

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 14 March 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 DAVID CHU YU-LIN

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

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.

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 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.

MEMBERS ABSENT:

PROF THE HONOURABLE NG CHING-FAI

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE LAU CHIN-SHEK, J.P.

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 MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR CONSTITUTIONAL AFFAIRS

MR CHAU TAK-HAY, J.P.

SECRETARY FOR COMMERCE AND INDUSTRY

MR GORDON SIU KWING-CHUE, J.P.

SECRETARY FOR PLANNING AND LANDS

MISS DENISE YUE CHUNG-YEE, J.P.

SECRETARY FOR THE TREASURY

MR LAM WOON-KWONG, G.B.S., J.P.

SECRETARY FOR HOME AFFAIRS

MR STEPHEN IP SHU-KWAN, J.P.

SECRETARY FOR FINANCIAL SERVICES

MRS LILY YAM KWAN PUI-YING, J.P.

SECRETARY FOR THE ENVIRONMENT AND FOOD

DR YEOH ENG-KIONG, J.P.

SECRETARY FOR HEALTH AND WELFARE

MRS REGINA IP LAU SUK-YEE, J.P.

SECRETARY FOR SECURITY

MRS FANNY LAW FAN CHIU-FUN, J.P.

SECRETARY FOR EDUCATION AND MANPOWER

MS SANDRA LEE SUK-YEE, J.P.

SECRETARY FOR ECONOMIC SERVICES

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 Revenue Protection (Revenue) Order 2001	61/2001
Designation of Libraries Order 2001	62/2001
Public Health and Municipal Services Ordinance (Civic Centres) (Amendment of Thirteenth Schedule) Order 2001	63/2001
Audit Ordinance (Amendment of Schedule 1) Notice 2001	64/2001
Factories and Industrial Undertakings Ordinance (Cap. 59) (Appointed Day under Section 6BA(17)) Notice	65/2001

Other Paper

Report of the Bills Committee on Hong Kong Tourist Association
(Amendment) Bill 2001

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Fees and Validity Periods of Food Business Licences

1. **MR TOMMY CHEUNG** (in Cantonese): *Madam President, regarding the fees and validity periods of various types of food business licences, will the*

Government inform this Council:

- (a) of the criteria adopted for determining the fees for various types of food business licences;*
- (b) whether it will consider granting licensees who close their business before the expiry dates of their food business licences a pro rata refund of the licence fees based on the remaining validity period of the licences; and*
- (c) given that the various types of full licences all have a validity period of one year, whether it will consider allowing licensees to opt for licences with shorter validity periods (for example, three or six months) when they renew their licences, so that the validity periods of such licences can tie in with the tenancy terms of their business premises?*

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

- (a) At present, the Food and Environmental Hygiene Department (FEHD) still maintains the policies and fee levels for various types of food business licences as previously adopted by the former Provisional Urban Council and the former Provisional Regional Council. The fee charging policies of the two former Provisional Municipal Councils are largely the same. They aim to recover the cost for issuing food business licences and the cost for subsequent inspections and enforcement actions. The Government intends to complete a review of the policies and fee levels adopted by the two former Provisional Municipal Councils by the end of this year with a view to aligning them. We will consult the relevant panel on our findings.
- (b) With regard to the refund of food business licence fees, the FEHD also follows the practice of the two former Provisional Municipal Councils. It would only refund the licence fee under two circumstances. First, it will refund the unused portion of provisional licence fee upon the issue of a full licence. Second, upon re-issue of new licence to the successor. The FEHD will also look into the refund arrangement in reviewing the policies and fee levels.

- (c) Under the Food Business Regulation, the validity period of all food business licences is one year, except for provisional licences which have a validity period of six months. In conducting the above review, the FEHD will also consider whether it should allow licensees to renew their licences with shorter validity period.

MR TOMMY CHEUNG (in Cantonese): *Madam President, the Secretary has stated in her main reply that provisional licences have a validity period of less than one year, and the Administration will conduct a review of the validity period of food business licences. Can the Secretary conduct the relevant review earlier? As food business licence fees are calculated on the area of restaurants, a lot of restaurants are paying more than \$100,000 in licence fees which are fairly expensive. However, many licensees will find themselves in the situation of having renewed their food business licences only recently and the leases of their restaurants will expire in two to three months' time, but they are not sure if the leases will be renewed. So, the existing practice cannot reduce their business costs. Since the Administration's aim is to recover the costs of inspections, can it amend the relevant provisions at an earlier date for it need not carry out inspections on restaurants that have ceased to operate?*

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

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese): Madam President, as I have just explained, the validity period of all licences are provided by law, if we must make changes to the provisions, it will involve not simply a review but also amendments to the relevant ordinance. When the two former Provisional Municipal Councils made their fee charging policies and determined fee levels, they had considered some complicated factors and there were more than 90 items for review. After the dissolution of the Provisional Municipal Councils, the FEHD needs to handle a whole host of things apart from fee charging policies and fee levels, and we are now trying our best to handle the relevant matters. We hope to complete all the relevant review work within this year.

MR HOWARD YOUNG (in Cantonese): *Madam President, I believe the validity period of a licence is related to the lease. Part (c) of the Honourable Tommy CHEUNG's question asks whether licensees can opt for licences with*

shorter validity periods. If the Secretary thinks that the proposal is unfeasible under the existing ordinance, is it feasible for licensees to opt for licences with validity periods of slightly more than one year? If a proprietor of a restaurant needs to apply for a licence but the lease of his food premises will expire in a year and three months' time, the proprietor will prefer the issue of a licence with a validity period of one year and three months by the Administration so that the time for renewal will more or less coincide with the expiry of the lease. Is this arrangement feasible?

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese): Madam President, I have made reference to the relevant regulation and section 4 of the Food Business Regulation has specified that the validity period of a formal licence is 12 months from and inclusive of the date of issue. In other words, there is no room for manoeuvre under the existing legislation.

MR WONG YUNG-KAN (in Cantonese): *Madam President, the Secretary has stated in part (c) of her main reply that provisional licences have a validity period of six months. When the Government reviews the legislation in the future, will it consider expediting the issue of licences?*

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese): Madam President, the issue of licences has been expedited by a few weeks since the establishment of the FEHD. We have also given an account of and discussed in detail with the relevant panel of the Legislative Council the time required to issue licences. However, if it is found that the time required to issue licences can be further shortened, we will certainly endeavour to make improvements. Recently, the FEHD has set up a resource centre on the issue of licences to allow persons who are interested in operating a food business to have a clear and deeper understanding of the licensing procedures, conditions and requirements. This facility can help save the time of the Administration and the public and shorten the time required to issue licences.

MR FRED LI (in Cantonese): *Madam President, when the Government conducts studies and reviews, will it consider making reference to the practice of quarterly payment of licence fees by market stalls and consider allowing the*

operators of restaurants to pay expensive food business licence fees in instalments in order to reduce their burden of costs?

SECRETARY FOR THE ENVIRONMENT AND FOOD (in Cantonese): Madam President, we will gladly consider the views of the industry and Members in the course of review. As I have just explained, the fee charging policies of the Provisional Municipal Councils aim at recovering the cost for the issue of food business licences. Therefore, when we make changes to any factor, we must consider whether it will affect the procedures for issuing licences and whether it will substantially increase the cost of the service. At this stage, since the review is ongoing, we will certainly consider the views expressed by Members.

PRESIDENT (in Cantonese): Second question.

Government Departments Conducting Searches of Memorials by Owners' Names

2. **MS AUDREY EU** (in Cantonese): *Madam President, 12 government departments have been approved by the Land Registry to conduct searches of memorial by using the Owner's Properties Information Check Service (OPIC), and a total of 9 353 searches were conducted in the past six months. In this connection, will the Government inform this Council whether:*

- (a) *there are government departments and officials tasked to assess if the searches by the above departments using the above service contravene the Personal Data (Privacy) Ordinance (PDPO); if there are, of the statutory powers exercised by such departments and officials in making such assessment; if not, the reasons for that;*
- (b) *there are guidelines and mechanisms to ensure that the departments concerned abide by and act in compliance with the relevant stipulations in this type of searches, as well as to guard against abuse of this type of searches; if so, of the details; if not, the reasons for that; and*

- (c) *there is a mechanism by which members of the public can monitor if government departments have contravened the PDPO by abusing such type of searches; if so, of the details of that; if not, the reasons for that and whether it will establish such a mechanism?*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, the Land Registration Ordinance and its subsidiary legislation provide for the establishment and operation of the land register. The purpose is set out in the preamble to the Ordinance "to prevent secret and fraudulent conveyances and to provide the means whereby the title to real and immovable property may be easily traced and ascertained."

In compliance with the PDPO name searches will be conducted only for purposes related to those for the establishment of the register and for other purposes in limited circumstances. For example, name searches may be conducted when the data subject has given voluntary and express consent to either the Land Registry or the department conducting the search. An example would be an applicant for public rental housing giving the Housing Department permission to search the records of the Land Registry to ascertain that he does not own any property in Hong Kong. Another instance in which a name search may be conducted is where an exemption under section 58 of the PDPO applies. That section covers matters of public interest such as where the result of the search will be used for the prevention or detection of crime or the assessment or collection of tax, and so on. This provides the background to the limited circumstances in which government departments may use the OPIC to conduct name searches.

The protection of the privacy of personal data is provided for under the PDPO. Section 36 provides that the Privacy Commissioner for Personal Data (the Commissioner) may carry out an inspection of any personal data system. Section 38 gives the Commissioner power to investigate complaints concerning allegations of violations of the PDPO. He may also of his own volition, on reasonable grounds, conduct investigations of suspected violations of the PDPO.

For the Land Registry to ensure that name searches fall within the exemptions set out in the PDPO, the Land Registrar requires an application to be prepared for each type of search using OPIC. This form, which must be signed by a directorate officer of the user department, requires the user department to specify the purpose for which the information requested is to be used. It reminds the user department of its obligations for stringent control of the

requested data and that only authorized officers may request such data and then solely for the requested purpose. The Land Registrar would, on receiving the application consider, taking legal advice where necessary, whether it should be granted. Until the Land Registrar has given his approval no name searches may be undertaken. On two occasions the Land Registrar has requested all departments to confirm that the reasons for the original request remain valid and to remind user departments of the conditions under which the application was originally approved. This request will from now on be made annually.

Each use of OPIC by a government department must be by an authorized officer of that department. That use is logged by the Land Registry computer system which records the identity of the department (and officer) requesting the search, the file details and the records searched. This information facilitates internal audit by the Land Registry and the requesting department.

To reassure members of the public and to identify if there are areas for improvements in procedures the Land Registrar intends, with my full support, to conduct a full compliance check on the use of the OPIC system for name searches, in consultation with the Commissioner.

The mechanism to assure the public that government departments have not contravened the PDPO in conducting name searches is through the stringent control systems set up by the Land Registry and the departments concerned and through the ability of the Commissioner to inspect personal data systems, perform compliance checks and investigate complaints. To increase its transparency the Land Registry is enhancing its computer services to provide a breakdown of numbers of searches by user department.

Any person who suspects that his personal data kept by the Land Registry may have been used in contravention of the PDPO may complain to the Commissioner, who is the independent authority administering the Ordinance.

