic restructuring right now. They have shifted from working in the manufacturing industries to working in the service industries, and now they have to shift from the service industries to the knowledge-based industries. It can be said that these workers would encounter great difficulties even if they want to find a job with reasonable wages and working hours. We can see from their wage levels that they can only get a monthly wages of about \$4,000 to \$5,000, and that is what they can earn. If they have competitiveness and if there is a demand for workers for these work types in the market, I believe their wages would not be as low as these. Some of them are earning wages of an even lower level, that is, about \$3,000. The recent example I have heard is an hourly rate of \$7. There are quite a number of workers in my constituency who get an hourly rate of \$10. The area is a rather busy district and it is not situated in the New Territories. The present situation is that about 20% of the low-income group are earning wages that have kept on falling. These workers come not only from the manufacturing industries, but also from the service industries, the retail sectors and the non-technical trades. They are all facing the same problem. The situation would certainly be reflected in the findings of the living standards survey due to be released next week or within this week. What is the Government of the Special Administrative Region going to do about this poverty problem, when these hundreds of thousands of workers are earning diminishing wages and when their numbers are growing all the time?

The Chief Executive said in the policy address last year that he would set aside \$2.7 billion to solve the poverty problem. There were very positive responses to that proposal among the grassroots. However, the developments that came afterwards were a series of very distorted moves made by the Government. Despite the fact that \$2.7 billion will be used to help the poor, there are moves spearheaded by the Government to aggravate the problem and expand the number of the poor in society. I would like to inform the Secretary that over the past few years the Hong Kong Federation of Trade Unions (FTU) has handled many labour disputes concerning the Civil Service and subvented organizations. The government departments concerned include the Housing Department, the Urban Council, the Leisure and Cultural Services Department, the Hospital Authority, the Model Scale I staff of the Police Force, and the data processors of the Information Technology Services Department. All of them are organizations directly under the Government. Some of the staff involved are civil servants of non-contract terms and in the basic ranks. The

Government has contracted out their services and these civil servants used to earn a monthly salary of about \$8,000 to \$9,000. After their services have been contracted out, these people can now get a salary of about \$5,000 to \$6,000 only for the same type of work. That is really a great blow to them. These people are civil servants and some of them are on non-contract terms and these people are having really a bad time when they are involved in labour disputes. Some of them broke into tears when they talked with the department heads. What can they do? Countless examples like these have forced the heads of departments to make some changes. The Director of the Food and Environmental Hygiene Department is an obvious example. She has done something. In the briefing out contracts, she has stipulated that reasonable wages and working hours should be given to the staff. Then the Housing Department also followed suit. I would like to point out that these countless examples are compelling the departments to make these changes. However, I think that even if these measures are in force for a period of time, they are still not effective. The main reason is that there is no statutory minimum wages, or what one may call survival wages, reasonable wages or minimum wages. No matter how it is called, there must be some kind of regulation, so that workers can be protected when there is an oversupply of labour in the market. If these workers are in excessive demand, I am sure that the market forces will push the wages up. However, there is an imbalance in supply and demand, with supply exceeding demand. How can the workers have the power to bargain and to raise their wage levels? How can they have reasonable working hours?

The remarks made by Mr TING earlier prompted Mr YEUNG Yiu-chung to make a response. Mr YEUNG is a very mild-tempered person, but this time he passed me a note and asked me to retort what Mr TING had said. Mr YEUNG is only demanding reasonable wages, and do we not even dare to enact laws on reasonable wages? What then is reasonable? As Miss Cyd HO has said, it is "survival". We may draw a line by using different yardsticks. We may not use the term "minimum wages", we may use a term which is acceptable to every one of us here. We can draw a statutory line. It is because when nothing can be done to change the market situation, then we will have to make adjustments by artificial means. I would like to tell the Government, "If you do not do anything, what do you think would happen? Social unrest." I can say very frankly, countless examples have happened. We may disregard other places and take Macao as an example. The construction workers in Macao are an obvious example. The same thing may happen in Hong Kong. When we are pressed and cornered, we will become really furious.

I hope that the Secretary, having listened to our speeches today, may go back and ponder over the issue. I know that the Secretary was concerned at an earlier stage. She invited some scholars for discussion on the issue of minimum wages. I hope that the commercial and industrial sectors can respond to this positively. If we all agree with what Mr James TIEN has said earlier, that the paying of an hourly wage of \$7 is the practice of an unscrupulous employer, then that can be a definition of an unscrupulous employer. Why do we think that this is unscrupulous? It is because we all think that it is unreasonable. Why do we not admit this point? I do very much hope that the commercial and industrial sectors can do something about this, especially when I see the former chairman of the Liberal Party, Mr Allen LEE, has on countless public occasions agreed with the concept of minimum wages. I think many of the people from the commercial and industrial sectors also have some opinions on this. Mr LEE even told me in one of interview programmes that as a matter of fact, when faced with something which could not be changed in the market, many people from the commercial and industrial sectors would like workers to enjoy a reasonable level of wages, they would even want to give something like 80% of the minimum wages.

Madam Deputy, as I speak now, a group of grass-roots workers are outside listening to our debate. They are the people I have come to know as a result of the labour disputes handled by me during these past few years. I hope Honourable colleagues will face up to these workers with their conscience. They should think of something to solve their plight, for the labour market as it is cannot be adjusted by the forces of demand and supply and there is no competition there. I do not mind what term we use to define that wage level. All we need is that the figures should be determined by law. I would like to stress also that the FTU does not think that such wage levels should necessarily be uniform. Minimum wages and reasonable working hours can vary according to different work types and grades. Thank you, Madam Deputy.

THE PRESIDENT resumed the Chair.

MRS SELINA CHOW (in Cantonese): Madam President, the Honourable Miss CHAN Yuen-han has mentioned earlier the logic used by them in considering the issue and in trying to convince others. That prompted me to think about certain points. She is aware that we will not agree to the idea of specifying the

minimum wages, for that will be an intervention of the free market. So she is saying that the wage levels should be reasonable and she asks why do we not even agree to the idea that wage levels should be reasonable. In fact, the question is not on whether wage levels are the "minimum" wages or that they are "reasonable" or not. The question is whether we should make legislation for it, or in other words, set the minimum wage level. That will be an intervention in the operation of the free market.

In fact, I asked Mr Allen LEE on this issue before and I just fail to understand why he is in favour of the setting up of minimum wages. It is because it is totally in contravention of the stand of the Liberal Party including all the members of the Liberal Party in attendance and many of the friends of the party. We do not agree to the idea of setting minimum wage levels. Even if reasonable wage levels are set, that is different from the minimum wages which Mr LEE Cheuk-yan is talking about. What kind of criteria should then be used to determine whether the wage levels are reasonable or not? Should we take what is regarded as reasonable by employees, or what is regarded as reasonable by employers? Employers may think that certain wage levels are unreasonable because these are not what they can afford, but the employees may think that these wage levels are reasonable. That is open to debate. And all these disputes are caused by the setting of minimum wages.

However, all this boils down to the question of the kind of situation we are in and what kind of market we have. The reason for our success in the past is that everything is determined by the market. Wages are determined by how much the employers are willing to pay. If an employer pays a lower wage than the other employers, no one will be willing to work for him. These are the rights of both employers and employees. That is why even to date, our free economy is still working. But it cannot be denied that we are not as competitive as we used to be. It is true that many Honourable colleagues from the business sector would be unhappy to hear that there are employers who are willing to pay only an hourly wage of \$7. However, this cannot stop a minority of employers from being unscrupulous. (Mr LEE Cheuk-yan, I am talking about a minority of employers, not all of them). Only very few employers are unscrupulous, but we cannot request the Legislative Council or the Government to set some wage levels simply because of what these unscrupulous employers are doing. It is because the most important principle is whether or not we can maintain the operation of the free market.

Likewise, if we uphold the freedom of speech, can we legislate to prohibit the freedom of speech of some people whose opinions we do not want to hear? Can we enjoy the freedom of speech while others are not allowed to enjoy it, simply because what they are saying is not agreeable to our ears? The same argument holds for the free market economy. Therefore, I do not agree at all with what Mr Andrew CHENG has said before. He said that they would not agree to the idea of setting minimum wages in the private sector, but minimum wages should be set in public sector organizations. This setting of minimum wages would involve not just the use of public money, for wage levels are not entirely under the control of public coffers. It is because when services of public sector organizations are contracted out, the wages paid for these services will be determined by the free market.

I do not oppose the enforcement of legislation to regulate behaviour. However, I suspect that in some cases, as mentioned by Mr James TIEN, there may be some loopholes in certain details or procedures in the enforcement of legislation or the contracts, or that multi-tier contracting may happen. Or it may be that the enforcement of the relevant legislation is not strict enough. For example, if employees must be given one rest day for every week, if not, that has already contravened the law. Then enforcement actions can be taken. But who is to be held responsible if these actions are not taken? The law has made it clear that it is wrong and if such things do happen, the employer concerned should be held responsible. We do have ways to make the employer be held responsible for what he has done, for laws can be invoked to control this. But we do not have to set certain wage levels or working hours. When these are set, be they in the private or public sector, that becomes a violation of the major principles of the determination by the forces of supply and demand in a free market. I think we must be very careful about that. For once we went beyond that line in the public or private sector organizations, there would bound to be some very substantial and fundamental changes in the entire labour market in Hong Kong.

Thank you, Madam President.

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

(No Member responded)

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan, you may now speak on the amendment moved by Mr YEUNG Yiu-chung. The time limit is five minutes.

MR LEE CHEUK-YAN (in Cantonese): Madam President, as I said in my speech earlier, the topic of the debate today is not about minimum wages. So when many Honourable colleagues, including Mr YEUNG Yiu-chung and Mr Andrew CHENG, spoke earlier on minimum wages, I had refrained from speaking out, for the topic of debate today is really not minimum wages. If Members would like to hear about minimum wages, please allow me to make an announcement here. A meeting will be held in camera on Saturday. Mr Allen LEE will be attending this meeting and Members can then ask him what he thinks about this topic. The Honourable Mrs Selina CHOW asked earlier on if Mr LEE had got himself mixed up on this issue and she did not know why he was in favour of the idea of setting up minimum wages. I think we can all discuss this topic of minimum wages this Saturday.

The topic of debate today is whether there should be any minimum standards of employment offered by subvented organizations and contractors of government projects or services. The amendment moved by Mr YEUNG Yiu-chung has deleted the word "minimum" from the words "minimum wages" in the original motion. However, he has substituted with the word "reasonable" for wages and working hours. I was also a bit worried. So I asked Mr YEUNG Yiu-chung earlier if the so-called reasonable wages he meant would be as Ms Audrey EU had said, that they would become only empty talks on paper. It is because there used to be some contracts which really stipulated "reasonable wages" in them. So if a reasonable wage level is not set, it is meaningless to talk about reasonable wages. On the other hand, it would give the Liberal Party reason to oppose this motion, for they will think that I am demanding that a reasonable wage level be set. Of course, I am demanding that a reasonable wage level be set, for if not, this will become empty talk and that will be useless. We really need to set a reasonable wage level and to keep wages above it. That will prevent wages from dropping too drastically, so much so that workers cannot support their families and they will lose their dignity.

Mrs Selina CHOW referred to the amendment moved by Mr YEUNG Yiu-chung and raised the question of what could be called a reasonable wage level and who was to determine such a level. She also queried whether the reasonable wage level was to be seen from the perspective of employees or

employers. In my opinion, there is bound to be some sort of reasonable or unreasonable standard in our society. Why am I saying that? I am very glad when I heard that everyone thought that an hourly wage of \$7 was unreasonable. That is to say, at least we still have the moral value for that. But I would like to ask further: Is an hourly wage of \$10 reasonable? Or an hourly wage of \$15 reasonable? These are the questions I would follow up. At least, all the Members who attend this meeting today agree that an hourly wage of \$7 is unreasonable. I hope the Government would agree as well.

Mr James TIEN said earlier that those who offer such a wage are unscrupulous contractors. That is what he says, not me. But I do not agree that since the unscrupulous employers are just a minority, therefore they should be disregarded. Even if they are a minority, we need to do something to exercise control. For even if only a minority of people steal, rob and kill, we need to exercise control. Why can we not act according to our moral standards? Why do we think that these unscrupulous employers are only a minority and hence there is no need to exercise any control over them? Besides, are they really a minority? We have seen the case of old Mr YEUNG who is paid an hourly wage of \$7. We can work out from this hourly wage of \$7 that if he works for 14 hours a day, he would make \$3,000 a month. What is the average salary for other workers who do a cleaning job? It is about \$4,200 monthly, and they have to work 14 hours a day. Then I must ask: Is working 14 hours a day reasonable? Is it reasonable to work for 14 hours a day and be paid a monthly salary of \$4,200, or \$10 per hour? Such wages are certainly not what a minority of cleaning workers are getting, but they are what most cleaning workers will get. What then do we think of this? We are not speaking against unscrupulous employers who are a minority, but we are talking about the entire cleaning trade and the wages for the workers in that trade are so miserably low. That is not necessarily a question of whether the employers are scrupulous or not, it merely points to the fact that wages for that trade in the free market has dropped to such appalling levels. As I have said earlier, we should not uphold free market with blind faith, we ought to have some moral standards of our own and that applies to society as a whole too. What I would like to ask now is: What kind of moral standard is it? We ought to define a moral standard for this.

The case before us is not a result of sub-contracting which has been mentioned by many Members earlier, including Mr YEUNG Yiu-chung. He said that this system of sub-contracting has led to many legal problems. I wish

to point out that even if the problem of sub-contracting is resolved, the problem of an hourly wage of \$7 cannot be resolved. If we do not lay down some standard of minimum wages, even the direct employers can still pay workers at \$7 an hour. It is only that the sub-contracting system has made the problem of exploitation worse. It is still unreasonable if the direct employer exploits the workers and pays them at an hourly wage of \$7. I am glad to hear Members say that the sub-contracting system should be reviewed. What the Government is doing is to go against this trend and try to create such a situation of sub-contracting. The Housing Department has stated that it would adopt a "one-stop" approach. This is to contract out the management of its housing estates to some estate management companies which will sub-contract the work to other companies. I hope the Government has heard what so many Members have said, that this sub-contracting system should not be allowed to exist.

Thank you, Madam President.

PRESIDENT (in Cantonese): Members tend to speak longer speeches when they get carried away. They must stop when the bell rings.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I believe what I am going to say today is not new to Members. I will therefore try to be concise as far as possible.

Hong Kong is a liberal and open economy. The Government has the long-standing policy of endeavouring not to intervene in the normal operation of the labour market to allow the supply and demand forces of the market to determine employees' wages and working hours. This will ensure appropriate and effective distribution of manpower resources and be conducive to maintaining the flexibility of the local labour market and the competitive edge of Hong Kong's overall economy. I would therefore like to reiterate solemnly that the Government has no intention to set a minimum wage and maximum working hours. I am pleased that Mr LEE Cheuk-yan has made it clear today's debate is not focused on the full imposition of a minimum wage and maximum working hours.

The Government's philosophy of management of public finance is to put resources to optimal utilization and enhance cost-effectiveness. Therefore, in

contracting out works projects and services, government departments will make the acquisition of goods and services with best value for money the prime consideration. Nevertheless, I must emphasize that value for money is not tantamount to "the lowest bidder wins". Actually, consolidated bidding prices and assessment of quality of service are used as the selection criteria for most tenders.

There is no direct employment relationship between the Government and the staff working for contractors commissioned by the Government or subvented organizations. Therefore, no provision has been provided for in relation to the conditions of employment in contracting-out agreements entered into by the Government or subvented organizations. The Government's role is confined mainly to monitoring the quality of services provided by contractors and enforcement of the terms of agreements, such as the number and qualifications of the staff.

As employers, subvented organizations and contractors must abide by the Employment Ordinance and the provisions of other relevant labour legislation. The Employment Ordinance and other labour legislation provide a legal basis on which the basic benefits of employees, including rest days, paid leave, severance pay, long service payment, and so on, are protected. In addition, effective mechanisms are in place to provide channels for employees to make claims. This will safeguard the interests of employees and enable them to receive their entitled compensation in case of non-compliance by employers.

The Labour Department is committed to enforcing labour legislation and instituting prosecutions against employers in violation of labour laws. Frequent raids are also conducted to inspect various trades and industries, including contractors of government works or services. Over the past two years, a total of 71 700 inspections have been made by Labour Inspectors with respect to services and import industries, with 958 successful prosecutions. Apart from striving to bring defaulting employers and contractors to justice, we have also actively encouraged and helped government departments to put in place effective monitoring mechanisms and impose punitive measures to enable them to punish non-compliant contractors, including prohibiting them to bid for service contracts within a certain period of time, so as to achieve a deterring effect.

We profoundly sympathize with workers exploited by unscrupulous employers and despise the exploitative behaviour of some such employers. In

response to the question raised by Mr LEE Cheuk-yan earlier, I would say \$7 an hour is really shameful and this is not supposed to exist in society nowadays. The Food and Environment Hygiene Department will conduct an in-depth investigation into this case.

The Government will definitely not tolerate blatant defiance of law, deduction of wages and shortening of holidays by employers. Strict enforcement is effected to ensure employees enjoy reasonable interests to which they are entitled under the law. We will also endeavour to promote the taking of punitive actions against contractors among government departments in order to achieve a deterring effect. Of course, we understand that it is impossible for the Labour Department to take any enforcement action when wages or working hours are not subject to any form of regulation in the agreements. We hope employers can give their employees reasonable rewards according to their own conscience. We also hope employees can voice out their grievances and lodge complaints against unfair treatment so as to subject their heartless employers to public criticisms. At present, the Government has no intention to intervene in the employment relationship between government contractors or contractors of subvented organizations and their employees by setting a minimum wage or imposing conditions of employment like maximum working hours, and so on. Actually, it will be rather difficult for the Government or government departments to impose a minimum wage or define reasonable wages. It will not be easy to enforce too. Nevertheless, we believe if we can pool collective wisdom, and combine it with market forces, we can come up with some measures to spare workers unscrupulous exploitation. The Government remains convinced that the forces of free market can maintain the flexibility of the labour market and Hong Kong's overall competitive edge in the most effective manner.

Madam President, I so submit.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr YEUNG Yiu-chung to Mr LEE Cheuk-yan's motion, be passed. 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 YEUNG Yiu-chung rose to claim a division.

PRESIDENT (in Cantonese): Mr YEUNG Yiu-chung has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Dr Raymond HO, Mr Eric LI, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr LAW Chi-kwong, Miss LI Fung-ying, Mr Michael MAK, Mr LEUNG Fu-wah, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the amendment.

Mr Kenneth TING, Mr James TIEN, Dr LUI Ming-wah, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU and Mr Tommy CHEUNG voted against the amendment.

Mr Timothy FOK and Mr Henry WU abstained.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah,

Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr WONG Sing-chi, Mr Frederick FUNG, Ms Audrey EU, Mr YEUNG Yiu-chung and Mr Ambrose LAU voted for the amendment.

Miss Cyd HO and Miss Emily LAU voted against the amendment.

Mr NG Leung-sing abstained.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 26 were present, 15 were in favour of the amendment, nine against it and two abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 26 were present, 22 were in favour of the amendment, two against it and one abstained. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): Mr LEE Cheuk-yan, you may now reply and you have four minutes 41 seconds.

MR LEE CHEUK-YAN (in Cantonese): Madam President, I would like to thank the 19 Members who have spoken earlier. From their speeches, it can be seen that Members who are in favour of the motion outnumber the opponents. That is a good thing. I would like to say that the motion is actually related to as many as 200 000 workers. These workers cover not only those from the Food and Environmental Hygiene Department and the Housing Department as have been mentioned earlier, some also come from the Hospital Authority, organizations providing engineering, surveying and social services and all other organizations funded from public coffers. I do not know how Dr the Honourable Raymond HO has voted, but I would very much like him to rethink on the vote he has cast, for there are people in his constituency who are paid the minimum wages. *(Laughter)* Oh, he is in favour of the amendment, then it is fine. For when he spoke earlier, it seemed that he was not very sure about it.

In fact, civil servants can in some measure be said to have a reasonable level of wages and some engineers who are working outsourced jobs also enjoy reasonable wages. Many of us sitting here are also paid according to the Civil Service pay scale, that is, they are enjoying reasonable wages. I think we ought to think very carefully if we say that when the Government uses public money to employ people, it must not set any minimum wages. As a matter of fact, the Government employs people both directly and indirectly. Why is it that when it employs people directly, it can apply minimum wages and why is it that it cannot apply the same principle on those it employs indirectly? Therefore, I think if we want the Government to care about the rights of staff under its employ, then we should not make any distinction as to whether the staff are directly or indirectly employed. I am very disappointed at the remarks made by the Secretary. I know that she is in a very difficult position. She only said that an hourly wage of \$7 is shameful, but she did not offer any solutions. What she has said are some very vague things such as harnessing the market forces and formulate some measures to spare workers unscrupulous exploitation. If the Secretary thinks these are not vague, she could make these clear to me in future. What then are the measures which should be formulated? Given that the amendment has been passed today, it is tantamount to a demand for the Secretary to formulate measures to set the minimum conditions of employment. These would include the setting of reasonable wage levels and upper limits for working hours. If the Secretary can formulate these measures, I believe it would be a great relief to those workers being subject to exploitation now.

Apart from formulating these standards to prevent workers from being deprived of their rights, the measures can also create some favourable conditions, that is, employment opportunities. At present, the 10 000 workers in the Housing Department (HD) have to work 12 hours a day and if their working hours are reduced to eight hours, that would create 3 000 jobs. These are only the job opportunities that can be created in the HD, those employment opportunities that can be created in the Government Property Agency are not yet included. Those 3 000 jobs are long-term and they are not the 7 000 jobs with an employment term of two years mentioned by the Chief Executive in his policy address. I have made an estimate and if the Government is willing to do this, it would need to provide a funding of only \$200 million to the HD. That would mean the HD will make \$200 million less, for it has surpluses, and 3 000 more jobs will be created. So looking from another perspective, that is, from the perspective of job opportunities, I hope we can all give some thoughts to that. If working hours are set at eight hours per day, it will not only benefit the workers, but also create a lot of job opportunities.

Moreover, the Secretary has not answered my question, and that is, whether the senior officers are to be blamed or the Chief Executive is to be blamed. The Chief Executive has said that he is very concerned about the poor workers, but the Secretary has not given me an answer. I do not know where to look for the answer. Every time when I meet the Chief Executive, he would say that he is very concerned about the poor workers. But I have never seen him doing any concrete work. I may need to keep on waiting and look for the answer. Lastly, I hope the Secretary has listened to the remarks of Mr LAU Chin-shek. Mr LAU said that he would take drastic action if the Government could not do a good job on this. I think it would not help much if Mr LAU takes drastic actions alone; workers in Hong Kong may take drastic actions as well.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr LEE Cheuk-yan, as amended by Mr YEUNG Yiu-chung, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr James TIEN rose to claim a division.

PRESIDENT (in Cantonese): Mr James TIEN has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Dr Raymond HO, Mr Eric LI, Dr David LI, Miss Margaret NG, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr LAW Chi-kwong, Miss LI Fung-ying, Mr Michael MAK, Mr LEUNG Fu-wah, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the motion as amended.

Mr Kenneth TING, Mr James TIEN, Dr LUI Ming-wah, Mrs Selina CHOW, Mrs Sophie LEUNG, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU, Mr Abraham SHEK and Mr Tommy CHEUNG voted against the motion as amended.

Mr Timothy FOK and Mr Henry WU abstained.

Geographical Constituencies and Election Committee:

Miss Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Andrew WONG, Dr YEUNG Sum, Mr LAU Chin-shek, Mr LAU Kong-wah, Miss Emily LAU, Miss CHOY So-yuk, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr WONG Sing-chi, Mr Frederick FUNG, Ms Audrey EU, Mr YEUNG Yiu-chung and Mr Ambrose LAU voted for the motion as amended.

Mr NG Leung-sing abstained.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 29 were present, 17 were in favour of the motion as amended, 10 against it and two abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 26 were present, 24 were in favour of the motion as amended and one abstained. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the motion as amended was carried.

PRESIDENT (in Cantonese): Second motion: Negative assets.

NEGATIVE ASSETS

MR HOWARD YOUNG (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. I am almost unable to deliver my speech today because I have a sore throat. My speech will therefore be surprisingly short. As my views are consistent with those of the Honourable Tommy CHEUNG who will speak later, I believe he will be able to reflect my views.

The problem of negative assets has been with us for a long time. Through moving this motion debate today, the Liberal Party hopes to induce public discussion, pool collective wisdom and invite suggestions to solve the problem. I would like to point out that today's discussion is not only aimed at helping owners with negative assets and stabilizing the market. As a matter of fact, the discussion is related to Hong Kong's overall economic development and vitality.

I have moved this motion today mainly to bring the Government, Members and various sectors in the community to see that the negative assets problem has become very serious and it is actually a concern of the whole community. According to the findings of an opinion survey conducted recently, 80% of the respondents hold the view that the Government should help people with negative assets. I am confident that today's debate may not end with total failure again for various key political parties are seriously concerned with the problem at the moment.

I believe many people know it very well that the swaying housing policy of the Government is to be blamed for the negative assets problem. This is why we urge the Government to formulate a clear and long-term housing policy expeditiously.

Actually, the depressed property market has affected not only the retailing market. Other related industries such as the construction, transport, surveying, banking, insurance, real estate, legal and decoration industries and even the furniture retailing industry and handling workers are greatly affected too. Let me cite a live example. A number of professional organizations in the construction and surveying fields recently formed themselves into a coalition to reflect to the Government the problem of underemployment in their respective industries. To a certain extent, the flagging property market has a bearing on the closing of branches and cutting of staff by a number of long-standing lawyers' firms in recent years.

Many employers running small and medium enterprises (SMEs) have chosen to mortgage their commercial premises or self-occupation properties. They do this because they need working capital to solve their cash flow problems, not because they want to engage in speculation. Many of them are owners of small and medium restaurants, travel agencies and retailing shops. The plunge in property prices has turned their properties into negative assets. As a result, many SMEs are now beset by cash flow problems. On the one hand, banks are trying to recover from them differences arisen because they are unable to offset their debts with their capitals and on the other, they are also burdened by the payment of extra high interests. Of course, if the worst comes to the worst, their properties will be forfeited and turned into default properties.

Madam President, the main objective of the Liberal Party in moving this motion today is to urge the Government to formulate a well-defined housing policy and to review the necessity of the existence of the Home Ownership Scheme. We certainly understand that members of the public should be accountable for the own investment decisions. This is why the Liberal Party does not support the Government to directly subsidize negative assets holders with public money. We only wish to urge the Government to continue the tax relief measures introduced by the Financial Secretary after the financial turmoil, for instance, doubling the home mortgage interest deduction to \$200,000. Furthermore, there is a big gap between the banking policies towards mortgages

for new properties and second-hand properties. In order to help negative assets holders in a material way, we would like to urge the Hong Kong Monetary Authority to encourage banks to provide negative assets owners with a "win-win" debt restructuring option. In a moment, Members of the Liberal Party — particularly Mr Tommy CHEUNG — will present his views on this issue. Madam President, I so submit.

Mr Howard YEUNG moved the following motion: (Translation)

"That, as the local property market is still beset by the problem of negative assets, which not only undermines local people's desire for consumption and investment and puts pressure on the stability of the financial market, but also adversely affects the overall economy of Hong Kong, thereby causing plights among many middle-class people, small and medium enterprises and people with negative assets, this Council urges the Government to expeditiously adopt effective measures to improve the situation, including:

- (a) reviewing the housing policy, including examining the value of the existence of and the function of the Home Ownership Scheme, and whether they contradict the original intention of establishing the Scheme;
- (b) urging the Hong Kong Monetary Authority to encourage banks to adopt a tolerant mortgage policy towards people with negative assets, such as allowing a grace period for recovering from them the differences between the amounts of the mortgage loans and the market prices of the flats, offering them low-interest loans for repaying such differences, and adopting the temporary arrangement of allowing them to repay the principal, but not the interest, of the loans; and
- (c) urging the Hong Kong Monetary Authority to encourage banks to adopt the same mortgage policy for both new and second-hand property."

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

PRESIDENT (in Cantonese): Mr Frederick FUNG, Mr Albert HO and Mr CHAN Kam-lam will move amendments to this motion respectively. Their amendments have been printed on the Agenda. The motion and the three amendments will now be debated together in a joint debate.

I will call upon Mr Frederick FUNG to speak first, to be followed by Mr Albert HO and Mr CHAN Kam-lam.

MR FREDERICK FUNG (in Cantonese): Madam President, with regard to the motion moved by the Honourable Howard YOUNG, the Association for Democracy and People's Livelihood (ADPL) and I basically support points (b) and (c). However, we do not agree with point (a) which expresses doubts about the Home Ownership Scheme (HOS) and suggests reviewing it. For this reason, we propose to delete the point and add in our stance instead, and my speech will focus on the reason of my proposing an amendment to the motion. As regards the other two suggestions put forward in the motion which are agreeable to me, I will not speak on them in detail because I believe Members from the Liberal Party will expound on them.

Madam President, members of the real estate property sector have been voicing out loudly their criticisms against the Government's policy on the HOS. They hold that in putting up the HOS flats for sale the Government has further impacted on the already sluggish property market in Hong Kong. Because of the tremendous pressure imposed by public opinion of such kind, the Government of the Special Administrative Region (SAR) finally put forward a series of measures, including reducing the annual supply of HOS flats from the original level of 26 000 flats to not exceeding 20 000 flats, and adjusting downwards the income ceiling for applicants of HOS flats and rental public housing. I do doubt very much if the HOS policy really has that strong influence on the property market in Hong Kong.

To begin with, I believe there is still a home ownership need in the market, only that people's decision to buy their own homes is still affected by two major factors as follows. Firstly, with the economy of Hong Kong remaining in the recovering process, people are not so optimistic about their employment

prospects and thus cannot make up their mind even though they do have a need for home ownership. Secondly, and more importantly, the swaying housing policy of the Government impacts directly on people's confidence in acquiring their own flats, because they are afraid that the flats they acquire may one day become "overpriced".

I have proposed to amend the motion moved by Mr Howard YOUNG mainly because the ADPL and I hold that since the HOS is absolutely worthy of maintaining and has its role to play in the property market, there is no need to review the HOS policy, not to say to abolish it. Some members of the real estate property sector consider that the sale of HOS flats will further impact on the property market. In my view, these people have overlooked the fact that HOS flats have indeed helped to provide a buffer for public housing development in both the private sector and the public sector.

All along, HOS flats are built to cater for the needs of those people and families whose total income has exceeded the limit for public rental housing but who cannot afford flats in the private sector. The income of an average family of four applying for HOS flats is around \$24,000 to \$30,000. Given the mortgage repayment cap prescribed by banks — expenses on mortgage repayments and other relevant expenses shall not exceed 40% to 50% of the total family income — and the fact that property prices continue to rise rapidly, a family of four earning \$24,000 monthly certainly have difficulty buying a flat from the private sector property market. In other words, people earning less than \$24,000 monthly are not the target buyers of flats in the private sector. Hence, HOS flats and flats in the private sector are in fact produced to cater for the needs of two different groups of target buyers. While the former is to cater for the needs of the lower strata members of the community, the latter is to provide members of the middle to upper income groups a wider choice of properties in better locations for investment purposes.

Over the past 20-odd years, the provision of HOS flats has served to balance the housing policy as a whole. On the one hand, the availability of HOS flats has helped to resolve the home ownership difficulty of the sandwich and middle classes; on the other hand, the sale of HOS flats has also provided profits for the Housing Authority to finance its production of public rental housing. As such, we hold that the HOS is helpful to alleviating the public housing-related financial burden on the Government.

In the wake of the financial turmoil in 1997, property prices in Hong Kong have dropped tremendously by over 50%, while the income level of the public has also dropped by 20%. During the same period, the prices of HOS flats have adjusted downwards by 6% only. As a result, the buyers of HOS flats have overlapped with buyers in the private sector. Under strong pressure from different quarters, the Government has lowered the income ceiling for HOS flats by 20%, thereby making it impossible for some of the families which can afford flats in the private sector to buy HOS flats. Both the ADPL and I consider that if the Government fails to introduce any corresponding measures to cater for the housing needs of the marginal middle class and the lower strata of the community in parallel with the relevant new measures to stabilize the property market, it has in effect deprived them of their housing needs. I am afraid a phenomenon of the Government robbing the poor to help the rich would thus be created.

Madam President, I should like to stress again here that since it was launched in 1978, the objective of the HOS has been very clear, that is, to help those people and families whose income level has exceeded the limit for rental public housing but cannot afford flats in the private sector. From this, we can see that the target buyers of HOS flats are families that cannot afford flats in the private sector. Taking the present situation as an example, the income ceiling for families on the Public Rental Housing Waiting List is \$17,000, whilst that for applicants of HOS flats is \$25,000. In other words, families earning some \$17,000 to \$25,000 are the target buyers of HOS flats. If 40% should be a reasonable ratio of housing expenses to household income, then these families would have only some \$6,800 to \$10,000 as housing expenditure. That means they would only be able to purchase flats costing \$800,000 to \$1.2 million in the private sector. Yet, are there any low-price flats between \$800,000 and \$1.2 million in the private sector? Even if there should be any, the number would be very small and the flats must be located in very remote areas. Thus we can see that the aforementioned people and families are basically not the target buyers of flats in the private sector.

At present, the problems with the HOS do not lie in its objective or purpose but in the fact that the Government has not taken any special measure to define clearly the boundary between HOS flats and flats in the private sector during such extraordinary situations and stages of economic development as the current recession or the over-heated economy in 1996 and 1997. In our view, the present downward adjustment of the income limit has achieved the objective. Hence, the crux of the problem lies in the measures of the Government rather

than the objectives or purposes of the HOS. During a time when property prices are on the rise, it would of course be the best if the Government were able to affect property prices as mentioned by the Chief Executive; if not, it should at least raise the income ceiling in the light of the economic situation or the rising property prices. On the other hand, during a time of recession or when property prices are falling, the income ceiling for applicants of HOS flats should be adjusted downwards. Having drawn clearly the income ceiling line for HOS flats applicants, measures must be taken to ensure that those earning more than that level can certainly acquire a flat in the private sector while those earning less than that cannot. We consider this to be a reasonable and appropriate level. So, this is a question of timely intervention by the Government, rather than the availability of HOS flats being a factor leading to the problem of negative assets or the fall in property prices in the private sector. It is all the more not a matter of abolishing the HOS to make it impossible for the middle and lower income groups as well as the sandwich class to acquire their own properties.

Under the circumstances, Madam President, we hold that in addition to lowering the income ceiling for HOS applicants, the Government should implement two measures which ought to but have yet to be implemented. Firstly, the prices of HOS flats must also be lowered, otherwise, people earning less than \$20,000 would find it very hard to meet the mortgage repayments even if they should be successful with their applications. As such, we hold that the Government should lower the prices the HOS flats. However, please do not worry that the Government has to sell HOS flats at a loss once the prices are lowered. This is because the Government is currently selling HOS flats at a net profit level of 120%, which means that the profits from the sale of one HOS flat can cover the costs of more than two HOS flats. As such, even if the price of HOS flats should be lowered by 20% to 30%, the Government is still able to make reasonable profits.

If Members should agree that such an income ceiling line would not affect the private sector property market, the second measure I believe the Government has failed to introduce would be a proper timetable for the completion of the outstanding HOS flats. The Government should formulate such a timetable to enable applicants of HOS flats to know when they would be allocated one — say, within three years, four years or five years — so that they would not be making applications in vain every year. I understand that some kaifong have been applying for HOS flats for eight years without success. So, these are the

measures which I believe will genuinely help the sandwich class and families belonging to the middle and lower strata of the community, which do not qualify for public housing and at the same time cannot afford flats in the private sector, in resolving their housing problem.

Madam President, I so submit.

MR ALBERT HO (in Cantonese): Madam President, there are many unfortunate holders of negative assets in Hong Kong today. They are not only victims of the 1998 financial turmoil, but also sacrifices of the Government's long-standing high land price policy — particularly before the financial turmoil.

Members should remember that when Hong Kong's property market was extremely robust in 1995, 1996 and 1997, many in the community — including the Democratic Party and many colleagues in this Council — repeatedly appealed to the Government to adopt effective measures to combat speculation by, for instance, imposing an additional property speculation tax or levying a capital gains tax on real property. Nevertheless, our requests continued to be ignored by the Government. Eventually, a big bubble appeared in the property market. When the bubble burst, many were thrown into an abyss.

As far as I remember, the Chief Executive was asked a question related to negative assets when he attended a Question and Answer Session recently. Mr Andrew CHENG, who put the question, was asked by the Chief Executive where he was at that time. It is easy to answer. Many Members in this Council were actually Members of the former Legislative Council. They had warned the Government time and again that effective measures should be implemented. Perhaps the Chief Executive had forgotten to ask himself where he was at that time. Actually, he was serving in the former Executive Council in 1997. He can definitely not completely ignore or shirk his responsibility with respect to the adverse consequences resulted from the numerous policies adopted at that time. Today, however, we are not trying to find out who should be held responsible for these unstable, rapidly changing or unwise housing policies. What we are trying to discuss today is the specific issue of how to help the beleaguered holders of negative assets.

In 1995, 1996 and 1997, property prices more than doubled to such an extent that they were no longer proportional to the rise in wages. Many people were worried they could never afford to owe their own homes and would thus become "snails without shells". As a result, many decided to purchase

properties for self-occupation. Unfortunately, their properties have now turned into negative assets. Most of them are not property speculators. Neither are they those who take a "lose-hit, win-take" approach. Even today, they are not trying to ask the Government to provide them with unreasonable subsidy. The Democratic Party conducted a survey last week in which 600 members of the public were interviewed. Although half of the respondents lived in rental flats, 80% of them agreed that the Government should help people with negative assets.

Whom we are trying to help today is a group of people who deserve our support. The Financial Secretary-designate, Mr Antony LEUNG, once commented that these people seemed to expect guarantee from the Government that they would make a profit in entering the market. I guess he made such a remark probably because he had some misunderstanding about the entire case and so he had made such an assertive comment. I hope he can, after assuming his office, have a more comprehensive understanding of this problem and the many other problems faced by the grassroots and give them better care, instead of managing public finance with the mentality or thinking of a businessman.

In proposing to help people with negative assets, it is most important that we know their background. First, they need to purchase properties for private use. Second, they are unable to offset their debts with their capitals because their homes were not bought at an appropriate time. Third, their livelihood is affected because the financial turmoil has resulted in a sharp fall in their family income and even given rise to other problems — they may even need to contribute 60% (or even 70%) of their income to mortgage repayment and live in extreme poverty. Fourth, we hope we can help negative assets holders who are unable to gain the banks' consent to lower their mortgage rates in accordance with the prevailing mortgage rates offered in the market. We are particularly concerned with these people because the rates of the interest they are paying are higher than the mortgage interest rates offered in the market.

Statistics have shown that there are at present approximately 180 000 negative assets households in Hong Kong. If we can define our targets of assistance clearly, they might represent just a small portion of the households. The number is believed to be far below 180 000.

The key points of the amendment proposed today are: First, we are convinced that the Government can definitely not reduce or shirk its commitment

to public housing no matter the Government hopes the market to recover as soon as possible or it hopes the market can recover so as to relieve the burden of negative assets holders. I trust Members would remember that the Government has made repeated pledges that it would provide 50 000 public housing units every year though it can adjust the ratio between the number of public rental housing flats and HOS flats. Whatever, the Government must honour its pledges. For the grassroots, this is an indispensable social security measure. We hold the view that HOS flats have all along been playing a very important role. This is because HOS flats provide the first ladder for the grassroots to purchase their first homes when their income increases and when their financial condition improves. With the help of the ladder, they may later on enter the private market. The HOS has proved to be a success. With the Scheme, many people have managed to own a permanent home. In our opinion, the Government must keep its commitment. It must not reduce or suspend the construction of HOS flats whatever happens.

Second, we strongly urge the Hong Kong Monetary Authority (HKMA) to encourage banks to adopt a less stringent policy. Previously, the interest rates offered by banks would adjust according to the market interest rates. In other words, all bank interest rates will go down if interest rates fall. With the emergence of the problem of negative assets, however, banks are very often unwilling to lower the mortgage interest rates offered to negative assets holders. Even when many new property buyers are offered a mortgage interest rate of P-2% or P-2.5%, many negative assets holders are still repaying their mortgages at an interest rate of P+1% or P+2%. According to the explanation offered by banks, they are not willing to lower the mortgage interest rates because there are risks. This is definitely not an acceptable reason because the risks, if they do exist, are in existence already — the risks lie in the negative assets. If this stringent policy is maintained, mortgagors may be unable to bear the burden and eventually they may stop their mortgage repayment.

Actually, the banks' prime consideration is that people with negative assets may not be able to secure re-mortgages. As a result, banks are reluctant to make reasonable arrangements to enable negative assets holders to tide over their difficulties. We think this policy should be adjusted because banks owe their clients a moral responsibility. In doing so, they can also help property buyers to steadily fulfill their mortgage responsibilities. In addition, we also ask the HKMA to encourage banks to extend the period of repayment and make other arrangements such as allowing negative assets holders to repay the interest, but

not the principal, of the loans so as to help them tide over their difficulties. Actually, similar arrangements were made by the Housing Authority in the past.