MS AUDREY EU (in Cantonese): *Madam President, it is stated in the second paragraph of the main reply that government departments seldom conduct name searches but if we divide 9 353 times by six months, we find that government departments conduct over 50 name searches a day. My main question asked whether the Government has assessed if the searches conducted by the 12 departments using the service contravene the PDPO, whether there are*

mechanisms to prevent abuse and whether members of the public can monitor the situation. We learn from the main reply that the Government has not made any assessment and it does not have any mechanism to prevent abuse while the public fails to monitor the situation as they are not informed about the situation.

The Secretary has stated in the sixth paragraph of his main reply that the Land Registrar intends to conduct a full compliance check on the use of the OPIC system for name searches, in consultation with the Commissioner. How specifically has the Secretary sought consultation with the Commissioner; what is the mechanism and when will it be conducted?

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, I have stated in my main reply that it seems large numbers of name searches have been conducted by government departments but over a dozen departments need to conduct such searches when handling applications not involving land for the purpose of ascertaining whether the applicants own any property. For instance, the Social Welfare Department may need to do so when vetting applications for Comprehensive Social Security Assistance. Therefore, we may consider the numbers of searches as either large or small. However, this does not mean that government departments have abused the name search service.

As I have stated, the Land Registrar needs to go through established procedures before giving his approval to name searches. The Land Registrar would, on receiving the application signed by a directorate officer of the user department consider, taking legal advice where necessary, whether an exemption under section 58 of the PDPO applies. Therefore, the Land Registry has internal procedures for handling such applications. Moreover, all name search records will be retained and we can definitely follow up if it is necessary to check if any person has handled the information improperly or inappropriately after an approval has been granted to an individual department.

Having studied this question, the Land Registrar and I have agreed to conduct a review. Although there is a mechanism, to make the public feel at ease, we think that it is worth making a random check of some cases to examine if the applications have been reasonably approved and whether individual departments have worked according to the principle of privacy protection after they have been granted approval. This will be done over the next few weeks.

MS AUDREY EU (in Cantonese): *Madam President, the Secretary has not replied how the Commissioner would be specifically consulted. Does the Secretary mean to say that the Commissioner will conduct the review?*

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

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, we intend to let the Land Registrar invite the Commissioner to study together how this review should be conducted. As I made this decision only this morning, we will know the relevant details after they have exchanged their views.

MISS MARGARET NG (in Cantonese): *Madam President, apart from cases in which the prior consent of the applicants has been obtained, will the Land Registry voluntarily notify the persons on whom searches are conducted to inform them that government departments are conducting searches on them and give them a chance to contact the relevant departments so as to avoid misunderstanding? If not, why? If so, how many times has this been done?*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, among the 12 departments mentioned by the Honourable Ms Audrey EU, at least one third will go through an established procedure of obtaining the prior consent of applicants before conducting name searches. As far as I understand, some other departments will not notify the persons concerned. For example, the disciplined services cannot obtain the prior consent of the persons concerned before conducting criminal investigation.

MISS MARGARET NG (in Cantonese): *Madam President, my question is whether the Land Registry will voluntarily notify the persons concerned, but the Secretary has only stated the situation in which the persons concerned will not be notified and he has failed to state whether the persons concerned will be notified in other situations as well as whether notification procedures have been formulated.*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, the Land Registrar and individual departments, especially the 12

departments using this service, should deliberate over this matter because the persons concerned cannot be notified in certain situations, for instance, in the course of investigation.

MR ALBERT HO (in Cantonese): *Madam President, will the Secretary inform this Council whether the Land Registry had permitted the Department of Justice or the Legal Aid Department (LAD) as counsel to a litigant to assist its client, including the client of the LAD or the Hong Kong Government, in obtaining information from the Land Registry on another party to the litigation in the past? If yes, would this not render the litigation unfair?*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, I do not have the information on hand. I will consult the Land Registrar and the relevant departments after this meeting and then give the Honourable Member a written reply. (Annex I)

MR JAMES TO (in Cantonese): *Madam President, with the exception of one third of the departments that have obtained the consent of applicants and law enforcement agencies that will not notify the persons concerned in the course of criminal investigation, will the Secretary inform this Council how many departments out of the 12 departments are left? Can the Secretary cite an example to illustrate the use of the information obtained by the departments that conducted the name searches?*

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, among the 12 departments, the first type of departments uses the information for criminal investigation. The second type such as the Home Affairs Department obtains the prior consent of applicants before conducting name searches on property ownership registration involving agricultural land or land title. The third type includes departments granting loans to applicants according to law. They conduct name searches in the course of debt recovery to ascertain whether the applicants own other properties. Those departments do not conduct name searches for purposes of criminal investigation or upon application by the persons concerned.

MR JAMES TO (in Cantonese): *Madam President, according to the Secretary, one third of the 12 departments will obtain the prior consent of the persons*

concerned while law enforcement departments cannot notify the persons concerned in the course of criminal investigation. Will the Secretary inform this Council whether other departments conduct name searches in their capacity as government departments or creditors?

PRESIDENT (in Cantonese): Which Secretary will reply? Secretary for Planning and Lands.

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, they do so in their capacity as government departments.

MISS CHOY SO-YUK (in Cantonese): *Madam President, I wish to ask a supplementary on the scope of exemption as stated in the second paragraph of the main reply. Apart from the 12 government departments, can other organizations or media obtain such information in public interest?*

PRESIDENT (in Cantonese): Which Secretary will reply? Secretary for Planning and Lands.

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, as far as I know, other organizations cannot do so. However, everybody can conduct a name search on a property under his name in his personal capacity.

PRESIDENT (in Cantonese): Third question.

Crossing Border without Going Through Departure Formalities

3. **MR YEUNG YIU-CHUNG** (in Cantonese): *Madam President, it has been reported that on the 15th of last month, a mentally-handicapped man from Hong Kong landed in the Mainland without going through the departure formalities in Hong Kong, and was found by the mainland border officials and sent back to Hong Kong. In this regard, will the Government inform this Council:*

- (a) *whether it has investigated why the man could have departed without going through the formalities, and whether the case involved negligence of the Immigration Department (ImmD) staff; and*
- (b) *whether it has reviewed if there are security loopholes at various border control points; if it has, of the results and the improvement measures to be taken to prevent the recurrence of such incidents?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) On 22 February this year, the media reported that a mentally-handicapped man had been found by the officials of the Huangang Border Control Point and sent back to Hong Kong. Based on the personal particulars shown on the necklace of the man, the ImmD was able to contact his family promptly and send him home at once. The ImmD immediately appointed a special investigation team to investigate the case and found that the man did depart Hong Kong without going through departure clearance. Available information, however, does not tell precisely which route the man took to depart Hong Kong, or whether the case involved negligence of any staff. The ImmD is expected to submit a detailed investigation report to the Security Bureau within a month from the date of the incident.
- (b) The Administration conducts constant reviews of the facilities and procedures at the various control points to ensure the integrity of the security measures. It should however be pointed out that there is a huge number of passengers travelling through the boundary control points each year. Last year close to 102 million passengers, or a daily average of 280 000, were recorded. We have to strike a balance between facilitation and security in the implementation of immigration control.

Under normal circumstances, it is impossible for a passenger to depart Hong Kong without going through the departure formalities. All passengers must hold valid travel documents or a Hong Kong Permanent Identity Card and go through immigration clearance at control points. All travellers (including drivers) passing through boundary control points by passenger vehicle have to alight the

vehicle at the control points and proceed to the counters for immigration clearance. Before the departure of the passenger vehicles, immigration officers will go aboard every vehicle to carry out inspections to ensure that nobody is hiding in the vehicles to get around immigration formalities. In addition, police officers are deployed by the Hong Kong Police Force (HKPF) to maintain law and order in the vicinity of the control points, to intercept illegal immigrants and prevent unruly elements from conducting illegal activities. Customs officers will also carry out spot checks on travellers from time to time. Any person suspected of evading immigration clearance will be referred to the HKPF and the ImmD immediately. The law enforcement departments at the various boundary control points also hold regular meetings to discuss issues on boundary control and security to ensure the effectiveness of the security measures at all times.

Although it remains uncertain as to how the mentally-handicapped man in the above-mentioned incident departed Hong Kong, the law enforcement departments concerned have reviewed the existing measures after the occurrence of the incident. They have taken appropriate measures as follows:

- (i) With effect from 23 February this year, the ImmD has implemented new arrangements at the three boundary control points at Lok Ma Chau, Man Kam To and Sha Tau Kok. Immigration officers will board all departing and arriving passenger vehicles at the newly designated area to carry out inspections. As the newly designated area is situated at a bottleneck location, only one passenger vehicle can pass through it each time. This will enable immigration officers to inspect each passenger vehicle more effectively. In addition, starting from the same day, immigration officers are required to record the type, the vehicle registration number, and the time of inspection in respect of each vehicle. Such information can facilitate future checking if required.
- (ii) The ImmD has deployed an additional Immigration Assistant to man the arrival and departure checkpoints of the Lok Ma Chau Control Point to step up vehicle inspection work.

- (iii) The HKPF and the Customs and Excise Department have informed their officers at the various boundary control points forthwith to pay special attention to those persons remaining in the vicinity of the control points and to intercept any suspected persons, so as to ensure that there is no room for unruly elements to conduct illegal activities, including departure without going through normal formalities. This will also prevent persons from going astray inadvertently.

MR YEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary has just said that before the departure of passenger vehicles, immigration officers will go aboard every vehicle to carry out inspections on the number of people on board the vehicle. Our observations show, however, that most of the boundary control points maintain strict inspection of arriving vehicles but are quite lax in the inspection of departing vehicles. Would the Secretary agree to this?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, please allow me to explain the work of the control points briefly. We would divide vehicles into two different categories. The first category is passenger vehicles. These include coaches, shuttle buses, minibuses and those minibuses from some golf clubs which pick up their members to golf courses in the Mainland. For this category of vehicles, the drivers will usually get off and complete the formalities. Then every passenger will need to get off and complete the formalities in the immigration control hall. Immigration officers will go aboard the vehicle and carry out inspection to ensure that nobody is hiding in the vehicle. After the inspection, the vehicle will go through the control point and the passengers will then board the vehicle again.

Another category of vehicles is goods vehicles and private cars. We know that goods vehicles will only have one driver. As for private cars, if the number of passengers carried, excluding the driver, does not exceed seven, then the passengers do not need to get off the car. The driver will only need to drive the car to the inspection booth and the immigration officers will input the data of the passengers into the computer. The car will be allowed to depart after the immigration officers have ascertained, after observation, that there are no other people in the car.

In fact, Hong Kong maintains very stringent immigration control, and that includes both arrival and departure control. Although some countries in the world do not conduct any departure inspections, we will inspect every departing vehicle. It is our policy that all passengers on every passenger and goods vehicle going through Lok Ma Chau, Man Kam To and all the other boundary control points will need to go through the departure formalities. Immigration officers will board the vehicles in transit to see if anyone is hiding in the vehicles.