The Democratic Party once proposed to set up a mortgage reduction fund. Although this proposal is not included in the amendment today, still I am convinced that the proposal is not at all unreasonable or trying to interfere with the market. Actually, a similar policy is adopted by the Government in providing loans to first-time home buyers and small and medium enterprises. For this reason, it is hard to convince us that we should not adopt the same policy for people with negative assets.

PRESIDENT (in Cantonese): Mr HO, your time is up. Please sit down.

MR ALBERT HO (in Cantonese): Madam President, I so submit.

MR CHAN KAM-LAM (in Cantonese): Madam President, the motion on negative assets under debate in this Council today has become a focus of the public opinion lately. Should the Government provide assistance for people with negative assets? This is a very controversial question. Much to our regrets, some members of the community have mixed home buyers with speculators in property and thus failed to analyse thoroughly the current situation of people with negative assets. They have taken owners of negative assets simply as failing investors, turning a blind eye to the fact that these people are leading a life even harder than that of public housing tenants. The Democratic Alliance for Betterment of Hong Kong (DAB) considers that since the Government is also concerned about the difficult position of owners of negative assets, it should all the more put forward concrete measures to help the real owners of negative assets. In the long run, if we are to resolve the problem of negative assets, measures must be taken to expedite the full recovery of the economy. Hence, I have proposed to amend Mr Howard YOUNG's motion to urge the Government to conduct a comprehensive review of its policies on housing and land supply, with a view to bringing the policies in line with the overall population growth and the development needs of our economy, thereby reviving the people's confidence in buying their own homes and leading a stable life.

Some people consider that buying landed property is a kind of personal investment, and since people become owners of negative assets just because they have made the wrong investment decision, we should not offer them any assistance. Before discussing this issue, I should like Members to first ponder over this question: Is landed property simply an item of investment? According to the traditional Chinese thinking, people acquire landed property because they have decided to plant their root in that place and live there for good. In view of this idea, the Government has introduced a number of home purchase loan schemes in the past to help members of the public to acquire their own homes. In his first policy address, the Chief Executive already made it an objective to enable 70% of the population in Hong Kong to acquire their own homes before 2007.

So, landed property is not simply an investment item. More importantly, it represents the lifelong savings of some members of the public and is one of the important factors essential to the stable development of society. Currently, property prices have dropped more than 50% compared to the level when the property market was at its peak. To the owner-occupiers, so long as they have a stable job and their salary levels remain unchanged, a fall in the prices of their flats actually does not have any substantial effect on them in the short run other than the sour feeling of having bought an overpriced flat.

On the other hand, we understand that in the wake of the financial turmoil, the economy of Hong Kong has deteriorated to its worst situation ever in these last 20 years. In this connection, the rate of unemployment has for a time risen to 6.3% and is still standing high at 4.3% recently. The people of Hong Kong, including every one of us in this Chamber, have never expected Hong Kong economy to experience such a long "ice age". If the owners of negative assets had not seen their wages being cut or been made redundant, they would of course have no problem meeting the mortgage repayments. However, the reality is another story. Here, I should like to cite a live example. Last Saturday, a lawyer committed suicide allegedly because of the negative assets problem. According to the news story, this lawyer bought a slightly larger than 300 sq ft flat in 1997 at \$3 million, but the market price of the flat has currently dropped to \$1.2 million; besides, his monthly salary has also dropped from \$80,000 then to \$20,000. That being the case, how could this lawyer meet the monthly mortgage repayment of more than \$10,000?

Madam President, the current living standard of many families which belonged to the middle-income group in the past may most probably be lower than that of a low-income family! Bearing in mind that these families have never enjoyed any of the housing loan schemes offered by the Government, should the Government and the banking sector sit down and think together to find out ways to help these people whose only wish is to have their own comfortable home?

Actually, the Government does have in place a wide range of housing subsidy policies, including the Home Starter Loan Scheme for the sandwich class and the HOS or public rental housing for the low-income families in general. The public money spent in these areas amount to several billion dollars yearly.

The DAB understands that banks and money-lending institutions are not social welfare agencies, and hence they should not be made to shoulder any social responsibility. For this reason, we respect their "business is business" attitude and appreciate that it is not possible to intervene in the decisions of banking institutions. However, during our recent meetings with bankers to discuss the question of helping people with negative assets, we have gathered that only a very small number of banks allow the relevant flat owners to repay their mortgage loans at a lower interest rate without making up for the difference between the buying price and the market price of the flats. The majority of banks will only wait until the relevant flat owners have topped up their mortgage loans or become unable to meet their loan repayments to reorganize their loan repayment schedules by such means as extending the loan repayment period or allowing them to repay the interest but not the principal of the loans concerned.

With regard to these owners of negative assets, the interest rates on their loans at present range most probably from prime rate (P) plus 0.5% to P plus 1.5%. But then, some of the banks are now offering mortgage loans at an interest rate of P minus 2% to P minus 2.5% to new flat buyers, thus making it a gap of three to four percentage points between the new and old mortgage loan interest rates. Under the circumstances, this should be the best time to act to help owners of negative assets. If banks should be willing to waive the requirement for topping up the mortgage loans to reorganize the relevant mortgage repayment plans, it would certainly help to alleviate substantially the loan repayment pressure on owners of negative assets.

According to the data from the Hong Kong Monetary Authority, as at the end of December last year, there was a total of 3 570 cases of default in mortgage repayment. Judging from this figure, the situation is not serious. On the other hand, the DAB has also noticed that the loan delinquency ratio for default repayment recorded in December 2000 was 1.26%, which reflected that a large number of mortgage loan borrowers had not made their loan repayments for at least three months. We understand that if any flat owners should default on their mortgage repayments for half a year, the banks concerned could resume their flats and put them up for auction. Yet, at the same time, we also understand that the emergence of repossessed properties will only give rise to a lose-lose situation: the banks will make a loss while the owners of the relevant negative assets will have nothing left! That being the case, the DAB hopes that the banking sector can adopt a tolerant attitude and discuss with individual owners of negative assets practical ways to help them ride out the crisis. For example, the relevant banks may extend the period of loan repayment for the owners concerned or allow them to repay only the interest but not the principal of the loans.

While there were indeed full-time speculators in the market when property prices were at their highest, I believe all such speculators have already stopped their activities by now; those striving painstakingly to stay afloat are the genuine home buyers. From the fact that they have to scrimp on their daily necessities every month to meet the mortgage repayments, we can tell they are in full compliance with the contractual spirit, rather than being the "lose-hit, win-take" kind of persons. In that case, why must we discriminate against them and refuse to offer them any assistance?

Actually, it is very easy to differentiate families with self-occupied negative assets from speculators and people who have made the wrong investment decisions and become owners of negative assets. In our view, assistance should be offered to owners of negative assets if they are genuine home buyers and permanent residents who have resided in Hong Kong for at least seven years, have never accepted any housing assistance, or families the total assets value of which is not enough to top up their mortgage loans and have to spend over 60% of the total household income meeting the mortgage repayments.

Certainly, to effect a radical cure of the problem of negative assets, it is necessary that the economy has revived and property prices have been adjusted naturally. In this connection, we believe the Government must formulate a clear and well defined housing policy before it can find a way out of the present quagmire.

Madam President, I wish to emphasize one point, and that is, the problem of negative assets is not simply a matter of rise and fall in property prices. Buying a home is one of the most important decisions that people make in their whole lives. For this reason, we should not discuss the issue superficially or indiscriminately refuse to offer people with negative assets any assistance. We regret that the Government has recently indicated that it would not adopt any measures to provide assistance for families with negative assets. Nevertheless, we will continue with our effort to strive for a feasible proposal for helping owners of negative assets.

MR TOMMY CHEUNG (in Cantonese): Madam President, my remarks today will be quite similar to those of Mr Howard YOUNG.

Every time before the Liberal Party raises the issue of negative assets, the Government is able to take prior notice and rush in some measures. In June last year, for example, shortly before the Liberal Party staged a procession aiming at "protecting people's assets and invigorating their spirits", the Government announced that it would suspend the sales of HOS units for half a year. And, before this motion debate today, the Government even announced three drastic measures to stabilize the property market. The Liberal Party really appreciates these well-intentioned responses from the Government, whether or not they can really work. That said, I would still say that if the Government can refrain from taking any pre-emptive actions and withhold the announcement of these measures until after the Legislative Council debate, it may actually improve the relationship between the executive and the legislature as well.

I am very grateful to the Democratic Party, the DAB and the ADPL for moving amendments to the motion of the Liberal Party. Though these political parties do differ from one another in terms of their specific proposals, their amendments can still reflect that they share the long-standing concern of the

Liberal Party over the problem of negative assets. About three quarters of a year ago, the Liberal Party took the unprecedented move of organizing its first assembly and first street procession when it noticed that negative assets had become a grave social problem that might harm our economic development. Many people were surprised and puzzled, and some even thought that the Liberal Party was simply trying to curry favour with the middle class, to rally support before the election. We do not mind all these criticisms, as long as all of us can co-operate with sincerity to solve this problem. Please also rest assured that we will not claim all the credit, or say something like what the Chief Executive said to this effect: "Make noises, if you wish, at that time. But where were you then?"

First, let me stress that negative assets are not a problem bothering the middle class only. From a broad perspective, it will also affect the economy as a whole. Despite its gradual recovery in recent months, the economy is still caught in continued sluggishness. Some trades and industries, such as the retail businesses and the catering industry, are still having a hard time. The middle class people have all along been the main pillar of domestic consumption. But frustrated by the ever-decreasing asset value, they have lost confidence in their economic prospects. It is only natural that they all wish to reduce their spending. As Members are aware, prices have become increasingly low over the past few years. To consumers in general, this is of course very good, but the employers and employees in the retail businesses and catering industry would say that the drop in prices have been 'tragic'. Obviously, for as long as consumption desire fails to pick up again, the "rice-bowls" of many will still be on thin ice. If the situation continues, the resultant negative consequences will be very far-reaching.

The inter-dependency of the property market and the whole economy is an incontestable fact. In the past decade or so of economic prosperity, whenever there was a property boom, the overall economy would also prosper. If, however, when the property market plummeted, many trades and industries would also experience sluggishness. This shows that the problem of negative assets will closely affect all people in Hong Kong. In a popular jargon, people's "happiness index" will unlikely be high. There are totally 200 000 negative assets in Hong Kong, representing 20% of all private properties. In other words, one in five of the property owners in Hong Kong owns a negative asset.

And, for those units which have seen a drop of 10% to 30% in value, there are totally 300 000 units, representing 30% of all private properties. By simple addition, one can work out that half of the property owners in Hong Kong have been turned into sorrowful owners. Perhaps, the "happiness index" of these sorrowful owners and their family members has long since become negative. Of course, we are not asking the Government to encourage speculation, but we must point out that negative assets have become a social problem that can no longer be ignored. In asking for ways to ease the problem, we are not trying so much to protect property tycoons and owners of negative assets; rather, we simply wish to stimulate the retail businesses, to revitalize our trades and industries and to urge the Government to take quicker measures, so as to bring forward economic recovery.

Owners of negative assets are mostly middle-class people, often referred to as the sandwich class in the past, because while they enjoy the least welfare benefits, their tax liability is the heaviest. These people who constitute the backbone of our society are often middle management personnel, proprietors of SMEs or university graduates working a stable job a few years after graduation. These people can be described as the backbone of our society. Many successful personalities or founders of large consortia also underwent such a stage in the past. Unfortunately, since the financial turmoil, these people, who used to lead a life free from any worries, have been faced with the pressure of wage freeze, salaries reduction and dismissal for several consecutive years. Worse still, all their savings have gone, and more pitifully still, many of them have become up to the neck in debt and do not know when they can extricate themselves from the dire straits. If these people are caught in the quagmire of negative assets for long, they will certainly reduce their consumption, voicing out grievances throughout Hong Kong. More importantly, the economic vitality of Hong Kong will be seriously affected.

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

DR DAVID LI: Madam President, I have consulted widely with my colleagues at the Hong Kong Association of Banks and in the Finance Functional Constituency. I am pleased to speak on their behalf on this motion, as the representative of the Finance Functional Constituency.

Housing is a basic need. Everyone in this community understands the concern that first-time homebuyers felt in the mid 1990s. Prices were rising relentlessly. First-time buyers were worried that if they did not buy right away, they would never be able to afford to own their own homes.

And now, those who made the most important purchase of their lives four, five or six years ago are suffering in the knowledge that their homes are negative assets. This is a great personal tragedy for many in our community, and everyone in Hong Kong is affected. We all have learned from this.

We are all deeply concerned that the mistakes of the past not be repeated. Policy decisions affecting housing must be taken carefully, and deliberately, in support of the long-term stability and prosperity of Hong Kong.

May I point out that banks have also been hurt by the sharp fall in property values. A property owner's negative asset is a bank's unsecured loan. As a result, banks have had to make large provisions to cover bad and doubtful loans. Therefore, in the event that the Government proposes a policy to assist homeowners with negative assets, banks will be most willing to co-operate.

I have studied this motion very carefully, and regret that the Liberal Party has proposed such an ill-considered motion on this important issue.

May I point out that the Honourable Albert HO has much better commercial sense than those in the Liberal Party. His amendment rightly states that banks can ease the burden on people with negative assets by allowing them to repay interest only.

This is precisely what many banks are doing on a case-by-case basis to assist homeowners through difficult times. Banks are flexible, and are very willing to work together with individual homeowners to develop a repayment program that meets their needs.

No bank, however, allows a borrower to pay principal only, as proposed by the Liberal Party. In fact, the Hong Kong Monetary Authority (HKMA) would be concerned if banks did so.

Banks are constrained in their policies by the prudential requirements of the HKMA. In the run-up of property values in the 1990s, the HKMA put forward measures to reduce banks' exposure to the property market. Consequently, banks in Hong Kong did not suffer the same fate as their counterparts elsewhere in Asia when the Asian financial crisis hit in 1997.

Now, the motion before us calls upon the HKMA to encourage banks to adopt policies that would undermine that sound supervision. Is this the direction that we want to go?

I also call on Members to remember that we are fighting very hard to enhance Hong Kong as an international financial centre. Financial services industry is a key industry for the future, which is able to provide good, value-added jobs and can help our economy grow. However, this motion casts a shadow over our future. Whenever any sector of the economy gets into trouble, is that Council going to urge the Government to interfere with and intervene in bank lending policies? What message will that send to the international financial community?

There is one aspect of this motion that I believe all political parties, other than the Liberal Party, have overlooked. It is this: The motion does not distinguish between two very different categories of people who are suffering from negative assets.

On the one hand are the homeowners that I spoke of earlier; on the other hand are those who invested in property for rent, redevelopment or speculation. The motion is deeply flawed because it does not make any distinction.

Does this Council wish to call on all banks in Hong Kong to support the bad business decisions of those who invested in the property market in 1996 and 1997? For that would be the consequence of passing this motion. Where will we stop? Will we bail out investors if the stock market crashes?

Banks in Hong Kong do make a distinction. Banks give homeowners much more flexibility than they give the owners of rental property. For example, banks do not require owner-occupiers to top up their mortgages, in the event that the mortgage exceeds a certain percentage of the market value of the property. Banks do, however, impose this requirement on the owners of rental properties.

The thrust of this motion is that banks should extend the flexibility that they have already shown to homeowners, to those who made a bad commercial investment.

I urge this Council to vote down this deeply flawed motion and all the amendments.

MR AMBROSE LAU (in Cantonese): Madam President, the problem of negative assets is very serious in Hong Kong. Among the 1.4 million private residential properties in Hong Kong, the book value of some 600 000 has already depreciated. In particular, 290 000 of these properties have become negative assets as their current market prices have dropped more than 30% compared to the original prices at which they were bought. It is estimated that the total loss suffered by people with negative assets amounts to over \$200 billion. If the problem of negative assets should continue to develop, it would deal an extremely heavy blow to not only the consumer market and investment market in Hong Kong, but also the stability of the banking system as well as the ability of small and medium enterprises to raise loans using properties as collateral, thereby adding substantially to the burden on them. As such, there is indeed a need for the Government to adopt reasonable measures to improve the situation while holding fast to the market principle.

Madam President, the most reasonable way to help people with negative assets is to stabilize the property market and allow property prices to rise gradually with inflation. That way, people with negative assets will be able to get out of their difficult position step by step. To stabilize the property market, the first and foremost task is to review the housing policy. In particular, the function of the HOS as well as the value of its existence should be made a key aspect of the review.

The HOS was introduced with the intention and purpose to enable people, who could not afford to buy properties in the private sector and at the same time did not qualify for public rental housing, to acquire their own homes at prices comparatively lower than the exorbitant property prices then. The Sandwich Class Housing Scheme (SCHS) was introduced also with the same intention and purpose. However, in the wake of the financial turmoil, property prices in Hong Kong have dropped considerably, so much so that the price levels of HOS flats and SCHS flats are very close to that of flats in the private sector. Even though the SCHS will not be proceeded with any more, the Government has kept

improving the quality of HOS flats. At the present moment when the property market is so stagnant, the Government has still put up 1 600-odd new HOS flats for sale recently, thereby adding substantially to the pressure on property prices.

Given the continuous improvement in quality, location and facilities, and the fact that certain flats even have superb views of the sea, rather than just being on a par with flats in the private sector in all aspects, in some measure HOS flats even compare favourably with their private sector counterparts. What is more, in addition to discounts and down payment waiver, buyers are also allowed to sell the HOS flats back to the Housing Authority a few years later at the original prices of the flats. All these special concessions have served to enable HOS flats to compete vigorously with private sector flats in the property market. In the end, while the resulting situation is contradictory to the original intention of introducing the HOS, the most gravely affected victims are the some 300 000 owners of negative assets.

In my view, if the Government really understands the difficult position of people with negative assets, it should not take the problem of negative assets involving some 300 000 flat owners lightly as their "individual problems". More importantly, it should not make use of contradictory attitudes and opposing interests in the community to stir up hostile feelings against people with negative assets. At bottom, the flawed housing policy of the Government can really be blamed for the difficult position of people with negative assets. For this reason, I hold that if the Government is to resolve the problem of negative assets, it should adopt, as a first step, a sympathetic and caring attitude towards people with negative assets.

Madam President, the Hong Kong Monetary Authority should encourage banks to adopt the same mortgage policy for both new and secondary market properties because this measure can help to revive the secondary market. Once the secondary property market is revitalized, the property market as a whole will turn for the better, thereby helping property prices to stabilize and eventually rise with inflation. Apart from that, the Government should also review its policy on land supply as well as the various loan schemes for home purchase. The Government should come to realize fully that the problem of negative assets has already affected adversely the economy of Hong Kong as a whole, and that it should never look on with folded arms.

Madam President, I so submit.

MR NG LEUNG-SING (in Cantonese): Madam President, for a certain period of time in the past, the land and housing policy of the Government has often been criticized for being confusing and unclear. In the light of this motion and the various amendments, it appears that the opinions expressed in the Legislative Council are even more confusing and unclear. If these opinions are incorporated into the actual housing policy, I am afraid the property market in Hong Kong will suffer from a lack of direction and the situation will be "extremely chaotic".

We all remember when the property market was at its peak before 1997, there was no loss but gain in property investments. Enormous capitals flowed into the market and inflation was fuelled year after year. On the contrary, the high land price policy made those petty citizens who could not afford to buy their own homes and many businesses suffer a lot of hardships. At that time, the Government proposed the "85 000" policy on provision of flats and land, which targeted the relationship between supply and demand. Public opinion in general conceded that there was an actual need to suppress the property prices from rising to exorbitant levels. The voice heard by the general public in the Legislative Council was neither against the "85 000" policy, nor a voice about restricting the supply of land and housing. Instead, there were requests to suppress property prices, helping more citizens to buy their own homes and lowering business costs.

The impact of the financial turmoil changed the situation of supply and demand in a drastic way. The "85 000" policy became a policy born at the wrong time. The property market plummeted continually. By then, the Government was criticized for having interfered with the economy and brought about the collapse of the property market. Those Members who once showed their concern about the heated speculation and the spiralling property market, however, forgot that they had requested the Government to introduce some policies and measures to suppress property prices. Contrary to that, they were happy to grasp the "85 000" policy as evidence of crime and pursued after the Government incessantly, reproaching the Government for its blunders in administration. From all this, it can be seen that politics is really very realistic.

In the wake of the financial turmoil, the property market in Hong Kong remained gloomy. The Government has introduced a few measures to stabilize the market, which include a reduction in land sale, a cut in the construction volume of HOS flats, a relaxation on the restrictions on the sale of flats, and so

on. These measures, in fact, were conducive to the overall change of the economy and could help people with negative assets. However, some Members came forth by then and criticized the Government for favouring the interests of big enterprises and consortia exclusively. When they criticized the Government for interfering with free economy, they also requested the Government to step into the market to provide assistance. Because of the property investors who have suffered losses, they even urged the regulatory authority, such as the Hong Kong Monetary Authority (HKMA) to interfere with the policy of the banking sector. The whole series of practices or comments above were actually inconsistent in logic and lacked clear rationale. If the policies are implemented, it is inconceivable how confusing the message conveyed to the market will be.