MR CHAN KAM-LAM (in Cantonese): *Madam President, in part (b) of the main reply, the Secretary says to the effect that it is not surprising for some of the 100 million or so passengers who pass the boundary control points each year to have slipped through unchecked. Though these are not the exact words spoken by the Secretary, it is very likely that a problem of insufficient manpower is implicated. Does the Secretary make frequent reviews of the manpower situation at the boundary control points to see if there is insufficient manpower?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, we do make such reviews. At present, the Lo Wu Control Point is the busiest with the greatest number of arrivals and departures. However, the control point with the highest growth rate is Lok Ma Chau. With respect to the Lo Wu Control Point, funding has been set aside in the Budget to increase 117 officers at the Lo Wu Control Point, pending approval of this Council. We also carry out frequent reviews of the manpower situation at the Lok Ma Chau Control Point. We will indeed deploy manpower from those control points which face less pressure, such as the one in Hung Hom, to assist those control points which face greater pressure. After the occurrence of the incident of a mentally-handicapped person who departed the territory without going through departure clearance, the Lok Ma Chau Control Point has deployed an additional Immigration Assistant to man the checkpoint for passenger and goods vehicles to ensure that every vehicle is parked in the new bottleneck location where only one vehicle can pass through each time. In other words, vehicles are required to line up for detailed inspection by immigration officers before they are allowed passage.

MR LAU KONG-WAH (in Cantonese): *Madam President, what the Secretary has just said should be taken as 100% inspection. The present case at hand,*

plus the case of YU Man-hon, and the case reported by the media in the airport checkpoint, all indicate that there are some problems with the inspection work. Would the Secretary think that some loopholes existed in this so-called 100% inspection and how many persons did slip through the control points last year according to government figures? If loopholes do exist, would a thorough review be made by the Government in this respect?

SECRETARY FOR SECURITY (in Cantonese): Madam President, we are very much concerned about these cases of people who have "slipped through" or "forced their way" through the control points. These cases have been reported by the media. It remains of course that media reports of these cases are not entirely accurate. We have made our own investigations into these cases ourselves. We found that such cases did happen in some of our busier control points like Lo Wu and the airport. I suspect they are cases where people have slipped through when officers are not paying full attention to the situation. As for the figures, would Members wait for a moment while I look them up. *(Pause)* With respect to the airport, more than 21.3 million passengers travelled through the control point there in 1999. It is suspected that in 15 cases, passengers passed through the control point without going through the arrival or departure formalities. There were 19 such cases in 2000. As for the Lo Wu Control Point, more than 77 million passengers were cleared in 1999, and there were 11 cases involving passengers travelling through the control point without going through the formalities. Last year, more than 86 million passengers passed through the control point and there were 10 cases of people who did not go through departure formalities. We are looking into the causes of these incidents.

With respect to the incidents in the airport where people have "slipped through" the checkpoints, as explained by the immigration officers at the airport, they became aware that some people had "slipped through" the checkpoints only when they were reviewing the video tapes. Many of these persons were old people and those who walked rather slowly. They did not force their way through the checkpoints, they were just walking slowly and haltingly through. Then why did these persons manage to slip through unnoticed? According to the explanation given by my colleagues, they could have passed through between two counters. As they were walking slowly, the officer behind counter A who was going through the formalities with a passenger might think that the officer at counter B might have completed the formalities of that person and so they went

through unnoticed. If a person rushes through the counter checkpoint, he would be stopped at once definitely. However, since these persons were passing through slowly and some of them were old people, they could have slipped through the counters unnoticed.

Honourable Members are well aware that our officers working behind the counters need to be fast, efficient and polite. A manager of a large British firm once told me that he had been very happy at the airport when he returned to Hong Kong. It was because the immigration officer realized, when checking his passport, that that day was his birthday and said "happy birthday" to him. Our staff working behind the counters have to be fast, they need to inspect all the papers and input the information into the computer. There are times when they are so concentrated on their work that they may be unaware of an old gentleman passing through the checkpoint without clearing all the formalities. However, after we have made a review of these incidents, we find that the risk involved would not constitute any problem in security.

As to the remedial measures, we think that more immigration officers should be deployed behind the immigration counters in the airport for the purpose of overseeing the situation. At present, each immigration officer in the airport is required to oversee six passenger security channels. Apart from overseeing these six channels, they have to handle a lot of other things such as making further inspections and showing passengers to a room for inspection, and so on. We are of the view that there is not enough manpower and so we are discussing the matter with the Management Services Agency to see how additional manpower can be deployed.

MR TAM YIU-CHUNG (in Cantonese): *Madam President, may I ask the Secretary whether there are records on any cases of mainland residents evading the boundary control points in the Mainland and entered Hong Kong, and as the Secretary has said, "slipped through" the control points? What I mean is, are there any records showing that the boundary immigration control officers in the Mainland have let any mainland residents "slip through" their checkpoints unnoticed into Hong Kong and these people are later discovered by our immigration officers and they are arrested and sent back to the Mainland?*

PRESIDENT (in Cantonese): Secretary for Security, the topic of this question is about going through departure formalities in Hong Kong and now Mr TAM is asking a question about departure clearance in the Mainland. I am not sure if the Secretary has such information on hand, if so, would the Secretary give a reply to this question?

SECRETARY FOR SECURITY (in Cantonese): Madam President, I do not have such information on hand. However, I am convinced that mainland residents cannot have made their way through a number of security channels, that is, those boundary inspection channels on the Mainland and in Hong Kong, if they do not hold any proper immigration documents, unless they are doing that on purpose or that they are insane. Those illegal immigrants without any proper immigration documents may have sneaked into Hong Kong through other means.

MR HENRY WU (in Cantonese): *Madam President, a number of Members have asked the supplementary question which I wished to ask. The Secretary said earlier that some old people might manage to go past the immigration counters unnoticed as they walked slowly through them inadvertently. I find this very interesting. The measure presently taken by the Administration requires monitoring of the situation by some staff who provide back-up, has the Administration considered setting up a better mechanism to cope with the situation, for these officers may also let some people "slip through" the checkpoints unnoticed?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, our present focus is on the enhancement of our back-up. Apart from the question of people "slipping through" our checkpoint, we also need to prevent the occurrence of people forcing their way through our checkpoints. Honourable Members may be aware that there was a case of an arriving passenger who forced his way through our checkpoint. The person dashed through the immigration counters. Similar incidents also happened in the Taipei Airport. A person with mental disorders ran all the way to the apron. We must take all kinds of relevant measures. For example, we will make the fence around the immigration counters higher, install gates at all passenger channels and place more staff on guard. But the most important thing is that we will strike a balance between facilitating passengers and maintaining security.

MISS MARGARET NG (in Cantonese): *Madam President, residents of Hong Kong are entitled to freedom of entry into and exit from the territory. May I ask the Secretary whether records will be kept on our exits from the territory and are such records necessary? If so, what are the legal base for it?*

PRESIDENT (in Cantonese): Miss NG, how is your supplementary question related to the main question?

MISS MARGARET NG (in Cantonese): *Madam President, please let me do some explaining. This main question is about departure formalities and the Secretary, in replying to a supplementary question, mentioned words like "slipping through" and "forcing their way". Remarks like these make people have the impression that Hong Kong residents need to get some kind of permission before they can leave the territory. That strikes me as strange. For as we are entitled to freedom of entry and exit, we should not be subject to any form of monitoring. So I would like to ask the Secretary whether Hong Kong residents are subject to any inspection and control as they leave the territory.*

SECRETARY FOR SECURITY (in Cantonese): Madam President, the Honourable Member has raised an interesting supplementary question. It is a fact that no permission is required of permanent residents of Hong Kong if they wish to enter into and exit from the territory. However, the Immigration Ordinance has vested immigration officers with the powers to require those who arrive at the territory to come under inspection and answer questions. That applies especially to arrival clearance purposes. The ImmD has been doing this over the years. Though residents of Hong Kong are not required to obtain any permission before they leave the territory, they may be prevented from doing so if they have contravened any provisions in the relevant laws, or that they have any tax default or that they are prohibited from leaving the territory by virtue of court orders. Staff of the ImmD have the responsibility of enforcing court orders and prohibit the people concerned from leaving the territory. Therefore, owing to a number of reasons, the ImmD also carries out departure control and making such records so as to meet various needs which may arise.

PRESIDENT (in Cantonese): This Council has spent more than 18 minutes on this question. We shall now proceed to the fourth question.

2001 Population Census

4. **MISS CYD HO** (in Cantonese): *Madam President, according to the Census and Statistics (C&S) Department, the Population Census to be started in mid-March has the following objective, "in planning various facilities and services, the Government needs up-to-date population data to understand the present situation and plan for the future". The policy objectives including "annual production of 85 000 flats", "turning Hong Kong into a major cosmopolitan city in Asia" and "adherence to the principle of sustainable development", as highlighted by the Chief Executive in his policy addresses in the past four years, are all closely related to population data. In this connection, will the Government inform this Council:*

- (a) *of the criteria the C&S Department has adopted in designing the questionnaires for the Population Census and the parties it has consulted on the contents of the questionnaires; why surveys targeted at such areas as helping the poor and the needy, manpower investment and equality between the sexes have not been included in this Census;*
- (b) *of the rationale for including questions on information relating to respondents' housing characteristics in the questionnaires; whether it has assessed if the data collected can facilitate achievement of the above long-term policy objectives as set by the Chief Executive in the past several years; if the assessment result is in the affirmative, of the details; if the assessment result concludes otherwise, the reasons for that; and*
- (c) *given that the C&S Department estimated in 1999 that the number of mainland children born to Hong Kong residents was 1 670 000 and the accuracy of this figure has been questioned, why the Administration does not take this opportunity to collect accurate data in this respect in order to dispel doubts and formulate a policy regarding such children coming to Hong Kong for family reunion?*

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

- (a) In designing the questionnaire for the population census, the following factors have been considered when deciding upon data topics that should be included:

- (i) Uses of the data;
- (ii) International standard;
- (iii) Population Census is a survey of an enormous scale: thus whether the census officer can communicate effectively with the respondent regarding a particular data item will be of the utmost importance;
- (iv) Whether the respondents are able and willing to provide the required information;
- (v) Existence of other data sources or data collection methods, in particular the existence of more appropriate channels; and
- (vi) Keeping the total interviewing time within reasonable length.

Two rounds of consultation exercise on the data topics for 2001 Population Census were conducted during 1998 and 1999 respectively. All government bureaux and departments were consulted. Also consulted were academic institutions and scholars and some non-government organizations, including Consumer Council, The Family Planning Association of Hong Kong, Hong Kong Coalition of Services Industries, Hong Kong Council of Social Service and Hong Kong Productivity Council. The Statistics Advisory Board also discussed various matters relating to the Census, including the data topics.

The census is a comprehensive survey on the characteristics of the entire population, collecting data of a benchmarking nature, including the size of the population, age and sex structure, geographic distribution, economic characteristics and basic household information such as the housing situation. Data obtained can be used for many purposes, depending on the aims and methods of research adopted by the data user concerned. The population census is not the venue for collecting data for conducting studies on topical issues but the data available from the census can indeed be used in various kinds of studies.

- (b) Questions on housing characteristics have all along been asked in past population censuses/by-censuses. These include the number of households living in the quarters and the rent paid by households for renting the units they live in. In the 2001 Population Census, two new topics on housing, namely "number of rooms" and "mortgage payment of owner-occupied households" have been added. Both topics are recommended by the United Nations and included in the censuses of other countries/territories like the United States, Australia and Canada. While the topic "number of rooms" can throw light on housing quality, the topic "mortgage payment" is parallel to the topic "rent" in reflecting housing costs.