On the point of asking the Government to provide resources or take measures to help people with negative assets, if the rationale holds, then can those citizens who have suffered losses in gold speculation, stock speculation and "margin" speculation ask the Government for help? Once a precedent is set, should the Government render assistance every time the property market plummets and the problem of negative assets arises? Does it imply that the local property market can only rise but not fall in future? Even if we take one step backward, it is questionable as to how the number of people holding negative assets and their eligibility can be ascertained. This is visibly not a problem that can be solved simply by surveying through a couple of phone calls. What is the definition of "negative assets"? Should people with a stable or even handsome income be included? How many times that they have purchased a flat will then make them eligible? Or should those speculators who kept purchasing flats when the property market was at its peak but then were bound by them be included? How can a policy be considered fair and equitable if help is given to one group of people but not the other in the same situation of a plummeted property market?

In respect of the overall housing policy, the Government, being the major land supplier, bears the responsibility of providing public housing. Undoubtedly, it has significant influence on the property market, which is an objective fact that cannot be avoided. Therefore, the Government should handle it with care. The function of stabilizing the market can be served by regulating the supply of land and public housing, and this is definitely helpful to people holding negative assets in a positive way. After all, this is the best that the Government can do. In the final analysis, the solution to the problem of negative assets lies in the stable development of the market. If this right track is

abandoned in favour of reckless intervention by utilizing public resources to render assistance, or by making use of other administrative means, the market mechanism will eventually be damaged. This is not conducive to the development of the market and also unfair to all taxpayers.

As a member of the banking sector, colleagues in this Council and I also understand and sympathize with the hardships faced by different types of people with negative assets. In fact, a bank also hopes that the good quality of mortgage loans for flats can be maintained. If there is any problem, the bank can only, as far as possible, make various practical and feasible repayment arrangements with the clients concerned by negotiation. But at the end of the day, the bank will give different considerations to different cases and handle them in different ways depending on individual cases and the client's repayment ability. The consideration may include the risk of lending borne by the bank, and so on. In principle, we cannot ask the bank to give up its own responsible and prudent mode of business. As for the HKMA, its duty is to maintain the stability and safety of the banking system. If the HKMA, as the regulatory authority, is requested to encourage the banks to render assistance to people holding negative assets, or even propose actual measures to affect the lending policy, in Hong Kong which is a financial centre operating according to the principles of free economy, then it warrants careful consideration by all parties.

Madam President, I so submit.

DR RAYMOND HO (in Cantonese): Madam President, according to the information shown in a recent survey, over 40% of citizens who are flat owners have become people with negative assets. Although there have been signs of an upturn in the property market, it is believed that it will still take quite some time before people holding negative assets can get out of the current situation.

People with negative assets have to wait for the recovery of the property market before they can extricate themselves from the difficult situation now. However, since many citizens are holding negative assets, their desire of consumption have also been affected. Furthermore, the sluggish domestic consumption has dealt a further blow to the desire of investment among different trades and businesses, causing citizens to lose confidence in the economic prospects of Hong Kong and to further reduce their consumption. The domestic

economy of Hong Kong is thus caught in a vicious circle. The atmosphere of the economy is so depressing that the recovery of the economy will, to a certain extent, be encumbered, not to speak of the recovery of the property market.

From the macro point of view, negative assets is no longer a problem peculiar to people of a certain stratum. It is an overall problem in Hong Kong. Although many citizens with negative assets belong to the middle class, just as I have said earlier, this problem has profound influence on various levels of the domestic economy. Certain negative impacts will also be brought to bear on the people at the grass-roots level. Moreover, the middle class has always been the backbone of the economic development of Hong Kong, the problems encountered by them are also a matter of concern for people in Hong Kong.

Earlier, when I talked about the motion on "proposal for the coming budget", I have already asked the Government to consider relieving the tax burden of people with negative assets by increasing the amount of deduction on home loan interest up to \$200,000, and lengthening the said deduction period to 10 years. I now take this opportunity to urge the Government again to consider the said proposal in order to ease the financial burden of people with negative assets.

With regard to the mortgage policy adopted by banks for people with negative assets, I also agree that it is really not appropriate for the authority concerned to intervene too much since Hong Kong upholds free market economy. However, I wish that the banks and financial institutions concerned can adopt a more flexible approach when handling problems in connection with the mortgage repayments made by people holding negative assets. So doing will help the banks to recover the loans on the one hand, and help people with negative assets to solve their problems temporarily on the other.

However, in order to solve the problem of negative assets completely, the authority concerned must adopt some effective measures to expedite the recovery of the economy so as to stimulate the property market. Also, it has to formulate a clear, consistent and stable housing policy to restore people's confidence in the property market.

In fact, other than the poor economy, the continual plummeting of the property market over the past few years has a lot to do with the chaotic housing

policy of the Government. Now, it is time to evaluate and revise the policy concerned seriously, and have it carried out to the end so that the property market in Hong Kong can develop in a healthy way and people holding negative assets can ride out the storm as soon as possible.

Madam President, I so submit. Thank you.

MR LAU PING-CHEUNG (in Cantonese): Madam President, I support very much the motion moved by Mr Howard YOUNG today to urge the Government to adopt effective measures to provide assistance for members of the middle class with negative assets. Since I already explained in detail my stance on the question and particularly the proposal for increasing the amount of home loan interest deduction to \$200,000 last week when I spoke on the motion relating to the next Budget, I do not intend to repeat my points here.

As a matter of fact, there is a substantial divergence of opinion in the community about the question to how to help people with negative assets. That being the case, we should handle the matter with extra care, especially when we determine the scope of assistance. This is because the measures we put forward by us must effectively help those middle class people in difficult position worthy of our sympathy on the one hand, and refrain from intervening directly in the market and setting a very bad precedent on the other. At present, there are already some agreed views on the problem of negative assets among members of the public. These include: (a) the hardest time for people with negative assets has most probably become history; (b) the Government needs not provide direct assistance for them to repay their mortgage loan; and (c) the measures of the Government should focus on restoring or enhancing their competitiveness.

I believe I need not explain any of these views. Given that the property market has remained sluggish for several consecutive years, owners of negative assets who have not been filed for bankruptcy by banks or filed bankruptcy petitions themselves, and who have not disappeared simply must be people earning a stable income and capable of repaying their mortgage loans. I believe many of these people are professionals or manufacturers with a stable source of clients who do not wish to lose their professional qualification or career as a result of bankruptcy. Rather than giving up, these people will make their every effort to meet the mortgage repayments.

With regard to these "loyal" borrowers, so long as they continue to service their loans, the banks will not rashly require them to top up their mortgages so as to force them to go bankrupt, and then sell the repossessed properties to write off the negative assets. The banks would be too unreasonable if they should resort to this measure.

From the point of view of the Government, these middle class people have always been a stable source of income for the Treasury but have very seldom made use of the various welfare services; even in their most difficult times, these people still obediently pay their taxes on time. Hence, helping these people as far as reasonable to get out of their difficult position should be beneficial to society as a whole.

Madam President, the fact that these people with negative assets were able to enter the market before the financial turmoil when property prices were at their highest is proof positive that they have a comparatively sharper edge to compete in the free market in Hong Kong. Given that the property market is stabilizing gradually, what the Government and the banking sector should do now is to make good use of the current global interest rate reduction cycle to help these people with negative assets to alleviate their financial burden.

To the salaried middle class, interest rate reduction and repayment reorganization are measures that could directly help them to alleviate the mortgage repayment burden. I understand that recently many banks are willing to consider requests of such kind from people with negative assets. Let us take a look at this example. A middle class person bought a flat some 600 sq ft to 700 sq ft in size at around \$5 million in 1997 when property prices were at their highest and then mortgaged it to raise a loan of \$3.5 million, or 70% of the price of the flat, at a mortgage rate which was then equal to prime rate (P) plus 1%. So now, if the interest rate on his mortgage loan has not been adjusted down to P minus 2% as a result of competition in the market, this person is repaying his loan at an interest rate three percentage points higher than the prevailing mortgage rate, which means that he has to pay \$6,600-odd more in interest monthly.

As to operators of small and medium enterprises, what they badly need is the overdraft facility provided by banks. In the past, manufacturers would

mortgage their properties to raise loans. Nowadays, as the properties have become negative assets, if banks should tighten their overdraft accounts, it will only serve to leave these manufacturers in financial straits. I hope that the banking sector can review their lending culture and take into serious consideration the business prospects of the manufacturers concerned before deciding whether or not to approve their loan applications. I am confident that with their unique quick-wittedness and the opportunity made available by China's accession to the World Trade Organization, local businessmen in Hong Kong could certainly get themselves out of their difficult position if the banking sector would further offer them a loan to enable them to give full play to their competitive power. If the small and medium enterprises could ride out the crisis, the economy of Hong Kong as a whole would definitely become more energetic.

Concerning the original motion moved by Mr Howard YOUNG today and the amendments proposed to it by Mr Frederick FUNG, Mr Albert HO and Mr CHAN Kam-lam respectively, their suggestions for the mortgage policy of banks differ very little from each other. Whether it is more beneficial to the borrowers if they are allowed to repay the principal but not the interest of the loans or to pay the interest but not the principal is a technical issue dependent on the actual situation of individual borrowers. Under the major principle of not intervening in the free economy, I believe both measures could be adopted so long as the banks concerned agree and their stability will not be affected.

As regards the retention or otherwise of the Home Ownership Scheme (HOS), I agree that the Government should conduct a comprehensive review of its housing policy to study in detail whether it should use public money to assist people to acquire their own homes or it should concentrate resources on constructing public housing predominantly rental. In the event of the public agreeing that people should be assisted in acquiring their own homes, the Government will have to ponder whether the HOS is the only option, or to give consideration to other more flexible alternatives such as home purchase loans and "housing coupons" that can enable the public to choose the property of their preference in the free market. In my opinion, the public should be given more choices.

Madam President, I so submit.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, the problem of "negative assets" should be a matter of grave concern to the Government. This is because Hong Kong economy is still relying on real estate and the middle class and small and medium enterprises (SMEs) as the principal impetus for our economic development. In addition, negative assets may directly and indirectly give rise to numerous problems. Nevertheless, the Hong Kong Progressive Alliance (HKPA) will definitely not support the taking of such actions as processions, demonstrations, and so on, to force the Government to help negative assets holders. After all, investment failure is to be blamed for negative assets. While short-term speculation may win or loss, long-term investment does not necessarily guarantee profits either. For instance, the savings of many people recently shrank dramatically because of a long-standing telecommunications stock. Should we ask the Government to help these people by digging into taxpayers' pockets?

In tackling the problems, the Government must adhere to the principles of the market and be fair to various parties. The HKPA will definitely not support the Government using public money to subsidize people suffering setbacks in investments. Nevertheless, the Administration and the banking sector may adopt less stringent mortgage policies. For instance, the Hong Kong Monetary Authority (HKMA) may consider relaxing the percentage of mortgage and substantially lengthening the repayment period from 20 years to, for instance, 30 years. Furthermore, the Government may consider allowing negative assets holders working in the Civil Service or public organizations to, if their financial situation permits, pay off their debts with approximately 20% to 30% of their provident funds or pensions entitlements.

As regards the problem related to the negative assets possessed by SMEs, most banks have tightened the credit facilities extended to enterprises using properties as collateral over the past three years. The HKPA hopes that the banks can exercise discretion to give SMEs, in the light of the performance and prospect of each enterprise, a healing period to avoid the loss of operating capital because of the depreciation of collateral. The Government and the HKMA should also establish a Commercial Credit Reference Agency expeditiously to reduce the impact of the fluctuating market on SMEs.

In the HKPA's opinion, in order to help negative assets holders in concrete terms, the best approach the Government should take is, apart from introducing the abovementioned measures, actively promoting economic revival with a view to benefiting people of various strata. As for the Government's housing policy, due care must be given to people of the lower class as well as the poorest. The basic principle of the Government should be to encourage the public to strive for a better living environment after their basic needs are met.

Some may think that the depressed property market has been caused by the massive construction of HOS flats by the Housing Authority. In my opinion, these people have oversimplified the problem. The HKPA opines that the property market remains depressed mainly because the wider community has not yet been able to benefit from the economic revival, the employment prospects are uncertain and members of the public no longer believe the property market will only rise. I recall there were constant appeals in the community that "even university graduates cannot afford to buy a flat" when property prices rocketed between 1996 and 1997. In order to meet the people's aspirations, the SAR Government decided to speed up the construction of HOS flats. Now we have the impression that there is a flooding of HOS flats because of the successive completion of these flats. Given the loss of equilibrium between supply and demand in the market, it is indeed timely for the Government to suspend the construction of HOS flats. However, this does not mean that the Government should abolish its HOS policy hastily. After all, there is still a large number of sandwich class people who cannot afford private flats and yet do not need public rental housing. The prices and quality of HOS flats, however, perfectly meet the needs of these people. The Government's housing policy should cater to the needs of people of various strata instead of being led by the interests of individual strata. In my opinion, the Government should, constantly review land supply and certain technical problems in keeping with the changing circumstances. At the same time, it should clearly explain its objective to the public to prevent the public from thinking that the Government is constantly changing its policies.

Lastly, I must stress that in adjusting its land and housing policies, the Government should balance the needs of people with negative assets with Hong Kong's overall competitiveness. In spite of the fact that property prices in Hong Kong have fallen by more than 30%, they are still high when compared to those of other cities the living indexes of which are close to that of Hong Kong. As far as I know, a 700 sq ft flat of a new and fully-equipped housing estate facing the sea and Statue of Liberty and situated on a prime site near the World

Trade Centre in New York costs only approximately US\$340,000, or some HK\$3,700 per sq ft. However, a 700 sq ft flat of comparable standard at Mid-Levels on Hong Kong Island costs more than HK\$3.7 million, or approximately HK\$5,400 per sq ft. I cited this example not because I hope property prices in Hong Kong will continue to fall. I only want to draw the Government's attention to the fact that property prices is one of the key considerations of foreign investors and overseas talents in deciding whether they should pick Hong Kong. Furthermore, property prices will determine business costs in Hong Kong and play a crucial role in determining whether the public can live peacefully and work happily.

Madam President, I so submit.

MR BERNARD CHAN: Madam President, first of all, I would like to declare my interest as a director of a local bank. For the second week running, we are discussing a motion calling on the Government to tell bank how to run their business.

Last week, we had a motion asking the Government to decide what fees that banks should charge for retail banking services. This week, we have a motion asking the Government to decide on bank lending policies.

I really have to ask myself what is happening here in Hong Kong?

May be, I should join in as well. What about those people who bought the shares of Pacific Century CyberWorks (PCCW)? Perhaps our Government has also misled our community the prospect of the information technology sector. Maybe I should introduce a motion asking the Government to tell PCCW to buy back its shares at \$20.

Does that sound like a sensible way to run Hong Kong? No, of course not.

People with negative equity may deserve sympathy. But we will not help them by asking the Government to start running banks or other private-sector businesses.

These people will be helped best by a thriving economy. And for that, we need a free market.

As it happens, well-run banks will always try to be flexible if mortgage payers encounter problems. One thing that banks do not need is mortgages in default.

There is one other thing that banks do not need, and that is directions from the Government on how to run their business.

It is ironic that, as the Mainland moves to embrace market forces, including those in the banking sector, legislators here in Hong Kong are demanding that we go in the opposite direction.

Let us hope that as our economy picks up, there will be less confusion in this Council, and in our community, about the exact role of the Government in the economy. Thank you.

MR JAMES TIEN (in Cantonese): Madam President, I am sorry. I never thought you would suddenly call upon me to speak. Maybe it is because the several Members who should speak before me are not in the Chamber.

Madam President, in the original motion proposed by Mr Howard YOUNG today, we had thought of citing the original intention of establishing the Home Ownership Scheme (HOS) or the Housing Authority (HA). One of the purposes of establishing the HA was to provide public housing for the lower classes who could not afford home ownership. At that time (that is, before 1997), due to the annual land grant ceiling of 50 hectares, property prices had soared. One of the roles of the HA was to build HOS flats and sell them to those who could not afford to buy flats in the private market, but who were better off than those living in public rental housing. However, the problem of the annual land grant ceiling of 50 hectares has ceased to exist after the reunification. The Government's role should now be to provide housing for everyone so that everyone has a place to live. What we mean is to enable people to rent a flat instead of buying one. Thus, we have to ask if the HOS is still necessary today. To draw a simple analogy, the Government used to provide both "flour" and "bread". Should it not just provide the "flour" now and let private developers provide flats for sale?

We support Mr Albert HO's proposal that the Government should build not less than 50 000 public housing units each year primarily for rental purposes. In our view, if the Government can build these 50 000 housing units and when private developers are unable to provide the number of flats required by the market, thus making property prices rise too rapidly, the Government should allocate a suitable number from these 50 000 units (such as 5 000 or 10 000) to be sold to those who wish to purchase a flat, without stimulating a considerable increase in property prices. Conversely, if property prices merely rise steadily with inflation like what is happening today, we believe that the 50 000 units built by the Government should all be rented out, instead of being sold. The advantage of this is that it will shorten the waiting time of many Waiting List applicants, while home buyers can purchase flats from private property developers.

Madam President, I wonder if the various representatives of the banking sector have spoken impromptu without having read our motion carefully. Mr Howard YOUNG's original motion makes the following proposal with regard to banks: "urging the Hong Kong Monetary Authority to encourage banks to adopt a tolerant mortgage policy towards people with negative assets, such as". When we say "tolerant", it does not mean that we are asking banks to write off the loans, not to charge any interest or defer the repayment of the principal by people with negative assets. We are just asking banks to give a grace period, for instance, by extending the repayment period from 15 to 25 years. Over the past few years since the reunification, Hong Kong has been quite stable. Why is it that the mortgage repayment period for many properties overseas (such as in the United States) can be up to 30 years or more than 30 years, while it is only a dozen years or so in Hong Kong? For instance, people with negative assets or low-income persons may be paying \$15,000 a month for their mortgage repayment now. If their repayment period is extended, they may just have to pay \$10,000 per month. Actually, banks have already adopted this arrangement — allowing them to repay the principal, but not the interest, of the loans, or *vice versa*. This comes to the same thing. If the monthly repayment amount is \$10,000, \$6,000 may be the principal and the remaining \$4,000 is the interest, or \$6,000 may be the interest and the remaining \$4,000 is the principal. The principle is similar.

Nevertheless, the Members from the banking sector were surprised by this suggestion. Dr David LI was the most amazing of all. He hurried in and hurried out after giving his speech. He had not heard the speeches of Members of the Liberal Party or Mr Albert HO's speech at all. Still, he praised Mr Albert HO for having grasped everything this time. Actually, what Mr Albert HO proposes is for banks to change the original mortgage interest rate from prime plus 2% to prime minus 2%. I wonder if Dr David LI realized this. The Liberal Party does not think that banks have any reason to do this. Is the Bank of East Asia willing to do this? I am really surprised about this. If banks charge mortgage interest at prime minus 2% for new properties, the Liberal Party wonders why they should charge interest at prime plus 2% for secondary market properties. The mortgages on both new and secondary properties are new mortgages accepted by banks. That is why the Liberal Party suggests that banks should consider charging interest at prime minus 2% for all new mortgages. If Dr David LI finds Mr Albert HO's financial proposal so good, the Bank of East Asia should lend more to members of the Democratic Party and not lend anything to members of the Liberal Party.

Madam President, the Liberal Party cannot support Mr Frederick FUNG's amendment, since his proposal in respect of the Home Ownership Scheme differs from that of the Liberal Party in principle. He proposes that the 50 000 units to be built by the Government should be put on the market for sale regardless of the market conditions. However, the Liberal Party is of the view that the 50 000 units should be rented out and should only be sold on the market, if necessary. The financial position of the HA should not be the prime consideration. The financial position of the HA should not be the key, since the HA belongs to the Government. If the HA earns \$10 billion, it would save the Government \$10 billion in subvention. But even if the HA earns \$10 billion, it would not make any difference if no one wants to purchase land because of the depressed property market, thus the Government will earn \$20 billion less from its land sales. As for the amendments of Mr CHAN Kam-lam and Mr Albert HO, we can support them.

MR LAW CHI-KWONG (in Cantonese): Madam President, I believe this motion debate has aroused a lot of misunderstandings and misapprehensions over the past few days. The motion "Negative Assets" may create various associations, since there are many people with negative assets, such as those who speculate in stocks. When the Democratic Party discussed this issue internally, there were a lot of arguments too. Obviously, people holding negative assets because of such acts as the purchase and sale of property or speculation in the

property market should bear the consequences themselves. Why should we try to help them? However, we also know that many people with negative assets are quite blameless. For instance, they may have to pay \$20,000 monthly for the mortgage repayment. While they used to be able to make their mortgage repayments, their income has suddenly dropped due to the financial turmoil and they are no longer able to repay their mortgages. However, they cannot sell their flats. Banks have increased their interest rates and they are forced to continue to make the mortgage repayments. They are at the mercy of banks and caught in a dilemma. Many people have fallen between two stools after their income has dropped to a certain level due to the financial turmoil. That is why we should consider whether the community needs to find ways to help these people.

In today's discussion, I hope Members will adopt the following attitude towards the question of negative assets: since the plights and financial difficulties of some people or the burden on families or individuals are no good for the community or individuals, should we not think of some ways to help them? I believe the most important objective of this motion is to achieve this. Thus, I hope that today's motion and the three amendments will not be all defeated. Our community stresses free economy and seeks to ensure that all operations will not be subject to unnecessary interference. But when some people are in difficulty, how should we help them? Thus, when the Democratic Party says we need to help those with negative assets, what we mean is we should identify a group of people who are in particular hardship and try to help them.

First, let us consider what government policies we could make reference to. The first point of reference is the Home Starter Loan Scheme (HSCS) which is a scheme to help home buyers. The introduction of this Scheme had something to do with the high property prices, which prevented many people from buying their own homes. Thus, we proposed to give them loans to enable them to buy homes without having to bear the burden of interest during the first few years. With the burden of interest reduced during the first few years, some members of the middle class or sandwich class who could afford to make the down payment were able to purchase homes. However, some who were eligible for that Scheme might have chosen to purchase homes with their own money without applying for the Scheme. Little did they know that they would be left with negative assets when property prices hit bottom after they had bought their flats at high prices. While people who participated in the HSLs may also be owners with negative assets now, they have at least gained some advantage, since the

Government has helped them pay part of the sum and helped reduce their interest burden. For those who were eligible for the HSLs but did not apply for it, they are in a worse plight if their properties have become negative assets.

Of course, some people may think that it is not too proper to help them with the HSLs, since the scheme is meant to help first-time home buyers and many people with negative assets are not first-time home buyers. However, their plight is really pitiable. What should be done then? Earlier, Dr Raymond HO made another suggestion and that is, to make the mortgage interest tax deductible. Actually, mortgage interest is now tax deductible. I do not wish to argue whether the amount should be \$100,000 or \$200,000. When we discussed this mortgage interest deduction with the Government, we had argued internally whether the deduction should only be restricted to first-time home buyers. When the deduction was first introduced, there was controversy in the community over why it should be given only to first-time home buyers. Some older people may have purchased their homes quite early. They might have to take out loans before they could purchase their homes. At that time, there was no mortgage interest deduction for first-time home buyers. Now, when these people want to trade in their flats to improve their quality of life, they cannot enjoy the deduction. Nevertheless, this is a historical factor. I do not wish to go on and on about first-time home buyers.

When it comes to the mortgage interest deduction, the same problem arises again. Only first-time home buyers can enjoy this allowance. Is this fair? Our conclusion is it is not fair. In my view, it is fair only if everyone can enjoy a deduction once for a particular period in his lifetime. Whether he buys a home for the first, second or third time, as long as it is for his own occupation, he should be entitled to the deduction. It is fairer this way.

I am not reopening the debate on the overall policy on first-time home buyers. I just feel that when we consider how to help some people with negative assets who are in real difficulty, why can we not make reference to these two policies and try to find a way to help them? That is why the Democratic Party proposes to help these people to pay their mortgage loans and ease their interest burden through the HSLs. Of course, they must meet the established requirements. If their income level exceeds the limit for the HSLs, there is certainly no reason to help them. What we are considering is that we should help those people with negative assets who meet the income level requirement of the HSLs, who have not received any government assistance in

repaying mortgage loans, and whose income has fallen to a very low level. While the number of these people should be very small, they are obviously left out by the various policies and have not received any government assistance in this respect. They are still in a predicament. Should we not try to help these negative assets holders who are caught in the middle?

MRS SELINA CHOW (in Cantonese): Madam President, the problem of negative assets concerns a number of unfortunate households in society. Last year, when the Liberal Party first organized a demonstration for people with negative assets, there were great reverberations in the community. At that time, different sectors of the community misinterpreted our actions, saying that we were on the side of real estate developers and that a demonstration procession by the Liberal Party would undermine social stability. I even received calls from voters asking me, "Mrs CHOW, what were you doing taking to the streets?" Nevertheless, the procession succeeded in arousing concern in the community about the plight of people with negative assets. The Liberal Party also provided an opportunity for the middle class who have always worked hard without complaints and are affected by negative assets to voice their aspirations and air their grievances. The demonstration procession has achieved its purpose. The Government has taken actions to address the problem of negative assets step by step. Today, while the situation has not improved entirely, the Administration, the banking sector, Members and the public have responded to this question doubtless. This shows that the Liberal Party was not worrying unnecessarily.

We have seen a group of people who worked hard and saved several hundred thousand dollars for the down payment and decided to purchase their homes around 1997 hit by the financial turmoil. Under the double blow of this crisis and the policy of building 85 000 flats annually, these home buyers not only had to deal with crises in their job or business, but also saw the prices of their properties slump. If they sold their flats, the money they got would not be enough to cover their debts. If they chose to default on their mortgage repayments, the down payment of several hundred thousand dollars would go down the drain. They were thus in a dilemma. These people who were stuck have become burdened with negative assets. This has created a heavy burden on them in real and psychological terms. As a result, they are physically and mentally exhausted. In our view, these middle class people who have no escape need help badly. As for real estate developers, they are investors. Even if their capital is in Hong Kong today, it can be transferred tomorrow. They have a way out. Thus, we need not worry about the real estate developers.

The middle class includes professionals and "small bosses" of small and medium enterprises (SMEs). They are a mainstay of the economy. Most of them have invested in the future of Hong Kong by purchasing homes in a spirit of self-reliance. They have purchased their homes with their own savings. For the sake of their families, they hold out on their own. Many of these people have said to me, "We do not need charity." It is not the people with negative assets who have asked for the Government's assistance. If the Government uses taxpayers' money to help these people, the money ultimately comes from no one but themselves. These people or the majority of the public may not be in favour of this.

To help people with negative assets extract themselves from their predicament, we must try to improve the macro economy of Hong Kong. This involves making improvements and adjustments in the micro economic strategy in keeping with the present environment. The housing policy is no doubt a vital link in this. After being implemented for nearly 20 years, the Home Ownership Scheme (HOS) policy needs to be adjusted and further examined in detail.

As we all know, the HOS has been implemented since the '80s. In response to the housing needs of the newly emerged middle class, the HOS was introduced as a countermeasure to high property prices and inadequate housing supply. Two main notions are enshrined in the HOS policy: first, to help public housing tenants to purchase homes in order to improve their living environment and vacate more public housing units for those in need; second, to help people whose income exceeds the Waiting List income limit and who cannot afford private flats to purchase their own homes.

The Liberal Party supports popular home ownership. It recognizes the need to help the "sandwich class" whose income exceeds the Waiting List income limit and cannot afford properties in the private market. Home ownership certainly plays a role in maintaining social stability. That is why the HOS had an important role to play. At that time, the private property market and the HOS market had different target buyers. However, the prices of small and medium sized private flats have dropped considerably in recent years. The prices in the two markets are now very close and there is virtually no difference between their target buyers.

According to market analysis, approximately 70% of home buyers in Hong Kong can afford properties valued at \$2 million. Among the over 50 000 registered transactions in secondary market properties recorded last year, some 30 000 transactions, that is, 70%, were related to properties under \$2 million. This shows that small and medium sized properties have a large share in the market.

At present, not only does the HOS overlaps with the private property market, the sale of HOS flats has also eroded and undermined the private property market. This has affected the business of real estate developers, and in effect caused the collapse of the secondary market. It has led to a loss of confidence among the public and dealt a blow to the overall Hong Kong economy.

The Housing Authority (HA) formulates HOS programmes according to its financial needs. I have been given to understand that to ensure HOS flats can be sold, the HA insists that they be built in the urban areas in good locations with good views, in order to attract buyers. Since HOS flats are built at good locations with good materials and priced at half the market price, the quality of a HOS flat at \$2 million is practically the same as that of a private flat priced \$4 million. Is this in keeping with the original intention of establishing the HOS policy?

It is not the responsibility of the HA to change this strange situation. The Government should balance the interests of the market from a macro point of view. So far, the Secretary for Housing has not done anything to deal with this issue. Instead, he and the Administration have stressed repeatedly that the HA has autonomy and that he has no right to interfere with the policy of the HA. In other words, it is a "no man's land". Is this not absurd and ridiculous?

MISS AUDREY EU (in Cantonese): Madam President, I perfectly understand the spirit behind this motion debate and agree with many of the motion proposals. However, I do not see that passing this motion will serve any practical purposes.

Recently, there have been a lot of discussions in the community about negative assets. The following is generally the consensus reached:

- public money must not be used without good cause, otherwise, it will be unfair to other taxpayers;
- we must not allow the aggrieved owners to incur more debts, to prevent the excessive accumulation of debts in the whole community of Hong Kong;
- the lending risks of banks must not be allowed to be increased to destabilize the banking system;
- we must not send the wrong message to the community that the Government has an obligation to help those who have made a bad investment.

Based on the above principles, banks should not relax the present maximum loan to valuation ratio guideline by changing it from 70% to 90%, to avoid increasing their risks. Members of the public hope that banks can exercise discretion to carry out debt restructuring for their customers with negative assets and offer to the secondary market concessions similar to those offered for the mortgage of new properties, such as extending the period of repayment, lowering the interest rate, and allowing them to repay the interest, but not the principal, of the loans first, or *vice versa*. This will reduce the monthly repayments of the unfortunate owners and help them through a difficult time of high unemployment and sluggish economy on the one hand, and attract more people to choose secondary market flats and speed up the recovery of the secondary market.

In recent years, banks have repeatedly lower their interest rates. However, the liabilities of those with negative assets exceed their capital and they are unable to make up the differences between the amounts of the mortgage loans and the market prices of the flats. As a result, no banks would accept submortgage from them. If the original lending bank refuses to reduce its interest rate, the unfortunate owners will have no alternative but to continue to bear the high interest rate. Some of those who cannot afford the high interest rate can only default on their repayments.

Mortgage default is of no benefit to banks. They have to sell the flats of defaulting owners with negative assets in the market and the sale price may not be able to cover the amount of the loan extended. If the relevant flat cannot be sold, the banks will have one more bad debt. However, if banks are willing to make the above flexible arrangements for their mortgagors, the risk of mortgage

default and the risk of banks will be reduced. As a cycle of interest rate reductions has started in the United States, banks should be able to reduce the interest rates of the unfortunate owners.

I certainly hope that banks can help people with negative assets in the ways described above. Nevertheless, I fail to see how we could urge the Hong Kong Monetary Authority "to encourage banks to adopt a tolerant mortgage policy towards people with negative assets", as stated in the motion today. The Government naturally has a responsibility to help the recovery of the Hong Kong economy, and property prices will steadily rise as a result. However, it would be most unwise to assist those with negative assets to get out of their predicament by the provision of loans. First, it may create a heavy financial drain. Second, it is difficult for the Government to distinguish between people who really suffer from negative assets and property speculators who have made a bad speculation. Still, the Government can consider increasing the mortgage interest deduction to reduce the burden of households with negative assets and stimulate the spending of other households. At present, Hong Kong has a huge fiscal reserve, second only to China and Japan. As such, the Government can certainly afford to provide this deduction.

Over the past three years, Hong Kong's housing policy has changed drastically. Before the reunification, the Government hastily tried to cool down the overheated property market by introducing various measures to bring down property prices and increasing land supply. After the reunification, the Chief Executive introduced the target of producing "85 000 flats" annually. With the onset of the financial turmoil, the property market rapidly collapsed. As a result, the Government immediately relaxed the relevant measures and suddenly announced a freeze on land sales for nine months.

Last year, the Government tried to further salvage the property market by reducing the supply of Home Ownership Scheme (HOS) flats. The original target of selling 27 000 units a year was revised to 23 000. Then it was revised to less than 20 000 units a year and finally to between 15 000 to 18 000. This year, a series of measures was introduced, including lowering the income limits of HOS and public housing Waiting List applicants, changing the land sale policy and further relaxing the measures to dampen property speculation. No wonder the public is worried if the Government will adopt measures again to interfere with the development of the property market after they have acquired their own flats. We must know that home purchase usually implies a commitment of 20 to

30 years. People will certainly consider what policy changes there may be in future. If the Government changes its policy all too very frequently, it will hardly give people confidence to assume a liability of over \$1 million. Besides, the Government's intervention may not necessarily achieve its desired effect every time. Thus, I agree that that formulating "a clear and stable housing policy", as stated in Mr Frederick FUNG's amendment, should be the first and foremost task for the Government.

The biggest difference between the original motion and the three amendments today lies in the question of whether the HOS should be maintained. In my view, one does not need to buy a home in order to live comfortably. It would be best if the Government is willing to build public housing flats with HOS resources and raise the Waiting List income limit, so that more people can move into public housing. If people do not need to spend the greater part of their income on mortgage repayment, their spending power will increase. But since Hong Kong people generally wish to purchase homes, the Government should also answer their wishes and continue to provide opportunities of home purchase.

The original intention of establishing the HOS was to give low-income people who could not afford private flats an opportunity of home ownership. It also aimed at attracting public housing tenants to purchase flats, so as to vacate more public housing units for those in genuine need. At present, property prices are not as high as they used to be. However, people's income has also dropped. But there are still many people who wish to purchase their own homes. While a lot of people cannot afford private flats, there is still a long waiting list for public housing. Therefore, the HOS merits retention.

Madam President, in view of the above reasons, while I very much approve of the spirit behind the motion, I do not think it will serve much practical purpose. Due to the restrictions imposed on the voting on motions by the Basic Law, I have decided to leave the Chamber before the vote and get off earlier this evening. Thank you, Madam President.

MR KENNETH TING (in Cantonese): Madam President, I wish to discuss the problem of negative assets and its impact on the development of commerce and industry in Hong Kong from the point of view of the business sector.

Small and medium enterprises (SMEs) are the backbone of commercial and industrial development in Hong Kong. Hong Kong banks pursue a lending policy of "bricks and mortar". SMEs wishing to borrow their working capital from banks must mortgage their property to the banks. As property prices keep falling, the loans extended to SMEs are also reduced. Without working capital, SMEs cannot take any orders or do business.

Worse still, when property prices fall sharply, banks will demand repayment from business enterprises. Since these enterprises no longer have properties of an equivalent value as collateral for their loans, the banks will demand repayment. Faced with this predicament, businesses have no choice but to make drastic cuts on salaries or staff or simply shut down.

When banks recover debts from one company, other companies which have business dealings with it may also be implicated, resulting in chain effects of a credit squeeze. In the end, the business of several companies will be greatly affected. We can imagine what enormous impact negative assets have on businesses.

The problem of negative assets has a tremendous negative effect on businesses and the whole economic system. The Federation of Hong Kong Industries is of the view that the SAR Government needs to find ways to stabilize the property market to prevent the spreading of the problem of negative assets.

Madam President, in our view, the SAR Government should assess the negative impact of the large number of properties which have become negative assets in recent years on the bank financing of businesses and find a proper remedy to this. I had drafted an oral question on the impact of negative assets on the financing of businesses. I hope the Commerce and Industry Bureau and the relevant departments will pay more attention to this issue.

I wish to talk about parts (b) and (c) of the original motion. At present, banks have plenty of capital. In order to procure property mortgages, they are willing to cut interest rates drastically to compete for customers. Due to the competition between large and small banks, they offer a mortgage interest rate even lower than that of prime (P) minus 2% for the mortgage of new properties. Nevertheless, banks refuse to ease the burden of owners with negative assets.

They have to pay interest at P plus 1.75% or above. This deals a double blow to SMEs which have always borrowed their working capital from banks with their properties as collateral. Not only have their loans been cut, the interest rates they have to shoulder are as high as ever. Thus, we feel that the Hong Kong Monetary Authority should encourage banks to adopt the same mortgage policy for both new and secondary market properties. The SAR Government should also realize that a stable housing policy is vital to commercial and industrial development.

In doing business, the most important thing is that the numbers must be right. Since local businesses obtain loans mainly by using property as collateral, property prices must be stabilized before businesses can borrow adequate working capital from banks. This will give impetus to commercial and industrial development. At the same time, banks should adopt a more tolerant mortgage policy towards people with negative assets.

On the whole, the business sector is of the view that the SAR Government must address squarely the impact of the problem of negative assets on commercial and industrial development. The Government must ameliorate the problem of negative assets to ensure that SMEs have a steady supply of working capital to promote industrial and commercial development.

With these remarks, Madam President, I support Mr Howard YOUNG's original motion.

DR LUI MING-WAH (in Cantonese): Madam President, before the Asian financial turmoil, all strata in the community were concerned about the question of high property prices, discussing enthusiastically about the ways to curb the rising property prices. Today, three years after the turmoil, we are here debating the effects of the sharp fall of property prices on people with negative assets. How ironical!

Over the last 50 years, the housing policy of the Government has seen some obvious changes. The Government introduced its housing policy in the wake of the fire at Shek Kip Mei in the '50s. Between the '50s and the '70s, I trust the housing policy of the Government then was one of resettlement. The

target of the Government was "to provide a safe dwelling place with water and electricity supply".

In the '80s, the Home Ownership Scheme (HOS) was launched. From then on, the housing policy actually changed from one of resettlement to improvement in living conditions and quality. As Hong Kong entered the '90s, the high land price policy of the Government turned the housing problem into an economic problem. Unfortunately, the pricing of HOS flats was linked to the property market, resulting in a conflict in the housing policy of the Government. On the one hand, the Government said it wanted to curb property speculation, and yet on the other, it priced HOS flats at 60% to 70% of the price of flats in the private sector rather than on basis of the land cost and building costs for these flats. Thus the original intention of HOS flats to cater to prospective purchasers who wish to own homes in a better environment than public rental housing but could not afford flats in the private sector was forgotten. Consequently, the Housing Authority projected an impression that it was competing with private developers. Added to this, was the excessively high price of HOS flats, which made them unaffordable to aspiring purchasers. So, no one was pleased.

The early housing policy in Hong Kong was one of resettlement. Later, it changed to an issue of living environment. Then, it turned into an economic problem. Now it is described as a political issue because it involves the interests of two large social groups: a group without any assets and another with negative assets. While the former group would like to see the prices of residential units remain at a low level, the latter would like to see a recovery of the property market, the sooner the better. Hence, if the Government still focuses its attention on property prices in formulating its housing policy, it will fail to satisfy the needs of every social stratum.

Hong Kong has a large population but limited space. Moreover, each year, a certain number of new immigrants will arrive, and most of whom cannot afford to purchase their own homes immediately after arrival. Obviously, the problem of rehousing was not completely solved before the reunification and for a long time to come, there will still be a need for rehousing. However, unfortunately, the Government has failed to appreciate the hard facts of the problem. It has not accorded a high priority to the problem, which has now triggered off other social problems.

Madam President, I do not oppose the formulation of a housing policy that changes with the times, but I suggest that, in formulating a housing policy, the Government must have a clear direction, taking into account the needs of the community and properly positioning various types of housing units so that it would not sway with the fluctuations of the property market. In view of this, the HOS should be positioned between public rental housing (PRH) and housing in the private sector for purposes of improving the living conditions of those PRH tenants and other members of the community. The Government should continue providing services in this area, but the services must be restricted to those qualified households only. The HOS should not become a mechanism for market regulation.

I am very much concerned about and sympathetic towards people with negative assets. In any case, negative equity is only an economic problem. People can only urge banks to restructure the debt repayment arrangement of people with negative assets. However, I do not agree that the Government should give any direct financial assistance to people with negative assets. This is because, other than considerations for free market principles, the properties that people with negative assets have bought are an investment to them, and so, they should bear the risks and responsibilities for their own investment.

I would like to tell people with negative assets that Hong Kong has experienced three economic crises in the past 20 years or so. Very often, the economy could pick up again after three to nine months. The Asian financial turmoil was only an immediate cause of the economic downturn. The situation has become more serious and lasted longer than before because of the additional influence from the global economic restructuring and adjustments in the Hong Kong economic structure. At the moment, with the concerted efforts from the SAR Government, the people of Hong Kong and the business sector, the economy is growing in a healthy manner. Property prices will steadily rise due to increasing demand. Everyone will then be able to get out of the plight of negative assets.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, recently, the issue of negative assets has become a heated topic in the community of Hong

Kong. Not long ago, when I joined some residents at some of their meetings, I learned from the participants the many ideas they had about the issue. No matter what diverse opinions they had or which social strata they came from, they seemed to share a common view, that is, the Government urge through the Hong Kong Monetary Authority the banks to do something to help people with negative assets to tide over this difficult period because this is indeed a problem troubling the people of Hong Kong.