The population census aims to collect a wide variety of detailed characteristics via a comprehensive survey on the entire population. The data, even when analysed by detailed classifications, are still of a high degree of accuracy and reliability. They are useful for formulating appropriate strategies to help achieve the policy objectives of the Chief Executive.

For example, the Government is striving to reduce the number of residents living in inadequate housing conditions and to meet their housing needs. The population census can provide comprehensive and detailed information to assist the Government in gaining better understanding of the current living conditions as well as other social and economic characteristics of the people in Hong Kong.

At the same time, information from the population census also enables the Government to have a better grasp of the living conditions of households staying in different types of quarters, including the distribution of their household size, household income, housing cost and the ratio between housing cost and household income. In addition, detailed information on the living conditions and the socio-economic characteristics of the elderly population will also be made available. Such information is useful for the formulation and review of long-term housing strategies.

- (c) Regarding the estimate of children and grandchildren born to Hong Kong residents and were living in the Mainland of China derived from a survey conducted by the C&S Department, the methodology

and detailed findings are given in the Special Topics Report No. 22 published in July 1999. As this relates to a highly sensitive subject, especially with regard to "children born out of registered marriage", a special interviewing method, the "Randomized Response Technique", was adopted when the special topic survey was conducted in 1999. This interviewing technique involves complex interviewing skills and is not suitable for adoption in a large-scale survey operation such as the population census.

MISS CYD HO (in Cantonese): *Madam President, will the Secretary explain what criteria have been adopted in designing the questionnaire? While we ask questions about housing, why are questions concerning medical services and family responsibilities not asked? If international standards are adopted, I have on hand a questionnaire on the population census carried out in Canada. In the questionnaire, there are eight questions about housing, 17 about employment (including the maximum working hours), and 14 about the cultural and social background of ethnic migrants. Why have we copied the part concerning housing only whereas no reference has been made to family responsibilities and social background at all?*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, as I pointed out earlier, we have adopted a number of criteria in designing the questionnaire. I have also mentioned some of the recommendations made by the United Nations with respect to the methodology of population censuses. The objective of these recommendations is to make it easier for a place to make comparisons with places in other parts of the world upon the completion of its own population census. Of course, Canada, the United Kingdom and the United States have their own way of conducting population censuses. Earlier on, Miss Cyd HO mentioned some policy areas. If all items are included in the population census, we can mention a hundred policy objectives at any time. I have also mentioned in the main reply that we must keep the total interviewing within reasonable length without requiring members of the public to sit down and spend several hours answering the questionnaire for they may not be willing to do it either.

We should also bear in mind that the population census is conducted once every 10 years. I guess Members may find it unsatisfactory if data are only

collected every 10 years for the formulation of policies. In such areas as labour as mentioned by Miss HO earlier, a monthly General Household Survey and some other topical surveys are actually conducted in conjunction with the population census. For the purpose of designing the questionnaire, we have, apart from considering the recommendations made by the United Nations as mentioned by me earlier, consulted more than a hundred relevant organizations, including the Equal Opportunities Commission which I have not mentioned earlier and all government bureaux, on the contents of the questionnaire to see if they have any suggestions. These organizations are welcome to raise any suggestions if they want to add anything to the questionnaire.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, the design of the questionnaire came under fire from a women's organization today for having cited "wife" as an example of the "head of the household" in the questionnaire. It is felt that this will, on the one hand, reinforce the notion of the "head of a family" and on the other, treating "wife" as an example only for males are always seen as the "head of a family", thereby causing problems about equality between the sexes. Will the Secretary review the design of the questionnaire to see if it is too backward in the sense that it fails to catch up with the trend of upholding equality between the sexes? Otherwise, Mrs CHAN and Mrs FAN will not know how to fill in the questionnaire (laughter). I am afraid they dare not declare themselves to be the "head of the household".*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I would like to thank the Honourable Member for raising his question. I am afraid the two sexes are not perfectly equal. I have always had the feeling that I am not the "head of my household". (*Laughter*) How am I going to complete the questionnaire? I guess I have to respect the opinions of all my family members and let them make the nomination. Actually, this is what the definition means — the one considered by all family members to be the "head of the household". I would like to stress that we do not specify whether the "head of the household" should be a male or female. Although "wife" is cited as an example, "husband" can be used as an example too. This is perfectly all right. Insofar as past population censuses are concerned, I can tell Members that we could find both male and female family members as the "head of the household" in the questionnaires we collected. The "head of the household" was not necessarily male. I am glad that Members have not raised a question

concerning age. Otherwise, some people may ask whether the young or the old should be the "head of the household". We will then need to spend some time debating this question. I believe this is only a minor issue. It will mainly depend on whom is nominated by other family members as the "head of the household". Actually, being the "head of the household" may not turn out to be a good thing for the person acting as the head may be required to support the family financially. It should be up to each household to decide whom should be the head. But I am sure it does not involve any element of discrimination.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, is the Government prepared to review this matter?*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I do not find any impropriety with this practice for it is fairly common in Asia and there is no discrimination at all. Perhaps we may consider using "wife", "husband" as the example next time.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary stated that the questionnaire used by the population census had made reference to a number of international practices and standards. Although the population census questionnaires adopted by other countries — including Canada and the United States — do include such questions as the amount of mortgage payment, they do not ask anything about outstanding mortgage instalments. This question is however included in the questionnaire in the census conducted in Hong Kong. Will the Secretary inform this Council of the objectives of asking this question? Will this question violate international conventions?*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I can tell the Honourable Member that asking this question does not violate international conventions. We are not trying to ask the public how many properties they own or how many mortgages they have. What we emphasize is their accommodation. The question concerning the amount of rents they pay was asked in the past because that represents their housing costs. The data we collected in the past were actually not comprehensive enough for no questions were asked in connection with mortgage when monthly mortgage is also a

housing cost. This question should be included to enable us to have a better understanding of the housing conditions of the respondents. Questions about mortgage are asked in other parts of the world as well. Even if we ask this question, it does not mean that we will know how much the public have borrowed from banks and when they will pay off their mortgage. Our question is only confined to the outstanding mortgage instalments. Information on interest and principal is definitely not made available to us. Most importantly, Members can rest assure that such information will be kept strictly confidential.

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

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I wish to make some clarification for I am not sure whether the Secretary has answered my supplementary question. The Secretary said he wanted to obtain more comprehensive information. Is this the objective of asking the question on mortgage included in the questionnaire?*

PRESIDENT (in Cantonese): Mr LEUNG

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, my supplementary question is: Why has the questionnaire included a question on outstanding mortgage instalments? The Secretary said he wanted to obtain more comprehensive information but I am not sure whether this is the answer. Can the President please make a ruling.*

PRESIDENT (in Cantonese): Mr LEUNG, I will certainly make a ruling. As six Members are still waiting, I cannot let you continue with your question.

MR JAMES TIEN (in Cantonese): *Madam President, I would like to follow up part (b) of the main question concerning whether the data collected from the census can enlighten the Chief Executive with respect to housing construction in the long term. According to the main reply, questions asked in the past include*

the number of people living on the premises and the rent payable. In this population census, new questions concerning the number of rooms and mortgage information are added. In my opinion, the most basic questions we should ask are whether the respondents intend to purchase properties and whether they will buy properties in Shenzhen. Without asking these two questions, how can the information obtained help the Government formulate long-term housing strategies?

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I think we should invite the Honourable Member to join the Statistics Advisory Board next time for he has such an incisive view of the matter and his supplementary question is so constructive. In formulating housing strategies, in fact, we may need to obtain the information mentioned by Mr TIEN. Examples are the housing preferences of the public, including whether they have thought of moving, the types of housing they prefer, the desired facilities, and so on. Such information will reflect on their preferences. Of course, whether they can afford them is another issue. I have pointed out in answering the supplementary question raised by Miss HO that it is impossible for us to include all those details mentioned earlier in the questionnaire designed for the census. Otherwise, we will be unable to complete one questionnaire even we are given several hours. My reply to Mr TIEN is: Apart from this questionnaire, we will conduct another survey on housing preferences at the end of this year. The survey should be able to better help the Government to formulate its housing strategies.

DR TANG SIU-TONG (in Cantonese): *Madam President, we were asked to fill in the name and date of birth of all members of the household in the documents sent to us lately. Is it really necessary to fill in the name and date of birth or is it already sufficient if the sex and age are entered?*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, names must be provided because we can get in touch with the relevant persons if we have any queries. As I promised earlier, Members can rest assured that we will definitely not disclose personal data and will destroy them as soon as possible.

PRESIDENT (in Cantonese): We have spent more than 16 minutes on this question. Last supplementary question.

MISS EMILY LAU (in Cantonese): *Madam President, Miss HO stated in the main question that the objective of the population census is to facilitate long-term planning in such areas as the provision of services and facilities. I would like to raise a question concerning part (c) of the main reply with respect to mainlanders. Actually, apart from children born out of wedlock, family union is also a consideration. How many people will come to Hong Kong for family union? Is it equally important to our future planning? Why such questions are not asked in the questionnaire? Will such questions be included in future?*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): Madam President, I would like to thank the Honourable Member for her question. I thought I have already provided the answer. As this issue is rather sensitive, the "Randomized Response Technique" was adopted in 1999. I believe both Miss HO and Miss LAU know it very well. Members were of the view that the findings of the survey were far from accurate. From the standpoint of the C&S Department, however, the situation was unique in the sense that if questions were put directly to the respondents, many of them would not provide the real answers. I believe Members understand the reasons — some did it for fear that their family members might know it and some were worried that they might contravene mainland laws if they gave the real answers. I am sure Members still remember this was why the "Randomized Response Technique" was adopted at that time. If my understanding is correct, Miss LAU was trying to ask in her supplementary question why the Government has failed to take this opportunity to conduct another survey and collect more information. My answer is actually the same: Given the sensitive nature of the matter, we must consider whether the respondents will be willing to answer the question if it is included in the questionnaire since the census will be conducted by students who are not professional interviewers. I can tell Miss LAU that the "Randomized Response Technique" will still be adopted if a survey is conducted again. Upon the completion of the survey, Members will still doubt its accuracy. I think

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

MISS EMILY LAU (in Cantonese): *Madam President, the Secretary has certainly not answered my question. I was referring clearly to family reunion, which definitely includes children born out of wedlock. I do not understand why the Secretary immediately jumped to the part concerning such children only. Some cases of family reunion are lawful. Am I allowed to raise questions concerning such cases? For such lawful cases, it will be unnecessary to use "Randomized Response Technique".*

SECRETARY FOR FINANCIAL SERVICES (in Cantonese): *Madam President, I am sorry, Miss LAU. I thought I was using a direct response technique but Members might not think in the same way. The family reunion issue raised by Miss LAU earlier actually falls into the purview of the Security Bureau, which I have consulted. The Security Bureau was of the view that there was no need for such questions to be asked in the questionnaire at the present stage because the most effective solution is to pass legislation expeditiously to allow relevant persons in the Mainland to lodge their applications as soon as possible. We will then be able to know the number of such persons in due course.*

PRESIDENT (in Cantonese): *Fifth question.*

Criteria Adopted by LCSD for Approving Applications for Hire of Its Venues

5. **MR ANDREW CHENG** (in Cantonese): *Madam President, it has been reported that the Director of Leisure and Cultural Services (the Director) said on the 12th of last month that activities held at venues under the Leisure and Cultural Services Department (LCSD) "should not be critical in nature". In this connection, will the Government inform this Council:*

- (a) *of the criteria adopted by the LCSD for approving applications for the hire of its venues; whether the condition that the activities concerned "should not be critical in nature" is a newly prescribed criterion; if so, of the justifications for setting such a criterion;*
- (b) *how the Administration determines whether an event is critical in nature; and*

- (c) *whether, since its establishment, the LCSD has rejected any applications of the hire of its venues on such ground; if so, of the total number of cases rejected and the names of the organizations whose applications were rejected?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, in processing the booking applications of venues under its management, the LCSD will consider, according to the established policy and procedures, whether the nature of the event to be held by the hirer conforms with the laws of Hong Kong and the usage of the facility concerned. Also, the applications have to be subject to the availability of the requested session(s).