I believe anyone who lives in Hong Kong will know that, before the reunification, property prices had been on a spiralling increase. Some people refrained from buying any property but when property prices continued to rise, rents were affected as well. Under pressure from all fronts, these people purchased their homes just before the reunification when property prices were at their highest. Now, their backs bent with the heavy burden of negative assets, we have to give them more loving care.

As I spoke to some residents about the issue, they held the view that it might not be proper for the Government to assist people with negative assets because this might go against the principle upheld by the Government all along. However, people tended to think it would be a good thing for banks to provide assistance. Banks may, for instance, extend the repayment period or provide assistance in further charges, and so on, to alleviate the heavy burden of people with negative assets. If most people feel there is a need to help those who bought their homes before the reunification but have to face difficulties now because of the negative assets encumbering them, I think the Government should consider giving help.

Last night, I learned from the television that even the Hong Kong Association of Banks had held a meeting on the subject. Though they indicated there was nothing they could do, I found that was a great step forward on the mere fact that they were willing to put the item on their agenda. I hope the banking sector will understand that if assistance is given to people with negative assets, not only the people but also the banks themselves will be benefited. If a significant number of borrowers cannot repay their debts, banks will have problems. In fact, we are in the same boat; so, the difficulties faced by people with negative assets should be properly attended to.

Madam President, as Members are talking about the issue of negative assets, another issue that attracts great attention has emerged: a series of policies and measures recently launched by the Housing Bureau. Though the Government has repeatedly stressed that it is not trying to "prop up the market", it is obviously doing just that, despite what it says. As the Government tries to "prop up the market", it also vacillates. For example, the Housing Authority hurriedly lowered the income limits for applicants of PRH and HOS units, though the Legislative Council decided it was not necessary to hold a discussion on the matter but a community-wide consultation should be conducted. Why did the Government act so hurriedly before the matter has been thoroughly discussed? The Panel on Housing of this Council has passed a resolution requesting the Government to act only after obtaining the views of the community, but the Government followed other courses of action instead.

May I ask the Secretary for Housing if the Government would conduct studies, research or some in-depth discussions and consultations only if Members vigorously criticize the Government? Before the reunification in 1997, property prices sky-rocketed, and, coupled with the government policy of sustaining high land prices, high rents and high rates, many problems resulted. Now, the SAR Government needs to solve many of the problems left over from the past. It was only shortly before the reunification that the Housing Bureau assessed the long-term housing policy. The assessment highlighted some problems such as: What should the overall housing policy be in the light of an enormous increase in property prices that defies any reasoning? What should the grassroots and those who cannot afford home ownership do? Though it was a belated discussion, it still served to take the matter through a discussion by all sectors in the community, generating a variety of views. The Government did its job by summing them up.

Afterwards, the Hong Kong economy experienced some fluctuations and some extreme situations appeared. Homes costing over \$10,000 per sq ft before now cost only \$4,000 or \$5,000 per sq ft. Many people are encumbered with negative assets. Landed properties have become debris not worthy of any investment. What should people do? The Government has not conducted any comprehensive discussion or study on the overall policy. It does everything piecemeal. Is this a good method? Is there a study on the overall policy?

Assuming there are just over 60% of people whose monthly income stands at \$10,000 to \$20,000 on average and the Government wants to lower the income

limit for HOS applicants, how should it calculate the reduced limit? Can those who become squeezed out enter the property market in the private sector? Has there been any discussion on this topic? It seems to me that there has not been any discussion on all of these issues. The Government has also lowered the income limit for PRH applicants. Why has the income limit for single applicants been reduced from \$6,700 to \$6,200? What discussion has taken place? I think the Government owes the community an answer. I hope the Government lays down its policy only after discussions and consultations have been completed because that is the only way to consolidate a vacillating policy and bring it onto the right track.

In the past, the Hong Kong Federation of Trade Unions (FTU) was told by the Government that by and large the housing policy of Hong Kong relied predominantly on PRH, supplemented to a certain extent by the HOS. That would provide a chance for the grassroots to improve their living environment. The property market in the private sector is another market. That was a clear-cut demarcation we knew well in the past. But, today, when property prices have experienced a substantial adjustment, what is the overall policy? I hope the Government could formulate its policy anew after conducting some consultation. If the premise now is to achieve stability in the property market, there must be some discussions. We do not wish to see vacillating policies launched by the Government.

Madam President, the FTU very much cares about the grassroots. It is afraid that their rights to housing would be compromised. Among the basic necessities, the need for a proper shelter is very important. I hope the Government could bear in mind the existence of the grassroots. When it tries to solve the problem of people with negative assets, it should not lose sight of the fact that our wage earners are being impoverished.

MR ERIC LI (in Cantonese): Madam President, I wish to declare that I am an independent non-executive director of a bank, but I am speaking in my own right, not on behalf of the bank.

After the financial turmoil, the local property market became sluggish. Many property owners fell into the plight of negative assets. They suffered losses not only in terms of assets, but also suffered psychologically. They are in a position that deserves our sympathy. As many Members pointed out, the gist of the motion today appears to request that the Government improve its

housing policy and banks, their mortgage policy, to help owners who are now encumbered with negative assets.

The widespread phenomenon of negative assets is caused by abrupt changes in the price of landed properties, such as sharp rises and sharp falls. Factors leading to the abrupt changes include the financial turmoil and the linked exchange rate. In addition, the important and special role played by the Government in the property market and the financial system, its failure to fully appreciate the situation, and its capricious and chaotic policies also contributed to the situation, making the Government responsible for the problem.

The government policy to keep property prices in check is based on the assumption that the market function has failed and then it applies some administrative measures to intervene against the operation of market economy. After several years of implementation, the outcome is obvious to all. The market function in the property market has been more severely disturbed or has even failed completely. Without knowing it, the Government has assumed the political responsibility for the market and when property prices continue their downward trend, it is blamed. The dissatisfaction and anger among the people grow continually.

I thought the Government was very much determined to tackle high land prices and high property prices. However, when prices plummeted — the Government had to abruptly changed its policy, not necessarily for the sake of big developers, as some Members have alleged, but for what I think was its awareness of a situation where the banking system or even the linked exchange rate might be endangered. The change in policy somehow helped the property market slightly. However, I have the feeling that the Government is still harbouring the wish to hold property prices in check. As such, I agree with what some Members said, which is, we cannot simply view property owners as losers in the investment game who have to be fully responsible for what they did. I would not endorse such a view. On the contrary, I feel that the Government has certain moral obligations towards owners of negative assets.

It would be a foolish act to turn an improper policy to intervene in the property market with administrative means, like the discussion subject in this Council today, into a political act of intervention against the banking system. Nothing can be more wrong than that act. One must bear in mind an important principle in system management, which is that a link of the economic system

should not be allowed to affect a second important link, and it should not be put at stake together with the first one. If we wished the banks to intervene, a negative message would be sent to the investment market and credit rating institutions overseas. The effect and possible crisis brought about by such a message to the economic system and financial institutions in Hong Kong would be more far-reaching, more speedy and more direct than the intervention in the property market.

Regarding mortgages, the banks have done all that they can. As the banking system and the market mechanism have remained intact, there has been a full display of their functions in the distribution of resources. As everybody can see, and as the Honourable Kenneth TING has pointed out, fair competition in the mortgage business has become extremely keen. Some business activities are being undertaken at no profit. I do not think we need to doubt the effective operation of the market. Some colleagues said competition in the market for submortgages is also very keen. But why are banks not entering this market? This has nothing to do with interest. But rather, it has to do with the mortgaged amount. If one bought a unit in 1997 and one wants a submortgage, one would have no chance of getting the original mortgage amount. If one wants to push ahead for the amount, the Hong Kong Monetary Authority would be the first party to raise objection because this is against the principles of lending. This is the real cause for the failures of many submortgages to utilize the lower interest rates. It is not the banks that refuse to do business in this area. Their counterparts in the United States and the United Kingdom, however, took numerous foreclosure and resale actions against people with negative assets. So, banks in Hong Kong are more mature than those overseas in dealing with the issue. Thus, it can be seen that what this Council demands of the banks boils down to asking the Government to intervene so that banks provide extra support to people with negative assets. This goes against market principles and will transfer the risks in the property market onto the banks. If our demand ended up impacting on our financial system, the consequences would have to be borne by those of us who are well-intentioned but unable to appreciate the important risk management principles.

I need to state clearly that prudence comes before everything else in the operation of a financial system. Loans have to be dealt with on an individual basis. The personal financial position has to be considered with care and flexibility before a decision is arrived at. We cannot blindly follow the broad-brush policy of the Government.

From a social point of view, one has to consider each case of negative assets on the merits of the case. Distinction must be made between innocent purchasers and greedy punters. We should help only those who are completely broke financially rather than those who lost on one of their many investments or who experience negative equity on a single item. The Government would find it difficult to decide on such cases, but the relevant developers and the banks might scrutinize them and deal with them. One should not dish out a blanket treatment.

We may think that people with negative assets should be helped. However, when our economy was put to test, many honest business people went bankrupt, many people lost their jobs and had to worry about their livelihood, and many people lost in the stock market or in their investment. Should they be helped as well? Should a fund be set up to help them or should the Treasury be asked to reduce taxes or the banks be asked to lend them a hand?

The Government has on hand nearly a thousand billion dollars in fiscal reserve. With a rich government but a poor people, I identify with the demands made by some Members who would like the Government to take action. However, it is an unwise and unfair to ask the commercial banks, which never gain control or influence or responsibility for the property market, to undertake to support the market which may entail never-ending financial liabilities.

With deregulation of the interest rate agreement, banks are facing keener competition in the lending market. This is a situation to which Members should show more understanding and sympathy. Banks should not be treated as charity organizations; otherwise they will find it more difficult in terms of risks. Though asking banks to help may win some applause in the short term, it will bring harm to the economy in the long term.

I so submit. Thank you, Madam President.

PROF NG CHING-FAI (in Cantonese): Madam President, at present, about 20% of the property owners in Hong Kong are holding negative assets. Most of them bought their properties in the 1996 to 1997 period when the property market was at its peak. After the property market plummeted, they have been demonstrating their willingness to pay their instalments. They have not given up even though their properties have become negative equities now. Most of the people with negative assets are property buyers from among the general

public who want a home for themselves, wishing to live and work in peace and contentment. They wanted to buy properties as a means of saving and preservation of their assets. In other words, they cast a vote of confidence in the future of Hong Kong. The unexpected financial turmoil drove them into insolvency with huge debts to be paid off, encumbered with personal financial crises and frustration. They are in a position that deserves sympathy. Their position has also become a potential factor leading to social instability.

However, unfortunately, effective measures to help people with negative assets out of their plights are few. The reason is that we prefer not to ask the Government to use public money to provide direct financial assistance to these people, nor do we want to violate the principle of fairness by asking the Government to shoulder the responsibilities of personal investment. Thus, what the Government can do is to conduct a comprehensive review of the housing policy and relax the policy on mortgage for secondary market properties in order to revitalize the economy, let more people share the benefits of economic recovery and enhance their propensity to buy properties.

First, the Government should re-define its chaotic and conflicting housing policy and rebuild the confidence of the people in the property market. For example, the Home Ownership Scheme (HOS) has gradually failed to achieve the purpose of assisting the middle class to purchase their homes because the HOS units are selling at prices near those of the units in the private sector, though originally the HOS was intended to help the middle class who could not afford expensive units in the private sector.

The New Century Forum maintains that the Government should only channel its resources to the provision of housing to those grass-roots people with a genuine need. Therefore, the Housing Authority should further trim their plans to build HOS units, using the resources thus saved to build more public rental housing (PRH), thereby increasing the supply of PRH and shortening the waiting time for PRH. This is then the right way to utilize social resources.

Why do we say a key factor lies in changing the policy on the mortgage of secondary market properties? The biggest hurdle confronting people with negative assets is their failure to obtain submortgages, while being forced to pay through the nose for the expensive units they have bought at high interest rates. The requirement that mortgages must be done at 70% of the price of properties originated from the period between 1990 to 1993 when both the Government and

the banking industry wanted to curb speculation in an overheated property market. There has, however, been a plunge in the property market, and speculation has almost vanished, especially in the secondary market. So, the New Century Forum is of the view that the Hong Kong Monetary Authority should take serious steps to look into the possibility of relaxing the guideline by changing the upper limit for mortgages. If this can be done, I trust there must be banks in the banking industry which would take the lead to compete for quality borrowers to take out submortgages. By then, people with negative assets would be able to enjoy the low interest rates prevalent in the market, thereby directly alleviating their pressures in paying the instalments for their properties.

In other words, relaxing the upper limit for mortgages would create more room for banks to assess risks in the light of market situations and more flexibility to deal with the loan-to-valuation ratio. In this way, people will be given more flexibility to purchase properties; hence, some positive influences will be created on property prices. We also note that people with negative assets will not be benefit from an active market for new properties. However, they will when the secondary market of properties become active, which will take place if mortgage restrictions for such properties are relaxed.

We certainly agree that banks may, where feasible, restructure the mortgage schemes for people with negative assets through debt restructuring. Thus, such people can enjoy the latest mortgage rates or an extended repayment period. Nevertheless, these should remain to be suggestions or calls for action rather than hard and fast rules for banks to follow, for fear that the flexibility of banks may be affected or the free economy disturbed.

I so submit.

MR MICHAEL MAK (in Cantonese): Madam President, as shown by the survey report of a property agency, during the period from early 1994 to the end of last year, as many as 59 365 new and secondary residential units saw drops in prices. This represented 68.96% of all transactions, and for some 155 000 transactions, the rate of decrease was even as high as 40% to 60%. This shows the seriousness of the negative assets problem in Hong Kong.

As frequently reported in the press, and also from my actual experience of serving the community, many people with negative assets have been tortured emotionally by heavy financial pressure. Some have thus developed mental problems, while still some others have even committed suicide.

In 1996 and 1997, because of the Government's policy of high land prices, property prices were pushed up to record-high levels. At the hint of the Government, which said that it was the right time to buy properties, many people really did so, entirely unaware of any risks. Unfortunately, the onslaught of the financial turmoil turned all their properties into negative assets, and they ended up owing huge debts to their banks. Some even went bankrupt as a result. To a greater or lesser extent, these people are the victims of the Government's housing policy, which is why the Government is obligated to help them out. No doubt, some of these people are speculators, but for the benefits of the majority of many others who are genuine users, assistance measures for owners of negative assets should be applied equally to all, so as to prevent more of them from committing suicide due to helplessness.

My constituents in the health care sector which I represent are mostly middle class. Many of them purchased residential properties in 1996 and 1997, mostly for self-occupation. Certainly, many of the properties they bought have become negative assets.

For the principle of equity, we cannot use any public money to offer them low-interest loan to make up for their shortfalls. But one thing can still be done — the Government can persuade the banking sector to apply flexibility to the mortgages of negative assets. Since the values of negative assets have dropped below the amounts of mortgage loans, some banks are unwilling to reduce the mortgage interest rates of negative assets despite the recent war of interest rates reduction among local banks. This has led to an unfair situation, under which the interest rate for old mortgages in general is 10%, but just 7% for new ones.

Banks should really apply flexibility to mortgages of negative assets, because they and the owners concerned are actually in the same boat. Owners of negative assets are under very great pressure because they are faced with the possibility of becoming jobless or having their wages reduced, and they may default on their repayments at any time. Once they do so, banks will not be any better off. But if banks can try to help these owners out by offering them the

interest rates for new mortgages, or by allowing them to pay interests only or extend their repayment periods if they become jobless or earn less than before, then these owners may be able to tide over the difficulties.

Next, I wish to discuss the need or otherwise of the continued existence of the Home Ownership Scheme (HOS).

I think there is still a need to retain the HOS. In putting HOS flats on sale every year, the Government aims to enable low-income families to buy their own homes when property prices are high.

Currently, the income limit for a four-member household is \$16,000. In other words, if the HOS is scrapped, a four-member family earning \$18,000 monthly wishing to buy its own home will have to buy one from the private property market. For a 400 sq ft private residential unit priced at \$1.5 million, the family will have to set aside \$9,000 for loan repayment every month if the mortgage tenure is 20 years. The money left cannot possibly meet the daily expenses of a family of four. Therefore, the Government should continue to construct HOS units, so that low-income families can have the chance to buy their own homes.

Recently, some in the property development industry have grumbled that the improving quality and facilities of HOS units have posed a threat to private residential units. The fact is that besides HOS units, public rental housing units have also seen constant improvements in quality in recent years. This is only natural and reasonable. Instead of regarding quality HOS units as a threat, private property developers should take them as a challenge and face up to the competition, so as to raise the quality of private residential units. In fact, sustained improvement is not only a necessity for private residential units but also public housing and HOS units.

Madam President, I so submit.

MR IP KWOK-HIM (in Cantonese): Madam President, over the past few decades, the Government has consistently ploughed in resources for public housing, continuously creating lots of good memories and many humanistic communities. It is a fact known by all that providing the public with housing at low prices can reduce the pressure for pay rise and is conducive to enhancing the

competitiveness of Hong Kong. It is also a fact that public housing has played an important role in the development of new towns. Members may remember that the Radio Television Hong Kong filmed a television series named "When We Were Young" at Lek Yuen Estate, Sha Tin, in the 1970s. Back then, the development of Sha Tin had just started and the public knew very little about new towns. All they knew was that new towns were in remote locations, and apart from the impression that sand and dust were all over the place, the public had no particular impression of new towns. After initial "opening-up" efforts, coupled with the vigorous development by private property developers in the 1980s, Sha Tin has now become a well-developed district. It is also a good place for many middle class families to buy their own homes. Not only is this the case for Sha Tin, the development of all new towns and satellite towns in Hong Kong is also led by the public sector, and subsequently taken over by private property developers for even better development.

Housing estate units under the HOS began to be put on sale in 1978-79 with the aim of satisfying the need of the general public for home ownership. Applications for HOS flats have all along been subject to a stringent income limit. Eligible applicants for HOS flats are people who find it difficult to buy their homes in the private sector and therefore have to pay high rental. Given the income limit for HOS application, HOS flats and flats in the private sector can be considered as two distinct markets, with a dividing line drawn between them on the basis of different affordability. The HOS is the continuation of the public housing programme to meet the basic needs of the public for housing and development, and provide chances for the public to improve their living environment. Therefore, the HOS has played a crucial role in respect of society and people's livelihood, the development of new towns, and the competitiveness of Hong Kong. No doubts about it.

However, no one had ever expected that the property market would collapse pursuant to the Asian financial turmoil. Many middle class people suddenly became owners of negative assets, and how assistance can be provided for people with negative assets has become a hot issue for discussion in town.

Madam President, the Government has recently introduced a series of measures to stabilize the property market, including the decision to put up for sale no more than 20 000 HOS flats each year, tightening the eligibility for HOS applications, lifting a number of measures intended to curb property speculations, allowing developers to re-introduce the "first come first serve" method in the

sale of their flats, and so on. These initiatives have instantly produced an obvious effect: Property developers immediately withdrew their flats from the market and the asking prices of new flats put up for sale in the market were increased by 5%. Some described this as a transient rebound of the property market, forecasting a recovery of the property market in Hong Kong in the not too distant future.

Nevertheless, while the Government has made great efforts to speak optimistically about the property market, the majority of the public has remained indifferent. However attractive new flats are in terms of price and quality, and despite the fact that the ability of the public to pay mortgage instalments is at an all-time high for the past decade, members of the public have not swarmed to buy properties.

The current situation in society described by me just now is precisely a result of the existing confusing housing policy. The concerns of the people are understandable. They fear that property prices have not yet bottomed out and that if they become property owners today, they would become one of those suffering from negative assets tomorrow.

I believe colleagues present today had, in this Chamber or on other occasions in 1997, cried out loudly against the irrational property prices. To ordinary citizens who did not own their homes, their aspiration for a decent and comfortable home was but an extravagancy. In order to realize their dream of home ownership, some people had spent a substantial part of their monthly income on a tiny apartment of a few hundred square feet. Therefore, when the Chief Executive announced in his policy address in 1997 that no less than "85 000" flats would be provided each year, colleagues did not oppose this proposal.

If we agree that property prices were too high in the past, then what is a reasonable level of property prices? While property prices have already come down, many people still do not have the means to buy a flat. So, the HOS and loan schemes for home ownership provided by the Government are meant to address the irregularities in the property market in Hong Kong. Let me stress again here that the HOS and the private sector are two distinct markets. The Democratic Alliance for Betterment of Hong Kong (DAB) has always considered that the Government should provide no less than 50 000 public housing flats each year, on the principle that these flats be primarily made up of public rental flats,

supplemented by HOS flats. HOS flats are provided as a subsidy for those people who do not have the means to buy their homes in the private sector. What the Government needs to do now is to identify which group of people requires housing subsidy from the Government and in what manner this subsidy should be provided.

Madam President, the DAB considers that confusion in the existing housing policy in Hong Kong is the principal reason for the lack of public confidence in home ownership and sluggish housing flow. Therefore, the most effective way to help people with negative assets is to expeditiously review the current housing policy and draw up an explicit and specific housing policy as soon as possible, thereby restoring public confidence in the property market. This is an ideal strategy to thoroughly resolve the difficulties of people who suffered from negative assets as a result of the drastic plunge in property prices.

I so submit.

MISS EMILY LAU (in Cantonese): Madam President, yesterday I received an e-mail from a resident living in Sha Tin. He knew the Legislative Council was going to hold a debate on the issue of negative assets today, so he hoped I could put his case before this Council. He bought a flat that was worth \$7 million and a car-park space that was worth \$500,000 in 1997. Now his flat is worth only \$3.2 million and his car-park space, \$200,000. He felt very much in a plight because he was worried he needed to spend the rest of his life paying instalments for the properties — of course, he very much hoped the bank might charge a lower interest rate on his loan. He blamed the Government for its housing policy which put him in such a difficult situation. A question he asked was why the Government encouraged home ownership for all. Madam President, I trust he was referring to the target proposed by the Chief Executive for 70% of the population to achieve home ownership by 2007. In fact, it is not a bad thing for people to own their homes. For instance, the Government encourages the people to buy flats under the HOS. I also endorse the idea of home ownership and that is why I support the policy of the Government to sell public rental housing (PRH) units. If the people owned the PRH flats they live in, they would carry out proper maintenance for the units and they would have a stronger sense of belonging.

I believe at that time, many people, including the Chief Executive and many others, were caught unprepared by the Asian financial turmoil. So,

people who spent \$7 million to buy a flat suddenly found themselves burdened with a huge debt. In addition to the person mentioned by me, I think many others might have felt the same pressure on them. They may be expecting this Council to help them. However, Madam President, can we do that? I personally find it very difficult. In fact, many colleagues have put forward various motions and amendments and Members have a consensus: public money should not be used to help people with negative assets. The reason is even if we succeeded in helping this group of people, can we help a second group, or even a third one that comes along? I understand Members hold different views on this issue. However, other than making our views known basing on the principles we stick to, there is little we can do when some of the Members do not agree to or support our views. I do not agree that the executive authorities should be requested to use public money to help people with negative assets. I would not urge the executive authorities to use public money to help those who suffer losses in their investment because this simply cannot help.

Many colleagues said earlier different causes had led to people having negative assets when they incurred losses in investments and in the purchase of their own homes. Nevertheless, despite the different causes, it was the individual members of the public who made their own decisions. Those people with negative assets may of course say it was due to the humbug of the Chief Executive and Mr Dominic WONG, the Secretary for Housing, that they decided to make the purchases. But these are adults with adult identity cards and they made their own final decisions and therefore I do not think there is anything we can do. As far as banks are concerned, I agree with what Dr David LI and Mr Bernard CHAN said: if we advocated free economy, we should allow banks to freely operate. Moreover, I trust banks want to make profits; they are not charity organizations. If banks went overboard, then we would certainly table the issue for discussion, as we did earlier on the issue of effecting consumer protection through legislation. Even then, we indicated, with caution, that we might have to refer to experiences in overseas countries for similar measures before we adopt the measures.

Hong Kong must send a message not only to investors and the people in Hong Kong, but also to the international community, to the effect that as we believe in free economy, we should allow businesses to freely operate. Hence, we do not wish to interfere. If individuals wanted me to convince the banks in order to be given some form of help, I have no problem with that. I have

written to the banks on behalf of people with negative assets on several occasions, making requests for lower mortgage interest rates or extensions in the period of repayment. In some cases, I succeeded; in others, I did not. My practice is I would negotiate with the banks but I would not make requests through this Council on the Government or the Hong Kong Monetary Authority to take measures to help people with negative assets. Although the word used in the motion is "encourage" rather than "instruct" banks to help people with negative assets, I still feel that a motion of this sort will inevitably project an impression that this is intervention. Do we want to intervene? Today, some Members said plainly they do want to do that, while some said they only wish to "encourage" banks to help. I think the wording is too strong, though. If we lay before the banks the plights of the people with negative assets, and if banks can help, then I think banks will be pleased to help. However, that must be part of the operation of the banks themselves, not the result of intervention by a visible hand or an invisible one. Thus, Madam President, I do not support the motion today.

I agree that our housing policy warrants a review. In fact, many people hold different views about our housing policy. People did not have a proper chance to participate in policy-making. We should now start to study whether resources should be channelled to cater to the needs of the lower class. Or should we help the people to purchase their own homes so that when homes purchased become negative assets, assistance has to be given to find a solution to the plight of the people? I hope to be able to discuss our housing policy in the near future. As mentioned by many Members, the real solution to helping people with negative assets lies in our search for ways to revive the economy. Any proposals in the last Budget of the Financial Secretary, to be released soon, for tax cuts or plans to stimulate the economy will surely win my strong support. Other means, however, especially those which may send a wrong message to the international community to the effect that we are even worse off than the Mainland in that we are more inclined to intervene in the market of a free economy, will not have my support, Madam President. Thus, I will not support the motion or any of the amendments today.

MR ABRAHAM SHEK: Madam President, today, I am sure that a lot of people are waiting with bated breath to see how we intend to solve the pressing problem

that has been seriously affecting a very large part of our population and a major concern for everyone here.

Public expectation is high, but I am not sure that a complete and effective magic cure will crystalize in today's debate that could treat the many ailments of our homeowners who are suffering from negative equity.

According to recent reports, the number of these unfortunate households has grown to about 200 000 and increased by the day.

I shall not dwell further on the subject of negative equity homeowners as my colleagues have said much on the subject. I shall talk about the present depressed property market. To give Members some statistics to digest, let me quote a few figures. The present market is flooded with supply from both the private as well as the public sectors. The demand is generally low and where there is, it tended to be directed at first-hand properties and many of these new present properties are selling at below cost. In 1997, the number of primary and secondary market transactions in the private sector were 33 000 and 145 000 respectively. What were the figures for 2000? The figures are 23 000 for the primary market and 51 000 for the secondary market, representing a drop of 30% in the primary market and 65% in the secondary market. The secondary market is dead.

To date, there are roughly 16 000 units of first-hand stock in the market. And this year, there will be about 26 000 units coming on stream. If you further look at the annual take-up rate for the past 10 years, which is approximately 22 000 flats a year, and putting the fixed sets of figures together, one can clearly envisage that the problem of over-supply will stay with us for a while. Frankly, I do not see how the property prices will significantly pick up in the years to come, and this would have a major impact on the present homeowners of negative equity.

The magic cure for the depressed property market is to install buying confidence in both the primary and secondary markets. In this regard, the Government has initiated a series of fire-fighting and innovative land sale measures. These measures are welcome by the private developers as well as by the market. But they are not adequate to inject stability and confidence into the market at present and in the future. Much more needs to be done and the issue of the Home Ownership Scheme (HOS), particularly, must be addressed.

The Honourable Frederick FUNG and the Honourable Michael MAK debated that the HOS poses no threat to the property market. How could it not be a threat to the property market as it is very much a part of that property market? How could it not be a threat when 20 000 flats are being injected into the market within a year at 50% of the market prices? How could it not be a threat to the market when the buyers can resell their flats at the original prices within two years after the sale? The buyers of private sector flats do not have these privileges.

In this regard, I fully support the Honourable Howard YOUNG's proposal to review the role of the HOS which has a strong bearing on the development of a healthy and stable property market.

Some Members might think that I am assigning blame unfairly on the issue of the HOS. I do not think so. Am I trying to undermine or even erase the contribution of the HOS? Not at all. The HOS did serve its functions in the past by helping a lot of people who could not afford to buy flats in the private sector to realize their dream of home ownership. However, every product or every project has its life, and the HOS has really outlived its original function. The reason for my saying so is that, firstly, the private market has undergone such a major price adjustment that rendered many properties affordable. Secondly, the HOS can never be as cost-effective and economical as offering soft loans to assist home ownership. And thirdly (I do not need to expound on this at length), the public sector should not be in direct competition with the private sector.

The original rationale to assist purchasers is no longer valid due to the 50% correction in property prices since 1997. Affordability is no longer a major issue. It is time to step back and rethink. Do we have the courage to bid farewell to the HOS and finally acknowledge that government resources could be better utilized to build the badly needed rental units which target at thousands awaiting to be rehoused and offer loans to those out there who need assistance to purchase a flat from the private sector? The answer is yes. We should have the courage.

Thank you, Madam President.

MR ALBERT CHAN (in Cantonese): Madam President, this debate on negative assets or embittered property owners really arouse feelings of sadness in me. I can remember that three years ago, many embittered property owners approached many people and authorities for assistance, including government departments, political parties and Legislative Council Members. But they felt that they were simply treated like lepers, as no one was willing to talk with them. The matter dragged on, and today, Members are having a formal debate on this issue in the Legislative Council, and the various political parties have also put forward their specific proposals to help embittered property owners. I know that during the past three years, many embittered property owners actually led a very miserable life, as indeed not many people could come to their assistance. Some embittered owners have either declared bankrupt or committed suicide because they could not overcome their financial difficulties. When I launched a signature campaign three years ago, I wrote down the following on a leaflet: "At this critical moment of crisis and insecurity, top government officials, the property development sector and the banking sector should all adopt a proactive and honest attitude and join hands to deliver the people of Hong Kong from the difficulties of the time." Unfortunately, three years has passed, and when we look at the Hong Kong now, we can see that these words still apply. Three years ago, all these appeals might have fallen on deaf ears. In the past three years, Hong Kong was faced with an economic recession, and amidst this recession, many people had to lead a very difficult life. The motion today has come a bit too late, but I still hope that the debate can really help the embittered property owners.

Recently, top government officials, Executive Council Members and the Financial Secretary-Designate have repeatedly stressed that the Government will not use any public money to help owners of negative assets, and that the Government will not allocate any funds to help them. At the same time, some people also argue that the Government should not help these people through by intervening with the banking and financial systems. I fail to understand their reasoning. Over the past three years, not even one single organization trying to help the embittered property owners has ever requested the Government to offer any direct financial assistance to help embittered property owners overcome their difficulties. So, to all those who so seriously advise the Government against using public money, against intervention with the free market, I would say this: Please do not distort the truth and put words into the mouths of embittered property owners. They are already miserable enough, so please do not add to their plight and distort the truth.

Well, when it comes to the argument that the Government should not interfere with the market and offer financial assistance to embittered property owners, can Members still remember how the Government used some \$100 billion to jack up the stock market, and how it suspended land sales for nine months? Why did the Government do so? Who were benefited at the end? To which consortia did the Government offer the contacts for the Cyberport project without inviting any tenders, just for the sake of boosting the economy? The Government has also taken many other measures, such as reducing the construction volume of HOS units by 30 000 units and the removal of many eligible applicants from the HOS list. What kind of measures are these? Are they not a form of market intervention? Are they not an example of how the Government tries to employ all means possible to help property developers make excessive profits or boost the sales of new flats? Therefore, please stop all those seemingly lofty and serious arguments. What actually are the real motives and purposes behind?

Madam President, the plight experienced by embittered property owners or negative asset owners in the past three years is beyond the imagination of ordinary people. Some of these owners have asked their banks for help, but they have not asked their banks to offer low interest rates; they simply wish to be offered reasonable interest rates, because many of them are still repaying their loans at a rate of prime plus 2% or even higher under their original mortgage agreements with their banks. Some of the embittered property owners who can no longer cope would rather ask their banks to declare them bankrupt, hoping that their banks would not commission any debt collection agencies to intimidate and harass them continuously, for this will not only scare embittered owners themselves not also their families. Some consortia trying to recover price shortfalls even ring up an embittered owner 10 or 20 times a day, threatening that they will take this and that action if these owners do not discuss with them. This is simply white terror for the embittered owners or negative asset owners and also exerts a heavy pressure on them. I hope that banks and major property developers can appreciate the heavy pressure felt by embittered owners and refrain from giving them any further psychological threat.

Madam President, in the past three years, I did criticize many property developers, banks and even government officials. But many government officials such as Secretary for Housing Dominic WONG and some property developers and banks have all expressed sympathy for embittered owners. I

wish to express my sincere thanks to them here. Through various means, they have extended their helping hands and endeavoured to ease the pressure felt by embittered owners, or they have even tried to help them overcome their difficulties. Although some of Mr Dominic WONG's personal proposals may not have been accepted by the Government, I understand that he has made many efforts in the past two years. As for the plight faced by embittered owners, I can say that many institutions, including banks and property developers, are involved. These institutions have adopted many dirty means, and I do not have enough time today to disclose each of these means here. But I can assure Members that I will definitely disclose all these means one by one should I have the chance to do so in the future, so as to let people realize that the plight experienced by embittered owners is not as simple as that imagined by ordinary people or Members.

Finally, I still wish to make an appeal here. We are still undergoing the same period of crisis and insecurity described by me in the signature campaign three years ago. I call upon all those top government officials and representatives of the banking sector here today to extend their helping hands to embittered owners and help them tide over their difficulties.

Thank you.

PRESIDENT (in Cantonese): Mr Howard YOUNG, you may now speak on the three amendments. You have up to five minutes. You have a sore throat, but I am sorry that you still have to speak.

MR HOWARD YOUNG (in Cantonese): Madam President, the first of the three amendments is proposed by Mr Frederick FUNG. The greatest difference between his amendment and the original motion lies in its view of the Home Ownership Scheme (HOS). I notice from the speeches delivered by Members earlier that a number of Members support the notion that the HOS has become obsolete and that there is not much controversy over the measure recently introduced by the Government to lower the income limit on HOS applicants. However, I cannot accept Mr FUNG's amendment for it expressly states that the HOS should be retained.

While I propose to review the housing policy in my motion, Mr Albert HO proposes to review Hong Kong's overall policy in his amendment. According to my understanding, the overall policy actually embraces policies in various aspects and the housing policy is one of them. Furthermore, Mr HO's view is different from mine on the HOS and public housing issues. Mr HO stresses that public housing should be primarily rental, which is acceptable to the Liberal Party. Perhaps the HOS is the point of divergence between Mr HO's amendment and the original motion. Actually, the Liberal Party was not trying to suggest that no HOS flats should be built. Our concern is actually the timing and the quantity. Nevertheless, different people may hold different views. We do not find this point contentious. As for banking measures, we were not trying to make a deliberate attempt to be the first one proposing the temporary arrangement of allowing mortgagors to repay the principal, but not the interest, of the loans. Actually, I note that some banks have already adopted this practice. The measure of allowing mortgagors to repay the interest, but not the principal, of the loans is a brand new concept indeed. Of course, I am not trying to ask the relevant parties to implement all my proposals. There is absolutely no conflict between Mr Albert HO's proposal and the proposal of encouraging banks to introduce more measures as contained in the motion. In brief, the Liberal Party considers that there is no serious conflict between the original motion and Mr Albert HO's amendment for it is trying to make our proposal more specific only.

As regards Mr CHAN Kam-lam's amendment, we also find it acceptable. While we propose reviewing the housing policy, he expands our proposal further to cover land as well. This point is, in fact, consistent with the analogy of "bread and flour" drawn by Mr James TIEN.

Insofar as the three amendments are concerned, as there is little common ground between the original motion and Mr Frederick FUNG's amendment, the Liberal Party will oppose the amendment. If this amendment is negated, the Liberal Party will support the amendments moved by Mr Albert HO and Mr CHAN Kam-lam. Although the several political parties may hold slightly different views in certain areas, the Liberal Party will still lend its support in order to achieve a consensus among Members as far as possible. Lastly, I hope the Government and the Hong Kong Monetary Authority can do more for people with negative assets.

SECRETARY FOR HOUSING (in Cantonese): Madam President, housing development has all along been the concern of our community. Though people may have different views on the pace of housing development or individual measures, I believe that the public generally agree with the Government's overall housing policy objective of achieving better housing for all through an adequate supply of affordable housing for ownership or rent.

The Government of the Special Administrative Region (SAR) has set out and announced a number of concrete measures to achieve our policy objective. The four most important ones are as follows. Firstly, we will provide 50 000 housing assistance opportunities annually to those who need assistance. These include public rental housing, subsidized home ownership flats and loans to purchase flats in the private property market. Secondly, we will reduce the average waiting time for public rental housing flats to three years by 2003. Thirdly, we will provide sufficient land and individual assistance through government departments to encourage the development of private housing. Fourthly, we will promote wider home ownership and work towards the goal of increasing the home ownership rate to 70%.

Madam President, it can be seen that the overall housing policy objective of the SAR Government is clear and well defined, rather than shifting to and fro as suggested by some Members. Our policy measures are also concrete and practical. Of course, our policy must tie in with the pace of society and changing circumstances. We make changes not because (as some people say) our "policies are chaotic". On the contrary, we respond to new developments whenever necessary, and that is what a responsible Government should do.

Madam President, I thank Members for their views on our housing policy. What concerns them most is the Home Ownership Scheme (HOS). Since its implementation in 1978, the Scheme has been very much welcomed by the community. As referred to by the Honourable Frederick FUNG and the Honourable Ms Audrey EU, the construction of HOS flats has two aims. First, we hope to provide home ownership opportunities to families which do not qualify for public rental housing and which at the same time cannot afford flats in the private sector. Second, we hope to recover public rental flats from better-off tenants who have purchased their own homes through the HOS, and to re-allocate such rental flats to other more needy families on the Public Rental Housing Waiting List. In the past five years, the Government has recovered an average of about 20 000 rental flats a year from "Green Form" applicants. In other words, about 20 000 families on the Waiting List have benefited from the

implementation of the HOS, and have been allocated public rental flats earlier. In the meantime, we have increased the overall home ownership rate in Hong Kong to 53%, compared with 33% in 1982. In short, the HOS is successful and has won public recognition.

In addition to the HOS, the Government started to provide housing loans as early as 1987, making it another avenue for home ownership by low-income households. As a matter of fact, the number of HOS flats for sale is still much greater than the quota for subsidized housing loans.

Compared with the past, local property prices have gradually stabilized. Home purchase is now within the reach of many more households. Under the circumstances, in order to allow a wider choice for prospective home buyers eligible for housing assistance, the Government, in consultation with the Housing Authority (HA), decided early last year to embark on a partial shift in the method of providing housing assistance from the conventional "bricks and mortar" approach to the use of subsidized housing loans. The HA has decided to reduce the production of HOS flats by 21 000 units over a four-year period from 2003-04 to 2006-07. The reduction programme will be reviewed and rolled forward annually. Housing loans will be provided instead to eligible households to replace flat reduction.

Briefly, providing housing loans partly to replace the construction of HOS flats has advantages. Firstly, prospective home buyers will have a wider choice of housing. Secondly, this can assist needy households in a more cost-effective manner. Thirdly and more importantly, the Government can respond to short-term fluctuations of housing needs more swiftly and flexibly.

Notwithstanding the advantages of using housing loans to partly replace the construction of HOS flats, the Government shares the views of the general public that the HOS should be retained at this stage. Firstly, we can be sure of the number of subsidized flats on supply each year. Secondly, the HOS is still very much welcomed by the general public as a means of achieving home ownership. In recent years, the sale of HOS flats is over-subscribed by three to seven times. In other words, there is still demand for HOS flats. However, that does not mean there is no need to make adjustments to the implementation details.

The Government understands that efforts should be made to avoid competition between the HOS and the private residential property market.

They should target at different purchasers. Therefore, the Government will review from time to time the rationale behind various housing assistance schemes and the progress of implementation, including application criteria for the HOS, in order to ensure that public housing resources will only be allocated to needy families. In the coming years, not more than 20 000 HOS flats will be sold annually. The number of HOS flats to be produced will also be reviewed regularly by the Government.

Madam President, the Government understands that home ownership is the most important investment for a person. As regards the issue of negative assets we are debating tonight, the Government is sympathetic to the difficult position of owners of negative assets. Nevertheless, we hold that the problem of negative assets and the housing policy of the Government are totally unrelated, the problem is, in fact, a result of the financial turmoil and the consequent economic recession. The Government hopes that with the recovery of the economy and the development of a stable and healthy property market, owners of negative assets will experience a gradual improvement to their predicament. The SAR Government upholds the principle of free economy, and will allow the private property market to operate freely without unnecessary intervention. Hence, the Government will not consider setting up any funds or loan schemes to assist owners of negative assets. The public is also generally of the view that it is unreasonable to have the Government providing financial assistance to individual investors. According to an opinion survey reported in the newspapers today, more than 80% of the interviewees are opposed to the Government using public money to assist owners of negative assets. As pointed out by Dr the Honourable David LI, the banking sector will adopt measures, basing on individual circumstances, to help loan borrowers holding negative assets who have difficulty in paying back loans. As a matter of fact, the loan delinquency ratio for default payments is still standing at an acceptable level which is lower than the delinquency ratio recorded in other countries. This also reflects that most property owners continue to repay their mortgages as scheduled.