I believe that the first two parts of the question raised by Mr CHENG sprang from the press report covering part of the remarks made by the Director on 12 February. After consulting the Director for clarification of the facts, I understand that on that occasion, the Director was only explaining that hirers of venues should ensure that the event held was consistent with the approved purpose and nature. He cited a recent event as an example and pointed out that the statements made by some participants during the event had deviated from the approved purpose and nature of the event. While "should not be critical in nature" does not form a criterion for hiring a venue, the Director, as the management of the venue concerned, has the responsibility to ensure that the hirers do not violate the rules of hire.

Lastly, regarding part (c) of Mr CHENG's question, the LCSD indicated that the Department has never rejected any application for the hire of its venues on such grounds.

MR ANDREW CHENG (in Cantonese): *Madam President, in the last sentence of the second paragraph of his main reply, the Secretary has referred to the Director as having the responsibility to ensure that the hirers do not violate the rules of hire. However, the thrust of my question was that if "should not be critical in nature" did not form any criterion or rule for hiring venues, why had the Director mentioned such condition? With regard to the rules of hire, may I ask the Secretary whether this "should not be critical in nature" criterion, though not officially stipulated as one of the rules, does exist in practice? Could the Secretary guarantee that this "should not be critical in nature" criterion would not be prescribed as one of the rules in the future?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, this so-called criterion is but a phrase used by the Director when answering questions then. Whether it exists in practice or not, this wording will not be incorporated into the rules of hire in the future.

PRESIDENT (in Cantonese): Mr CHENG, please first press the button and wait for your turn to raise another supplementary question.

MR FRED LI (in Cantonese): *Madam President, could the Secretary clarify whether or not the Director mentioned to the media on that day that activities held by hirers of venues "should not be critical in nature"? Did the Director make the remark?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as I said just now, those were the words used by the Director when trying to explain, in response to some questions raised then, that hirers of venues should ensure that the event held was consistent with the approved purpose and nature. The Director did not mention that as a criterion for hiring venues.

MR ANDREW WONG (in Cantonese): *Madam President, with regard to the issue that the nature of the event held should conform with the usage of the facility concerned, may I ask the Secretary whether venues for leisure and cultural activities cannot be used for holding seminars and whether a condition to such effect would be included in the rules of hire, or events of whatever nature can be held at any venues under the LCSD? Would the Government allow an organization to host a meeting for making critical remarks in a concert hall, or would it reject the application for holding the meeting on the grounds that the venue should be used for holding musical performances? Would the Government include such conditions?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, all the requirements under the rules for using venues for leisure and cultural activities are set out in clear terms and accessible to the public. Among such terms and conditions, there is prescription that the nature of the events to be held

by venue applicants must conform with the usage of the facilities concerned. While each application will be considered on its merits, generally speaking, the management staff of the facilities concerned will interpret the meaning of appropriate usage in a reasonable manner.

MISS MARGARET NG (in Cantonese): *Madam President, I wish to ask the Secretary to clarify a point he made in the second paragraph of his main reply relating to activities being critical in nature and violation of the rules of hire. May I straightforwardly ask the Secretary whether it is a violation of the rules of hire to make statements that are critical in nature during an event?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, according to our record, in the event of any particular applicants seeking to hire our facilities, we would impose some additional suitable terms and conditions depending on the actual needs. Regarding the hirer relevant to this question, The Hong Kong Association of Falun Dafa which hired a City Hall venue on 14 January, actually the venue management of City Hall had notified the Association of certain terms and conditions of hire in writing before the event commenced. Such terms and conditions were subsequently accepted by the Association. The following are the terms and conditions we put in black and white then: "The Association must ensure that the speeches made by its members on the stage do not contain any elements of personal attack or use any threatening, insulting or abusive languages; the Association must also ensure that the contents of such speeches will not stir up the emotion of the participants in the event to such an extent that they will cause nuisance to other people or damage the facilities of the venue; and the Association is required to have in place contingency measures to help prevent the occurrence of the aforementioned situation, with a view to safeguarding the safety of other participants in the event". We passed these written terms and conditions to the applicant then and they accepted them as the rules for hiring the venue.

MISS MARGARET NG (in Cantonese): *Madam President, the Secretary has not answered my supplementary, which was rather straightforward. Is it a violation of the rules of hire to make statements that are critical in nature during an event?*

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

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as I have pointed out in the main reply, the words "should not be critical in nature" used by the Director in answering questions on that day do not constitute any criterion for hiring venues. Hence, there is no question of "should not be critical in nature" being one of the rules of hire. The Director was making the remark only to point out that hirers of venues should ensure that the activities conducted during the event must be consistent with the approved purpose and nature.

MS AUDREY EU (in Cantonese): *Madam President, could the Secretary inform this Council of the LCSD's rationale for setting rules on the purpose and nature of certain activities; whether such activities must be related to leisure or cultural services; and of the scope of such activities? Since the Secretary mentioned just now that activities that would stir up people's emotion or causing personal attack would not be allowed, may I ask him how such activities are defined? Actually, certain performances can also stir up people's emotion, bearing in mind that happiness, for example, is also a kind of stirred up emotion. May I know what kinds of activities will be considered as having deviated from the approved purpose and nature of the event and therefore not be allowed?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, the relevant venue management will consider each and every application in the light of the nature of the event concerned and the possible behaviour it may induce. Under normal circumstances, the management of venues for leisure and cultural activities will accord higher priority to activities that are related to leisure and cultural services. Applications will be considered leniently if no other hirers are using the relevant venue during the requested sessions. Nevertheless, we do impose rules on the events to be held at the venues under the LCSD because there have been past cases in which the participants have behaved in a disorderly manner or even damaged the facilities of the venues concerned.

DR YEUNG SUM (in Cantonese): *Madam President, I was surprised to hear the Secretary mentioning that apart from making undertakings that the event to*

be held would not involve personal attack and the use of abusive languages, stir up the emotion of participants or cause damages to the facilities of the venue, the organization concerned was also required to have in place some contingency measures. May I ask the Secretary whether the said requirements were rarely made in the past and why the organization concerned was required to make such undertakings? Could the Secretary also inform this Council whether he considers the undertakings unusual and whether they were commonly made in the past?

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as I said just now, we need to consider the nature of the relevant event and the possible situation it may cause to determine whether there is any need for additional requirements. As a matter of fact, of the many applications to use the venues for leisure and cultural activities, there were some past cases in which certain special rules of hire were imposed additionally. In some unusual cases, we have even rejected certain applications on the grounds of the bad records of the hirers.

MR ALBERT HO (in Cantonese): *Madam President, the special terms and conditions mentioned by the Secretary just now seemed very unusual to me, in particular the requirement that the event to be held should not involve personal attack, or that it should not stir up the emotion of participants to the extent which might cause them to behave in a disorderly manner. In this connection, may I ask the Secretary whether such requirements would cause the venue management staff to restrict the freedom of speech, or the contents of the speech of the venue hirers concerned in the light of their own subjective judgement and standards? Could the Secretary also inform this Council whether the said practice is in line with the requirement and standards of a free society?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, those terms and conditions are well-founded. On the whole, they are made on the basis of the public safety-related provisions under the Public Health and Municipal Services Ordinance (Cap. 132). As managers of government facilities we are duty-bound to ensure that the safety of the people participating in the events concerned is safeguarded, and that they will not be harassed unnecessarily.

MR LEE CHEUK-YAN (in Cantonese): *Madam President, although the Secretary made it clear at the very beginning that "should not be critical in nature" did not constitute any criterion for hiring a venue, the replies he made since then have served to lead me to the conclusion that "should not be critical in nature" is indeed a criterion for hiring a venue. Actually, to a certain extent the rules of hire he mentioned earlier, such as the requirements that the speeches to be made should not contain any elements of personal attack, and that the speeches should not stir up the emotion of participants, were saying that the speeches "should not be critical in nature". If the LCSD should reject booking applications on the grounds that statements critical in nature would stir up people's emotion, and if the LCSD should give its approval only to events conforming with the criteria for hiring venues, would that contradict the answers given by the Secretary earlier on? Could the Secretary confirm that "should not be critical in nature" has in effect become a rule of hire?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): *Madam President, the Honourable Member may of course have his own personal definition of the three words "critical in nature". However, the words and phrases I referred to just now, such as do not contain any elements of personal attack or use any threatening, insulting or abusive languages, are some very clear terms explaining the way in which people participating in certain events are required to behave in a civilized modern society.*

MR ANDREW WONG (in Cantonese): *Madam President, just now Dr the Honourable YEUNG Sum asked the Secretary whether he considered the terms and conditions unusual, and it seemed to me that the Secretary was saying in reply that the terms and conditions would vary from case to case. In this connection, may I ask the Secretary whether there is some sort of classification in this respect, say, for example, the terms and conditions concerned will be applied to seminars but not to concerts? But then, the crux of the issue remains that the terms and conditions referred to by the Secretary have already been provided for under the existing laws of Hong Kong. To cite some examples, personal attack, which is defamation, and behaviour that may stir up people's emotion and lead to riots are subject to regulation under the Public Order Ordinance. Such being the case, could the Secretary inform this Council why the Government must tailor-make some special terms and conditions for certain events?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as I said just now, those terms and conditions are related to the basic rules of human behaviour in a civilized society. Such terms and conditions are particularly important if we are talking about some public events with, say, more than 1 000 participants, since those 1 000 just may not know each other. As regards the event in question, in view of its experience-sharing objective, I believe it should be very reasonable of us to prescribe criteria for some essential civilized human behaviour.

MISS EMILY LAU (in Cantonese): *Madam President, such civilized behaviour has given many Honourable Members cause for grave concern. With regard to the aforementioned terms and conditions, could the Secretary inform this Council whether they were first applied to the Falun Gong conference? Could the Secretary also inform this Council whether the Secretary for Justice had been consulted beforehand on whether or not the adoption of such terms and conditions would contravene to the international covenants to which Hong Kong is a signatory?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, as I said earlier, those terms and conditions are made on the basis of the public safety provisions under the Public Health and Municipal Services Ordinance. We consulted the Secretary for Justice beforehand.

MISS EMILY LAU (in Cantonese): *Madam President, the Secretary has not answered the part of my supplementary asking whether the Falun Gong conference was the first case in which the Government applied such terms and conditions.*

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

SECRETARY FOR HOME AFFAIRS (in Cantonese): Madam President, it is not possible for me to look up so many years' records to find out whether or not the said terms and conditions have been applied before.