To conclude, Madam President, the Government's housing policy and objectives are clear and well defined. For the reasons that I have outlined, the Government does not agree with part (a) of the motion today relating to housing policy and measures. Nevertheless, since housing development affects everyone's interests, the Government needs to strike a balance among the differing interests of various sectors. We will therefore continue to listen to people's views and take decisive measures when necessary.

The Secretary for Financial Services will respond to other proposals in the motion.

Thank you, Madam President.

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I really envy those Members who can go off duty so early. *(Laughter)* The Secretary for Housing has already commented on the first measure proposed in the motion. I will now discuss the position of the Government regarding the second and third measures proposed.

First, let me point out that the Government fully appreciates the plight experienced by owners of negative assets, who actually include some of the Members and government officials here today. We know that the purchase of a housing unit is the most important investment in the life of many people. We can fully appreciate how property owners feel when they see property prices drop and their properties become negative assets.

Members have put forward many proposals to help owners of negative assets. Before I comment on these proposals, I wish to point out that the mortgage policy of a bank is actually its commercial decision. The mortgage policy of a bank must comply with the regulatory requirements set down by the Hong Kong Monetary Authority (HKMA). And, as a commercial institution, a bank must of course take account of its own interests and those of its shareholders. When a property in collateral turns into a negative asset and the mortgagor becomes unable to repay, his bank will usually give him some allowance, and as far as possible, the bank will negotiate with him to work out a mutually acceptable solution, such as an extension of the repayment period to reduce the monthly installment, so as to avoid loan termination or even bad debt. Banks usually do not wish to repossess any properties for auction, because in that case, they will not only lose their customers but also suffer losses due to falling property prices. Therefore, in most cases, banks will try as much as possible to help owners of negative assets, both for its own interests and those of mortgagors.

Banks are commercial institutions, and as such, they certainly must consider the risks and returns related to the loans they have extended, and they must also hold themselves accountable to their shareholders and depositors. The HKMA, as the regulatory authority of the local banking sector, is responsible for ensuring the stability of the banking system and protecting the

interests of depositors. Since the stability of the banking system and the overall interests of Hong Kong are closely related, the HKMA must see to it that the business measures adopted by banks will not increase the risks faced by the banking system as a whole or jeopardize the interests of depositors.

All investments involve risks. This applies to the purchase of residential units, commercial properties, stocks or futures. In brief, all kinds of businesses bear risks. If banks are to help negative asset owners in total disregard for all prudent commercial principles and risks, should they also help those who suffer losses in the stock market or other businesses? What impact will be produced on the stability of the banking system if the HKMA abandons its prudent regulation of the banking sector? If they really do so, are their actions consistent with the interests of their depositors and those of the general public? We must not forget that the common people are also bank depositors, and there is a need to protect their interests. The problem of negative assets is not unique to Hong Kong, for it is also found in many other places in the world. As far as I know, in other places, the banking monitoring bodies there will not ask any banks to tackle the problem of negative assets in violation of their commercial principles of operation.

The motion and the amendments have put forward quite a number of proposals on how banks can help negative asset owners by introducing more latitude to their lending policies. We are of the view that the feasibility of these proposals would depend on the mortgage policies of individual banks and the merits of individual cases. The banking sector has in fact pointed out that many of these proposals have already been implemented.

Some Members say that banks should give more allowance in respect of its actions to cover the shortfall between the mortgage amount and the market prices of housing properties. Madam President, to be frank, the most important consideration of a bank is usually the repayment ability of the borrower. Hence, if the borrower, especially a borrower who lives in the mortgaged property, can repay on time every month, his bank will usually not ask him to make up for the shortfall. As revealed by the mortgage statistics obtained by the HKMA, the percentage of repayment in arrears as at the end of December last year was just 1.26%, which is lower than the international standard. We hope that the plight of negative asset owners can be eased over time as the property market starts to stabilize and our economy gradually recovers.

Some Members suggest that banks should adopt the arrangement of allowing a borrower to repay the interests only or the principal only. But from

the perspective of prudent regulation, I would say that if a borrower does not repay any interests at all, his bank will have to classify the loan as a substandard loan and make provisions for bad debt. As for whether banks would accept the payment of interests only, I would think that this is entirely a commercial decision for banks to make. As pointed out by Dr David LI, this arrangement has in fact been accepted by banks, but that again, individual banks will have to make their own decisions in the light of the circumstances of each case. Actually, if Members wish to reduce the amounts of monthly repayment by borrowers, I think they should look at the most common practice of debt restructuring through negotiations between a bank and its borrower. With an extension of the repayment period, the amount of each instalment will be reduced, thus relieving the burden on the borrower. According to the banking sector, this arrangement is widely adopted.

Some also suggest banks to reduce the interest rate on mortgages. I am sure that Members are well aware of the fierce competition involving such rates among local banks. In some case, the rate is already as low as prime (P) minus 2.3%. Since banks will not usually ask negative asset owners to make up for the shortfall, any further reduction of mortgage rates will mean a situation of high risks but low returns for banks. To ensure their own stability, banks will usually consider the specific circumstances of each case, such as the amount of the shortfall, the repayment ability of the borrower and his relationship with the bank, and so on. Of course, the reduction or otherwise of the mortgage rate ultimately involves a commercial decision of the bank. In this connection, Members may be interested in learning how a local newspaper quoted an embittered property owner. As reported, the owner said, "Banks are also prepared to listen. If you try, they may also agree to reduce the rate for us." I believe that there are compassionate banks, and I wish to see a greater number of them.

Over the past few days, some have also suggested that the Hong Kong Mortgage Corporation (HKMC) should also offer its help to tackle the problem of negative assets. I wish to point out that the HKMC is also a company operating under prudent commercial principles. The HKMC operates mainly in the secondary market, purchasing mortgage loans from banks. Like banks, the HKMC will also consider the possibility of restructuring the loans it has purchased through, for example, extending the repayment period, so as to help those property owners in difficulties.

As for the proposal on encouraging banks to adopt a uniform mortgage policy for both new and secondary market properties, the HKMA is of the view that the most important consideration underlying banks' mortgage policies for new and secondary market properties should again be prudent commercial principles. And, as it is, the lending criteria of local banks in respect of these two types of properties are not significantly different.

According to the monthly mortgage statistics for residential units, in the fourth quarter of last year, the number of new mortgages with the rate of P minus 2% was 10 797. Of these, 2 323 involved new properties and some 4 900 involved secondary market properties. The remaining 3 400 or so cases involved re-financing (such as transfer of mortgages, further charge or adjustment of mortgage terms). Madam President, all this shows that given the fierce interest rates competition, not only buyers of new properties but also those of secondary market properties will benefit.

Naturally, banks do adopt a more cautious attitude towards older properties. But in case a bank thinks that a secondary market property can easily be resold, it will also apply lending criteria similar to those applied to new properties. This is a commercial decision made by the bank after assessing the risks and returns associated with the property concerned.

Some Members suggested to lift the 70% mortgage cap for owners of negative assets. But the HKMA is of the view that there is no justification for relaxing the 70% mortgage cap requirement, because it is a useful risks management tool and should not be used as a means to influence the property market or achieve any housing policy objective. Since its implementation in 1991, this measure has worked well, especially in terms of protecting the banking system during the financial turmoil. In addition, the HKMC has also provided a mortgage insurance scheme under which the mortgage amount can be raised to 90%. That is why the HKMA does not think that there is any justification to support the Government's relaxation of this prudent mortgage guideline.

Some Members also suggested the Government to increase the home loan interest deduction to ease the burden on taxpayers having to repay mortgage loans. This is actually no new suggestion, and some Members have raised it before. The Government will consider this proposal alongside other suggestions and work out its revenue proposals.

Madam President, many of the suggestions put forward by Members to help owners of negative assets have in fact been implemented by the banking sector, showing that the mortgage policies of local banks can already deal flexibly with the problem of negative property assets. We would of course be pleased to see the continuation of such flexibility in the handling of the relevant loans. But I still wish to stress that we should not try to interfere with the commercial decisions of banks, nor should we interfere with the operation of the free market. I trust Members should have noted the opinions expressed in many newspaper editorials, which asserted that the Government should not distort market operation, should not interfere with the making of commercial decisions. And, many editorials also pointed out that it was unreasonable to use public money to help owners of negative assets. Here are some editorial titles in these few days: "Plight of negative assets owners will vanish as economy improves", "Only the market can help negative assets owners" and "Solutions to the problem of negative assets can only be worked out by the market". This is in fact how other places have tried to tackle the problem. I hope Members can realize that besides owners of negative properties, we must also consider the stability of banks and the interests of their depositors. If the HKMA does not adhere strictly to the principle of prudent regulation, the stability of the banking system will be affected, and in the end, both bank depositors and the general public will suffer.

Madam President, Ms Audrey EU commented that the debate today was not going to be useful, and many Members belonging to the banking sector also said that there was no need for the Government to teach banks how to do their business, and that what could be done had already been done. I hope that Members can accept such a view. The Government is not supposed to teach banks how to do business, and I am sure that Mr James TIEN and Mr Kenneth TING will not want the Government to teach them how to do their business either. Madam President, I wish to encourage Members to support the Government's position of no interference with the commercial operation of banks and no intervention in the market.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon Mr Frederick FUNG to move his amendment.

MR FREDERICK FUNG (in Cantonese): Madam President, I move that Mr Howard YOUNG's motion be amended, as set out on the Agenda.

Mr Frederick FUNG moved the following amendment: (Translation)

"To add "formulate a clear and stable housing policy, maintain the role of the Home Ownership Scheme in assisting people who cannot afford private property in acquiring their own flats, and" after "this Council urges the Government to"; to delete "(a) reviewing the housing policy, including examining the value of the existence of and the function of the Home Ownership Scheme, and whether they contradict the original intention of establishing the Scheme;"; to delete "(b)" and substitute with "(a)"; and to delete "(c)" and substitute with "(b)"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Frederick FUNG to Mr Howard YOUNG'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)

Mr Frederick FUNG rose to claim a division.

PRESIDENT (in Cantonese): Mr Frederick FUNG has claimed a division. The division bell will ring for three minutes.

PRESIDENT (in Cantonese): Will Members please proceed to vote.

PRESIDENT (in Cantonese): Will Members please check their votes. If there are no queries, voting shall now stop and the result will be displayed.

Functional Constituencies:

Mr CHAN Kwok-keung, Mr WONG Yung-kan, Mr Michael MAK and Mr IP Kwok-him voted for the amendment.

Mr Kenneth TING, Mr James TIEN, Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Miss Margaret NG, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr Bernard CHAN, Mrs Sophie LEUNG, Dr Philip WONG, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU, Mr Timothy FOK, Mr Abraham SHEK, Miss LI Fung-ying, Mr Henry WU, Mr Tommy CHEUNG, Dr LO Wing-lok and Mr LAU Ping-cheung voted against the amendment.

Dr David LI, Mr CHEUNG Man-kwong, Mr SIN Chung-kai and Mr LAW Chi-kwong abstained.

Geographical Constituencies and Election Committee:

Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr Frederick FUNG and Mr YEUNG Yiu-chung voted for the amendment.

Miss Cyd HO, Miss Emily LAU, Dr TANG Siu-tong, Mr NG Leung-sing, Prof NG Ching-fai and Mr Ambrose LAU voted against the amendment.

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Mr Andrew CHENG, Mr SZETO Wah, Mr Albert CHAN and Mr WONG Sing-Chi abstained.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 29 were present, four were in favour of the amendment, 21 against it and four abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 24 were present, seven were in favour of the amendment, six against it and 10 abstained. Since the question was not agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was negated.

MRS SELINA CHOW (in Cantonese): Madam President, in accordance with Rule 49(4) of the Rules of Procedure, I move that in the event of further divisions being claimed at this meeting in respect of the motion "Negative assets" or any amendment thereto, this Council do proceed to such division 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 Mrs Selina CHOW 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 and by the Election Committee, who are present. I declare the motion passed.

PRESIDENT (in Cantonese): Now that we have dealt with Mr Frederick FUNG's amendment, Mr Albert HO, you may move your amendment.

MR ALBERT HO (in Cantonese): Madam President, I move that Mr Howard YOUNG's motion be amended, as set out on the Agenda.

Mr Albert HO moved the following amendment: (Translation)

"To delete "the housing" after "(a) reviewing" and substitute with "Hong Kong's overall"; to delete ", including examining the value of the existence of and the function of the Home Ownership Scheme, and whether they contradict the original intention of establishing the Scheme" and substitute with "and, providing appropriate assistance to people with negative assets and, at the same time, formulating a clear and stable housing policy, honouring its pledge to build not less than 50 000 public housing units each year primarily for renting out, and affirming the importance of the Home Ownership Scheme in assisting people who cannot afford private property to acquire their own flats;"; to delete "mortgage" after "to adopt a tolerant"; to delete "offering them low-interest loans for repaying such differences, and adopting the temporary arrangement of allowing them to repay the principal, but not the interest, of the loans" and substitute with "offering to those households who repay their mortgage loans regularly an interest rate close to the level for new property, extending the period of repayment and, as a temporary measure, allowing them to repay the interest, but not the principal, of the loans"; and to delete "the same mortgage policy" and substitute with "similar mortgage policies"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Albert HO to Mr Howard YOUNG'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)

Mr Albert HO rose to claim a division.

PRESIDENT (in Cantonese): Mr Albert HO 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 Kenneth TING, Mr James TIEN, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr CHAN Kwok-keung, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU, Mr LAW Chi-kwong, Mr Abraham SHEK, Miss LI Fung-ying, Mr Tommy CHEUNG, Mr Michael MAK and Mr IP Kwok-him voted for the amendment.

Dr Raymond HO, Mr Eric LI, Dr David LI, Dr LUI Ming-wah, Miss Margaret NG, Mr HUI Cheung-ching, Mr Bernard CHAN, Dr Philip WONG, Mr Timothy FOK, Mr Henry WU, Dr LO Wing-lok and Mr LAU Ping-cheung voted against the amendment.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG and Mr YEUNG Yiu-chung voted for the amendment.

Miss Cyd HO, Miss Emily LAU, Dr TANG Siu-tong, Mr NG Leung-sing, Prof NG Ching-fai and Mr Ambrose LAU voted against the amendment.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 29 were present, 17 were in favour of the amendment and 12 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 24 were present, 17 were in favour of the amendment and six against it. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the amendment was carried.

PRESIDENT (in Cantonese): Members have been informed by circular on 20 February that Mr CHAN Kam-lam will withdraw his amendment if Mr Albert HO's amendment is passed.

PRESIDENT (in Cantonese): Mr Howard YOUNG, you may now reply and you have up to 10 minutes.

MR HOWARD YOUNG (in Cantonese): Madam President, I shall be brief, as Mr Tommy CHEUNG has already spent some five to six minutes expounding on the points I had wished to make.

Earlier on when Mr Bernard CHAN delivered his speech in English, he has said something like "Do not tell banks how to do business". Dr David LI, who also made his speech in English, has also said something to an effect similar to that. However, I should like to point out that the Hong Kong Monetary Authority (HKMA) has all along been telling banks how to do business, including adopting such measures as setting the mortgage cap at 70% and the housing loan limit at 40%.

On the other hand, I also wish to point out that some of the points raised in this motion debate are purely fictitious. In this connection, I noticed that there have been views from the banking sector and the Government that we have suggested using public money to offer assistance to people with negative assets. But then, after thoroughly examining the wording of the motion several times, I still could not find any similar suggestions in it. In speaking on the motion earlier, Mr LAW Chi-kwong mentioned setting up a fund as a possible measure. Yet this suggestion is not in the motion. Perhaps it was because Honourable colleagues from the banking industry had heard about this suggestion in the opinion survey conducted by the Democratic Party over the weekend that they were confused. For this reason, I hereby clarify that the allegation made in certain speeches that our motion urges the Government to use public money to provide assistance for people with negative assets is purely fictitious. Another fictitious point is the remark made by the Secretary for Housing, that is, the housing policy in Hong Kong is clear and well defined. *(Laughter)*

Madam President, it seems that a consensus has to a very large extent been reached among Members today. While the banking sector claims that it has been making its best effort to provide assistance for people with negative assets, in reality only a few individual banks are actually offering assistance to those people. When speaking on the Government's housing policy, the Secretary has touched upon the issue of new and old buildings. Perhaps let us turn to some overseas experience in this respect. The United Kingdom, for example, has a very sound monetary regime. For any housing unit bought in the country (I trust that many Members do have this experience), regardless of whether the building concerned is a 50-year-old one or a newly completed one, the mortgage terms will just be the same. This is very much unlike the situation in Hong Kong where substantially different terms are adopted for new and old buildings.

Like the live examples referred to by some Members in their speeches, a member of the tourism industry also told me his personal experience this morning. This proprietor bought a commercial unit and mortgaged it to raise a loan of 70% of the unit's buying price from a bank, he then used the fund to invest in his travel agency business. Later on, the price of his commercial unit dropped and the bank therefore asked him in March 2000 to top up his mortgage; besides, the bank also cancelled with immediate effect the additional loan facility it had voluntarily extended to him earlier on. When he told the bank that he was in financial straits at the moment, although the bank said it would not be a problem, it nevertheless required him to repay his loan at an interest rate which was the equivalent of prime (P) plus 3.5%. I consider this bank was being too harsh. Yesterday, the owner of yet another travel agency asked his accountant how much was the penal rate that the bank charged on him currently and the accountant told him that it was P plus 3.25%. On hearing that I thought it must be the highest interest rate charged by banks. But then, this morning, I was told that a bank was collecting interest on loan at a rate as high as P plus 3.5%. On the other hand, banks are giving widespread publicity to the new interest rate of P minus 2.3% for mortgage loans on newly completed flats (I heard that figure from the Secretary just now, I had originally thought that P minus 2.25% was the lowest interest rate charged by banks). So, there is a difference of five percentage points between the highest and the lowest interest rates. Given that the prime rate currently stands at 8.5%, a difference of five percentage points is equivalent to almost 60% of the prime rate. According to the market management I have studied before, as far as business operation is concerned, while the cost for maintaining existing customers is the lowest, the cost needed to attract new customers is the highest. Perhaps banks should also learn this philosophy as well, should they not?

For my part, I believe the motion debate today will certainly not end in naught. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr Howard YOUNG, as amended by Mr Albert HO, be passed.

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

(Members raised their hands)

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

(Members raised their hands)

Mr Albert HO rose to claim a division.

PRESIDENT (in Cantonese): Mr Albert HO 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 Kenneth TING, Mr James TIEN, Mrs Selina CHOW, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mrs Sophie LEUNG, Mr SIN Chung-kai, Mr WONG Yung-kan, Mr Howard YOUNG, Mr LAU Wong-fat, Mrs Miriam LAU, Mr LAW Chi-kwong, Mr Abraham SHEK, Miss LI Fung-ying, Mr Tommy CHEUNG, Mr Michael MAK and Mr IP Kwok-him voted for the motion as amended.

Dr Raymond HO, Mr Eric LI, Dr David LI, Dr LUI Ming-wah, Miss Margaret NG, Mr Bernard CHAN, Dr Philip WONG, Mr Timothy FOK, Mr Henry WU, Dr LO Wing-lok and Mr LAU Ping-cheung voted against the motion as amended.

Geographical Constituencies and Election Committee:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Mr James TO, Miss CHAN Yuen-han, Mr CHAN Kam-lam, Mr LEUNG Yiu-chung, Mr Jasper TSANG, Dr YEUNG Sum, Mr LAU Kong-wah, Mr Andrew CHENG, Mr SZETO Wah, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Albert CHAN, Mr WONG Sing-chi, Mr Frederick FUNG, Mr YEUNG Yiu-chung and Mr Ambrose LAU voted for the motion as amended.

Miss Cyd HO, Miss Emily LAU, Mr NG Leung-sing and Prof NG Ching-fai voted against the motion as amended.

THE PRESIDENT, Mrs Rita FAN, did not cast any vote.

THE PRESIDENT announced that among the Members returned by functional constituencies, 29 were present, 18 were in favour of the motion as amended and 11 against it; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 25 were present, 20 were in favour of the motion as amended and four against it. Since the question was agreed by a majority of each of the two groups of Members present, she therefore declared that the motion as amended was carried.

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 28 February 2001.

Adjourned accordingly at twenty-eight minutes to Eleven o'clock.

Annex

WRITTEN ANSWER**Written answer by the Secretary for Education and Manpower to Mr Henry WU's supplementary question to Question 6**

The Labour Department does not maintain statistics on the total number of employers involved in conciliation cases. In 1999 and 2000, 35 452 labour disputes and claims were settled by the Department through conciliation while 25 656 cases were not settled and had to be referred to adjudication or had to go through insolvency procedure. The majority of these cases involved a single employer. For a small proportion of cases, an employer could be involved in more than one case. Hence the estimated number of employers involved in cases settled through conciliation and those that could not be settled should not vary too much from the figures of 35 452 and 25 656 respectively.