MR ANDREW CHENG (in Cantonese): *Madam President, in his main reply the Secretary referred to the opinion of the LCSD and pointed out that a recent event (I believe by that he meant the Falun Gong conference) had deviated from the approved purpose and nature of the event. Could the Secretary inform this Council of the criteria on which the LCSD or the Home Affairs Bureau judged that the statements made then had deviated from the approved purpose and nature of the event and thus decided to require the organization hiring the venue to sign some undertakings? I wish to know more about the criteria for determining whether or not an event has deviated from its approved purpose and nature.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): *Madam President, according to the record of the LCSD, during the said event, certain participants repeatedly made on the stage statements that were not consistent with the approved purpose and nature of the event. For this reason, after giving two verbal warnings to the organizer of the event on the site, the management staff of the venue also served the relevant organization a written warning afterwards.*

PRESIDENT (in Cantonese): *This Council has spent nearly 18 minutes on this question. We shall now proceed to the sixth question.*

Reduction of Intake of Undergraduates in Medicine

6. **DR LUI MING-WAH** (in Cantonese): *Madam President, it has been reported that the University Grants Committee (UGC) decided to reduce the intake of undergraduates in Medicine within the next triennium by 50: 30 for the University of Hong Kong (HKU) and 20 for The Chinese University of Hong Kong (CUHK). In this connection, will the Government inform this Council:*

- (a) of the criteria adopted by the UGC in deciding on the reduction;*
- (b) of the reasons for the HKU having to bear a larger reduction; and*
- (c) whether it has examined if the decision of the UGC is unfair to the HKU; if it has, of the results; if not, the reasons for that?*

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

- (a) The reduction of 50 medical undergraduate intake in the next triennium was a decision made by the Government on the basis of the following factors:
- the population growth and distribution of age in Hong Kong;
 - the number of vacancies for doctors in both the public and private sectors;
 - the impact of the development of health care system and technology on the demand for doctors;
 - the trend of public demand for Chinese and Western medical practitioners; and
 - the impact of manpower demand in other sectors on the allocation of tertiary education places.
- (b) As the Faculties of Medicine of both universities are comparable in terms of human resources and facilities, the UGC decided to bring the intake of both faculties to the same level over the next three years. This is to be achieved by gradually adjusting their numbers of intake to 140 for each from the current level of 170 for the HKU and 160 for the CUHK.
- (c) The duties of the UGC include, *inter alia*, the allocation of government funding for tertiary education. Such decisions are made by the UGC from a professional perspective, taking into consideration the long-term development of tertiary education as well as the overall utilization of resources. The Government does not intend to intervene in the operation of the UGC and therefore will not examine its decision on the allocation of medical undergraduate intake.

DR LUI MING-WAH (in Cantonese): *Madam President, I have three supplementary questions to ask.*

PRESIDENT (in Cantonese): Dr LUI, in accordance with the Rules of Procedure, Members may only raise one supplementary question at a time.

DR LUI MING-WAH (in Cantonese): *Madam President, then I will only ask one supplementary question. The Secretary gives five factors in part (a) of her main reply. May I ask if these factors have been quantified? If not, how did the authorities reach the decision to reduce the intake of undergraduates in Medicine by 50? As Hong Kong is capable of training up 330 medical students each year, if 50 places are reduced, will this not lead to a wastage of the existing facilities and talents?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, on the issue of the supply of medical practitioners, the Secretary for Health and Welfare and I replied to a similar question raised in the Legislative Council on 29 November 2000. Despite our decision to reduce the intake of undergraduates in Medicine by 50, each year there are still 50 to 70 overseas medical practitioners who come here to practise, as well as 20 to 30 overseas graduates in Medicine who come here to take their professional qualifying examinations. So each year we would expect to have a total of 400 to 420 doctors who will start to practice here. The figure would include locally trained doctors, as well as those from overseas. According to a supply and demand assessment made by the Health and Welfare Bureau, this number of doctors would be sufficient.

DR LUI MING-WAH (in Cantonese): *Excuse me, Madam President, the Secretary has not answered my supplementary question. May I know if the Administration has quantified the five factors mentioned in part (a) of the main reply? If not, how did the authorities reach a decision to reduce the intake of undergraduates in Medicine by 50? The reply given by the Administration earlier seems to be saying that in the past there were no doctors who came to Hong Kong*

PRESIDENT (in Cantonese): Dr LUI, you do not have to repeat the reply made

by the Secretary, I understand what you are trying to ask.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, when the Health and Welfare Bureau assesses the demand for medical practitioners, I think it will not quantify each and every factor. Instead, an assessment on the overall demand for doctors in Hong Kong will be undertaken. Apart from local and overseas doctors in Western medicine, there are also Chinese medicine practitioners as we have recognized their legal status. I have mentioned earlier in my main reply that one of the considerations is the trend of public demand for Chinese and Western medical practitioners. Besides, there is also a very realistic question, that is, when medical students graduate, they need to find a houseman position. For these fresh medical graduates, the Government is their greatest employer, and so we have assessed the number of medical graduates who can be absorbed by the Hospital Authority and the Department of Health. It can thus be said that the Government has undertaken an overall assessment of the many factors involved, but we have not made any quantification of any individual factors.

MR AMBROSE LAU (in Cantonese): *Madam President, the Secretary has said earlier that no quantification of each of the five factors mentioned in part (a) of the main reply has been made, and it is against this background that the Government has decided to reduce the intake of undergraduates in Medicine by 50. In addition to that, the Secretary has also said in the main reply that there are many factors related to the supply and demand of doctors. May I ask the Secretary if she means that the decision to reduce the 50 undergraduate places in Medicine is based on the Administration's assessment of the supply and demand of doctors? However, in fact, when the 50 undergraduate places have been reduced, there may be a situation of demand in excess of supply or the other way round. Will the situation be like that?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, it looks as if we are conducting another discussion on the oral question asked on 29 November. I think the topic today should be whether it is reasonable for the UGC to reduce the intake of undergraduates in Medicine by 30 for the HKU and 20 for the CUHK.

DR RAYMOND HO (in Cantonese): *Madam President, the Secretary*

mentioned the factors considered in the decision to reduce the intake of undergraduates in Medicine, including the trend of public demand for Chinese and Western medical practitioners. However, as the registration system for Chinese medicine practitioners has just come into force, how can the Government possibly be able to gauge the demand for Chinese and Western medical practitioners in such a short time? Has the Secretary used other ways and means to ascertain the importance of the issue?

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, we now have about 7 000 Chinese medicine practitioners in Hong Kong. We are now working on the registration of Chinese medicine practitioners. Our universities offer places in Western medicine, and the Hong Kong Baptist University and the CUHK also offer formal training in Chinese medicine as well. Despite the reduction in the intake of undergraduates in Western medicine by 50, the new programmes in Chinese medicine offered by the HKBU and the CUHK will have an annual intake of 30 and 25 respectively.

DR YEUNG SUM (in Cantonese): *Madam President, on one hand the Government indicates that there is a shortage of talents, but on the other it is cutting university places. According to a letter written to me by a professor in the Faculty of Medicine in the HKU, and the newspaper reports on the views expressed by some professors in the Faculty of Medicine in the CUHK, our demand for health care and allied professionals is increasing with the ageing of our population. Why is the Government's judgement of the situation in complete contrast to the judgement of these professors? Will the Government review its decision on the reduction of undergraduate places in Medicine?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, the conclusion reached by experts in the manpower demand assessment committee is that the reduction of 50 places in the intake of undergraduates in Medicine will not cause any impact. Although it appears that the doctor to population ratio in Hong Kong is not that high, we should also consider the fact that there are no practitioners of Chinese medicine in many foreign countries while the case in Hong Kong is that many elderly people here will consult Chinese medicine practitioners.

MR ANDREW WONG (in Cantonese): *Madam President, the main reply given*

by the Secretary seems to say that everything is decided by the UGC, but after the discussions so far, I find that many things are decided by the Government instead. And it seems that things are not decided entirely by the Education and Manpower Bureau, but by the Health and Welfare Bureau, such as in the reduction of undergraduate places in Medicine. If 50 undergraduate places in Medicine are reduced each year, that is, the annual intake will be reduced to 140 in both the HKU and the CUHK from the existing 170 and 160 respectively, so a total of 250 places will be reduced after five years. I understand of course that the number of graduates will only be reduced by 50 each year, but I would like to know whether the decision to reduce undergraduate places in Medicine was made by the UGC, or that the Government made a decision beforehand and that the UGC has only been asked to implement the decision? In addition, when implementing the decision, will funding be cut in the medicine programme owing to the reduction in the number of medical students?

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I think the supplementary question has deviated from the theme of the main question. Notwithstanding this, I would still like to respond to the Honourable Member's supplementary question.

I have indicated in my main reply that it is the Government that made the decision to reduce the intake of undergraduates in Medicine. As for the allocation of places, it was decided by the UGC. As to the decision to reduce the intake of undergraduates in Medicine within the next triennium by 50, it was made by the Education and Manpower Bureau after consulting the Health and Welfare Bureau and then referred to the UGC.

MISS CYD HO (in Cantonese): *Madam President, the main reply states that since an oversupply of medical practitioners is expected in the future, hence a decision was made to reduce the intake of undergraduates in Medicine. Presently doctors work as many as seven days a week and a total of 90 hours and they cannot take any leave after working continuously for three months. Would this situation mean that there is no problem with the supply of medical practitioners? The Secretary has said earlier that the reduction in student intake will not affect the future supply and demand of medical practitioners. Would this imply that doctors have to continue working for 90 hours a week as they do now and that their excessive overtime work will remain as it is?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I think this supplementary question has also deviated from the theme of the main question as well. I would ask the Secretary for Health and Welfare to answer this supplementary question raised by Miss HO.

PRESIDENT (in Cantonese): It looks as if I am also not quite sure about what kind of supplementary questions would fit the theme of this question.
(Laughter)

MR ANDREW CHENG (in Cantonese): *Madam President, my supplementary question is similar to the one raised by Miss Cyd HO. However, I am not satisfied with the answer given by the Secretary earlier. One of the factors mentioned in the main reply is the number of vacancies for doctors in both the public and private sectors. As we all know, the Education and Manpower Bureau is responsible for issues concerning human resources. The current situation is: doctors are working so hard these days and they all have to do overtime work and they do not have any time for rest and holidays. The Panel on Health Services of the Council is looking into information on this. A group of doctors have come to make a complaint on this earlier. I think it would be unfair if the Secretary only formulates the policy of reducing the intake of undergraduates in Medicine but refusing to make a review. Therefore, not only the Secretary for Health and Welfare*

PRESIDENT (in Cantonese): Mr CHENG, please use other channels to put forward your views.

MR ANDREW CHENG (in Cantonese): *Madam President, I hope the Secretary for Education and Manpower would take note of this as well. Besides, I hope the Secretary can make an undertaking here that a speedy review of the issue of reducing the intake of undergraduates in Medicine will be made, for I do not think the reduction is appropriate.*

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

MR ANDREW CHENG (in Cantonese): *The Secretary should make an undertaking.....*

PRESIDENT (in Cantonese): Mr CHENG, are you asking whether the Secretary will make an undertaking?

MR ANDREW CHENG (in Cantonese): *Yes.*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, I undertake that I will convey the views expressed by Mr CHENG. *(Laughter)*

MR LEE CHEUK-YAN (in Cantonese): *Madam President, one of the factors mentioned in part (a) of the main reply is the influence of manpower demand in other sectors on the allocation of tertiary education places. If this factor has been considered by the Government, then it means it is a zero sum game. For example, if there is a great demand for manpower in information technology, then the Government will reduce the places in other disciplines to increase the places for information technology studies. However, why does the Government not consider increasing university funding to develop information technology? I think it is not a sound factor to consider. Does the Government assume a zero sum scenario, that is, if the demand in some area increases, then resources in other areas will need to be reduced? Or in other words, is the decision on funding made without considering the overall public demand?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, we have listed all the factors of consideration in part (a) of the main reply, but that does not mean that these factors were given particular consideration when the decision was made to reduce the medical undergraduate intake. Having said that, what Mr LEE has raised is an issue on a macro scale. About the number of intake of undergraduates, we have set it at 14 500. It is within this framework that we make allocations of tertiary education places.

However, as to the setting of ceilings on the number of places for certain disciplines, I mentioned in the meeting of this Council in November that regulation is imposed in only a few disciplines where the Government is the major employer of the graduates, such as those which train social workers, nurses, doctors and teachers. As to other disciplines, the universities enjoy autonomy in determining the number of places.

MISS EMILY LAU (in Cantonese): *Madam President, I would like to raise a supplementary question on the policy area which the Secretary thinks she is responsible for. Actually I was surprised to hear what she had said earlier, because since the President asked her to answer all the supplementary questions, she should reply to them.*

My supplementary question is on the rivalry between the HKU and the CUHK. It is obvious that in the main question that the HKU is of the view that the reduction in its intake of medical undergraduates is unfair. May I ask the Secretary, if any representatives from the HKU or its teaching staff and/or the professors have lodged any complaints on the issue of reduction of undergraduates in Medicine?

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Insofar as this is concerned, Madam President, I have not received any complaints from the HKU direct.

MR ANDREW WONG (in Cantonese): *Madam President, the Secretary did not answer the latter part of the supplementary question raised by me earlier, that is, the present decision to reduce the intake of undergraduates in Medicine will mean that in five years, the number of medical students in the two universities will be reduced by 250, then will the Government also reduce the funding for the universities, or will the funding for these universities remain uncharged? The HKU can train 170 medical students with the existing resources, but when the number of places is reduced to 140, will the university be provided with the same resources without the need for retrenchment? I would like to be advised on the relationship between the reduction in student places and funding.*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Madam President, if the intake of undergraduates in Medicine is reduced, the funding to be made to the Faculties of Medicine in the universities would also be reduced. However, as to the amount of funding made to a university as a whole, the formula involved would be quite complicated, and it depends on the total number of students. As I said in the meeting on 29 November, despite the reduction in the number of undergraduate places, the places for postgraduate students, including those in Medicine, would increase. There will be an increase of 47 postgraduate places in the CUHK, or an increase of 35%. For the HKU, there will be an increase of 38 postgraduate places, or an increase of 27%. As for the funding as a whole for universities, it is related to the issue of the reduction in university funding for the next triennium as we have announced recently, but having said that, one cannot deduce a one-to-one relationship from this.

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

WRITTEN ANSWERS TO QUESTIONS

Development of Air Cargo Business

7. **PROF NG CHING-FAI** (in Chinese): *Madam President, regarding development of the air cargo business, will the Government inform this Council:*

- (a) *whether it has assessed the impact on the local air cargo business upon the setting up of air cargo handling centres in mainland cities by transnational air cargo express carriers; if so, of the findings; if not, the reasons for that;*
- (b) *of the measures to attract such carrier companies to establish cargo handling centres in Hong Kong; and*
- (c) *of the measures implemented since the announcement of a liberal policy for air cargo services in the 1999 policy address to facilitate the further development of Hong Kong into an international and regional air cargo hub?*

SECRETARY FOR ECONOMIC SERVICES (in Chinese): Madam President, the Government and the Airport Authority (AA) have been closely monitoring the development of air cargo services (including express air cargo services) internationally and in the region. With globalization and the development of e-commerce, air cargo services (particularly express air cargo services) have been showing phenomenal growth. According to a major world air cargo forecast, the volume of air cargo would grow at a rate of 6.4% per year in the next two decades, whereas express air cargo will grow at a rate of 13%. By 2019, express air cargo would represent some 31% of the world's total air cargo (9.2% in 1999). Within Asia, air cargo would grow at an annual rate of 8.6% in the next two decades, leading other regions in the world. The AA commissioned in October 2000 the Strategic Overview of Major Airport Developments (SOMAD) Study which would assess the impact of economic development and air cargo (including express air cargo) activities in our neighbouring areas on Hong Kong's air cargo services. Its findings will provide more information on the subject.

Insofar as the Mainland is concerned, we understand that at present a major express cargo operator is operating its own scheduled flights between the United States and a number of major mainland cities. Another major, United States-based express cargo operator will provide scheduled flights between the United States and mainland cities from April 2001. In addition, a couple of major express cargo operators also provide express air cargo services between mainland cities and other places through renting cargo space on scheduled flights operated by other airlines. Naturally, the cargo handling activities relating to the above services will also take place in the relevant mainland cities.

Against the backdrop of the Mainland's sustained economic development and impending accession to the World Trade Organization, demand for air cargo services (including express air cargo services) in the Mainland will continue to grow, as will the relating service sectors in major mainland cities. We have always adopted a positive attitude towards any competition arising from such developments. What is important is our ability to continue to take initiatives to enhance Hong Kong's competitive edge and attractiveness.

As a matter of fact, major express air cargo operators active in the region have all been developing their operations in Hong Kong. Some have established their own express cargo handling centres here, whereas others use the services provided by local cargo handlers. As an international and regional air

cargo and express air cargo centre, Hong Kong offers excellent conditions for them. Our geographical location is most strategic, with about half of the world's population within a flight radius of five hours. Our airport is world class and our aviation network is very extensive, providing frequent services and convenient connections. Specifically, we adopt a policy of progressive liberalization of air services and are proactively liberalizing Hong Kong's air passenger and cargo markets on a mutually beneficial, fair and equitable basis in accordance with Hong Kong's overall interests.

Hong Kong also provides comprehensive supporting facilities. These include well developed port facilities and land transport, a sound legal system firmly rooted in the common law tradition, excellent financing and e-commerce support as well as highly efficient customs services. These favourable conditions make Hong Kong attractive to companies interested in developing air cargo and express air cargo services. The Government and the AA welcome and are always prepared to discuss with express cargo operators opportunities for introducing, adding or expanding cargo handling facilities in Hong Kong.

Following the announcement of the 1999 policy address, the Government and the AA have been implementing a series of initiatives to enhance Hong Kong as an international and regional air cargo hub. In May 2000, the Air Cargo Transshipment (Facilitation) Ordinance was brought into effect to facilitate the transshipment of air cargo. The Customs and Excise Department is now actively studying how to further streamline the clearance procedures for cargo entering/leaving Hong Kong by inter-modal means.

We will continue to negotiate and conclude more Air Services Agreements (ASAs) to expand our aviation network, increase services and promote competition. Since the 1999 policy address, we have concluded eight ASAs and initialled four. Another five are under negotiation. In addition, five new air services arrangements have been concluded and 19 existing ones have been reviewed and expanded to ensure that available traffic rights can accommodate both short- and long-term demand for air cargo and express air cargo services.

Through the joint efforts of the Civil Aviation Department and the AA, the runway capacity of the Hong Kong International Airport (HKIA) has been raised from 37 movements per hour in 1999 to 45 movements per hour. This will increase to 47 movements per hour from 25 March this year, and will be further raised in response to future demand. The Government will also invest more

than \$1 billion in the coming decade to introduce the new satellite-based Communications, Navigation and Surveillance/Air Traffic Management Systems. These systems will enhance flight safety and efficiency in a comprehensive manner.

The AA is taking forward a number of initiatives to attract more air cargo to go through the HKIA. These initiatives include:

(i) *Enhancing the cargo-handling capacity of the HKIA*

The AA will continue to ensure that the cargo handling capacity of the HKIA can meet demand. For example, eight additional aircraft stands will be provided within the cargo area this year, bringing the total number of stands to 21.

In addition, a major focus of the SOMAD study referred to above is to help develop the strategy for the next stage of development of the HKIA, including the timetable for the provision of additional cargo handling facilities (including those for express air cargo). It is scheduled for completion in the second half of 2001.

(ii) *Developing inter-modal transshipment and logistics centre*

The marine cargo terminal on the airport island is expected to come into operation by the end of March 2001. This terminal will facilitate the transfer of air cargo by sea between the HKIA and 16 ports in the Pearl River Delta, and will lead to lower transportation costs and shorter transportation time. The terminal will initially have a capacity of 300 000 tonnes. The AA will also continue to assist operators to develop express cargo services by land transport between the Pearl River Delta and the airport.

In February 2001, the AA granted a sub-lease for the development of a logistics centre on the airport island. Construction will take about two years. Upon completion, the centre will attract more cargo through the HKIA and facilitate the development of the logistics industry.

Recognition of Qualifications of Project Springboard Graduates

8. **MR AMBROSE LAU** (in Chinese): *Madam President, the Administration announced on 26 December last year that, in recruiting civil servants, it would recognize the Project Springboard certificates as equivalent to five passes in the Hong Kong Certificate of Education Examination (HKCEE). It also indicated that it would discuss with employer groups the recognition of the qualifications of Project Springboard. In this regard, will the Government inform this Council:*

- (a) *of the number of government jobs for which people with five passes in the HKCEE could apply in each of the past three years;*
- (b) *how it can ensure that graduates of Project Springboard have attained an academic standard comparable to those with five passes in the HKCEE;*
- (c) *whether it plans to set up a common assessment mechanism to ensure that graduates of Springboard programmes organized by different institutions have attained the required standards; and*
- (d) *of the progress of its discussions with employer groups?*

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

- (a) For the past three years, the number of government jobs which were available for application by persons with five passes in the HKCEE are as follows:

	<i>1998</i>	<i>1999</i>	<i>2000</i>
No. of civil service jobs	some 6 700	some 1 500	some 1 200
No. of full-time non-civil service jobs	some 3 100	some 3 600	some 4 800

- (b) In deciding the acceptance of the full Project Springboard certificates as meeting the entry qualifications for appointment to government jobs requiring five passes in the HKCEE (including

Chinese and English), the Government has made reference to an independent assessment carried out by the Hong Kong Council for Academic Accreditation (HKCAA).

The HKCAA is the only statutory body for academic assessment in Hong Kong. Having examined the programme structure, design and content of individual courses, teaching and learning materials, modes of teaching and assessment methods, it concluded that the Project Springboard programme, in totality, can be expected to appropriately prepare its students with a general knowledge and skills for employment purpose, which is comparable to the level of knowledge and skills expected of a student with five passes in the HKCEE.

The Government has also taken into account the quality assurance process put in place by the Federation of Continuing Education in Tertiary Institutions (FCE), in which academics, educationalists, quality assurance experts and representatives of employers and the Government participate.

The HKCAA will conduct another assessment on the course delivery of Project Springboard programmes, including performance evaluation and monitoring of student outcomes during the next few months. A comprehensive evaluation of Project Springboard will be conducted upon the end of the first year of its operation. These studies will help reassure that the Project Springboard programmes, in terms of their design and delivery, will enable students to acquire the knowledge and skills levels comparable to five HKCEE passes.

As for the quality of individual students, the FCE will adhere to the well-established principle of "lenient in enrolment; stringent in graduation" in awarding qualifications under Project Springboard. Students have to pass the assessments (including course work and examinations) before obtaining the full Project Springboard certificates.

- (c) There is no common assessment mechanism for Project Springboard. However, the FCE has issued guidelines on teaching materials,

course delivery, assignments and assessment methods as well as model examinations papers for the core courses to all the 10 participating institutions, which are closely followed. The 10 institutions would also sit together after each term examination to review the outcomes to ensure consistency. These measures would effectively ensure graduates from different institutions are assessed with reference to similar standards.

- (d) We have written to the major chambers of commerce, introducing to them Project Springboard and encouraging them to follow the Government's example in treating Project Springboard graduates as comparable with Secondary Five leavers for recruitment purposes. We have also issued letters to all companies with an establishment of 200 or more to invite them to briefing sessions on Project Springboard to be held in April/May.

Noise Nuisances Caused by Sound Amplifying Systems in Schools

9. **MR ALBERT CHAN** (in Chinese): *Madam President, in connection with noise nuisances caused to nearby residents by the sound amplifying systems in schools, will the Government inform this Council whether:*

- (a) *it has stipulated the maximum permissible sound level in respect of the sound amplifying systems in schools and conducted regular tests in this respect; and*
- (b) *it plans to improve these sound amplifying systems to prevent such noise nuisances from disturbing nearby residents?*

SECRETARY FOR EDUCATION AND MANPOWER (in Chinese): Madam President, in 1997, the then Secretary for Planning, Environment and Lands issued a technical memorandum under the Noise Control Ordinance (NCO) stipulating the maximum levels of noise which can be emanated from places other than domestic premises, public places or construction sites. The maximum levels allowed vary with locations and the time when the noise is generated. Noise produced by schools' public address (PA) systems is also regulated by the technical memorandum.

The Electrical and Mechanical Services Department (EMSD) is responsible for the installation and maintenance of government schools' PA systems. The EMSD will ensure that the statutory requirements mentioned above are complied with through, for example, installing speakers at suitable locations and advising schools of the maximum volume output permitted.

At present, no regular tests are conducted on the volume output of schools' PA systems. However, if the Environmental Protection Department (EPD) receives complaints on noise generated by schools' PA systems, the Department will carry out investigations. If it is found that the statutory requirements are not complied with, the EPD will issue a noise abatement notice to the school concerned requiring it to rectify. It will be an offence under the NCO if the school does not rectify accordingly.

To further minimize nuisance that schools' PA systems might cause to neighbouring residents, we provide conduits for all Year 2000 design schools connecting their classrooms with their PA systems. With the facility, if a school wishes to make an announcement to its students, it may do so through its classroom PA system. Existing aided and government schools may also apply for funding from the Education Department to install conduits connecting their PA systems with their classrooms. In addition, a number of low-volume speakers in place of a few high-volume speakers are installed at different locations of Year 2000 design schools to reduce the overall noise level.

Construction of Environment-friendly Underwater Observatory

10. **DR RAYMOND HO** (in Chinese): *Madam President, in view of a recent proposal to construct an environment-friendly underwater observatory in Hong Kong as a tourist attraction, will the Government inform this Council whether:*

- (a) it has assessed the feasibility of the proposal;*
- (b) it plans to construct infrastructural facilities incorporating the underwater observatory concept; if so, of the details; and*
- (c) it knows the numbers of visitors and the economic benefits brought about by underwater observatory marine parks in other countries (such as Israel) to the respective countries; if so, of the details?*

SECRETARY FOR ECONOMIC SERVICES (in Chinese): Madam President, my reply to the question raised by Dr Raymond HO is as follows:

- (a) The Government has no details of the proposal to construct an environment-friendly underwater observatory, so we are not able to assess the feasibility of the proposal.
- (b) The Government has no plan so far to construct infrastructural facilities incorporating the underwater observatory concept. However, Hong Kong does not lack facilities which provide local residents and visitors with the opportunity to appreciate marine life. For example, the Ocean Park is a facility with marine life as its theme and its facilities like "Pacific Pier", "Atoll Reef" and "Shark Aquarium" enable visitors to observe the activities of various marine animals from the viewing tunnels or galleries. In addition, the "World Wide Fund for Nature Hong Kong" is planning to establish a marine life centre at Hoi Ha Wan in Sai Kung. In addition to exhibits inside the centre, there will be a glass-bottomed boat, the first in Hong Kong, which will enable local residents and visitors to view at a short distance the underwater scenery and corals at the Hoi Ha Wan marine park onboard the boat. The centre is scheduled for completion in 2002.
- (c) We do not have information about underwater observatory marine parks in other countries.

Allegations Concerning Fugitive LAI Cheung-sing

11. **MISS EMILY LAU** (in Chinese): *Madam President, it has been reported that LAI Cheung-sing, a Hong Kong permanent resident wanted by the mainland authorities for his alleged involvement in the smuggling case relating to Yuan Hua Group but who absconded to Canada, claimed that he had escaped from arrest by the mainland authorities after being tipped off by a Hong Kong immigration official in August 1999; and the Administration has denied such an allegation. Moreover, he is alleged to have illegally obtained a one-way exit permit for settlement in Hong Kong. In this connection, will the executive authorities inform this Council whether:*

- (a) *they have investigated if any civil servants have tipped off LAI Cheung-sing; and*
- (b) *they know if LAI Cheung-sing did obtain a one-way exit permit illegally in order to settle in Hong Kong; if he did, whether they will revoke his Hong Kong permanent resident status; whether similar cases were found in the past five years; if so, how those cases were handled?*

SECRETARY FOR SECURITY (in Chinese): Madam President,

- (a) The Immigration Department had made an investigation into the allegation made by a person that he managed to escape from arrest by the mainland authorities after being tipped off by a Hong Kong immigration official in August 1999. The investigation found that the allegation was not substantiated. Furthermore, there was no evidence showing that other civil servants were involved in the case.
- (b) The Administration will not comment on individual immigration cases. In the past five years, the Immigration Department had discovered cases involving suspected use of unlawfully obtained one-way exit permits to enter Hong Kong. The Immigration Department will investigate any case where a person is suspected to have contravened section 42 of the Immigration Ordinance by using unlawfully obtained travel documents (including one-way exit permits) to enter Hong Kong. If there is sufficient evidence, prosecution will be instituted against the person concerned and arrangement will be made to effect his or her removal.

Early Completion of Rail Link from Sha Tin to Central

12. **MR LAU KONG-WAH** (in Chinese): *Madam President, the two railway corporations have been invited to submit bidding proposals for constructing the rail link from Sha Tin to Central. With regard to whether this railway project can be completed early, will the Government inform this Council:*

- (a) *given that one of its criteria for assessing the bidding proposals is "earlier completion in whole and phases", of the weighting of "completion dates" in the overall scoring sheet, and whether it has drawn up a grading table for the different completion times of the various component sections; if so, of the details; if not, the reasons for that; and*
- (b) *whether it has assessed the factors (such as land resumption) that may delay the completion times of the various component sections; if it has, of the outcome of the assessment; if not, the reasons for that?*

SECRETARY FOR TRANSPORT (in Chinese): Madam President, the Government invited on 15 January 2001 both Railway Corporations to submit bidding proposals for the Shatin to Central Link (SCL) by July this year. On the same day, we issued a Legislative Council Brief to Members.

The invitation specified the essential requirements for the project and set out the assessment criteria to be used in the comparison of the bidding proposals. The criteria are categorized into technical and financial aspects carrying equal importance. The Government has not yet finalized the detailed arrangements for the assessment. However, early completion of the SCL, in whole or in phases, will rank with convenience of interchanges, minimizing land resumption, and disturbance to existing and planned land use as the most important consideration in the technical aspects.

Based on forecasted traffic demand and the likely duration of the implementation programme, the Railway Development Strategy 2000 (RDS-2000) has recommended an indicative completion window of the SCL in 2008 to 2011. However, the actual project programme including any phased completion is subject to the Corporations' more detailed studies in preparing the bidding proposals. In order not to pre-empt the Corporations from developing the best design and implementation plan of the overall SCL and its three component sections, we have not pre-set particular completion dates and phasing for the three individual sections of the SCL.

Criteria for Selecting Opening Films for Film Festival

13. **MR ANDREW CHENG** (in Chinese): *Madam President, it was reported that the Leisure and Cultural Services Department (LCSD) decided not to screen the film "From the Queen to the Chief Executive" as an opening film for this year's Hong Kong International Film Festival (HKIFF) because the film touched on the Chief Executive. In this connection, will the Government inform this Council:*

- (a) *of the details of the criteria adopted for selecting the opening films for the Festival of this year;*
- (b) *whether film advisers of the LCSD have advised on the selection of the opening films of this year's Festival; if so, of the number of advisers on the matter, and the number of them who recommended that the above film be screened as an opening film; and*
- (c) *whether the above film was not chosen as an opening film because it would not be world-premiered at the Festival; if so, whether any of the opening films in the past HKIEFs was not world-premiered; if so, of the names of these films?*

SECRETARY FOR HOME AFFAIRS (in Chinese): Madam President, my replies to the Honourable Andrew CHENG's questions are provided below:

- (a) The HKIFF is a major cinematic event in Hong Kong, which is also well known to the world. All along, the artistic merit of a film has been the most important factor to be considered when selecting the opening films for the Festival. In the past few years, two opening films were chosen each year, and at least one of them was a Chinese film produced in Hong Kong. If more than two films were found suitable and they were of comparable artistic merit, the one that could be world-premiered would be chosen as the opening film.

Regarding film selection procedures, professional programmers would first collect information about recently produced films through various channels such as film companies, newspapers and magazines, film advisers and film networks. The programmers

would then contact the film companies concerned to arrange previews and would make an assessment on the artistic merit of the films with reference to the views of the film advisers (a total of 13 advisers drawn from the film sector, film critics and academic sector). Finally, based on the aforesaid criteria and information, the programmers would recommend the most outstanding films for the endorsement of the organizing body. All along, the recommendations by the professional programmers have been endorsed. Over the years, the aforesaid criteria and procedures have been effective and are widely accepted by the film sector as well as the arts community.

- (b) This year, the Festival is jointly organized by the Hong Kong Arts Development Council and the LCSD. The Department has consulted the 13 film advisers on the assessment and choice of topics as well as the selection of the opening films and other films for the Festival.

As regards the opening films for this year's Festival, there were altogether seven films shortlisted for consideration, including the film "From the Queen to the Chief Executive" proposed by a film adviser. The programmers of the Festival, with reference to the established criteria and procedures, recommended two films as the opening films, which were "Peony Pavilion", a local production and "Mortal Transfer", a French production. As for the film "Peony Pavilion", it will be world premiered at the Festival. These recommendations were endorsed by the joint committee of the LCSD and the Hong Kong Arts Development Council. The 13 film advisers did not raise any objection to the decision.

As for the film "From the Queen to the Chief Executive", the LCSD also requested to have the film screened in other time slots of the Festival but was turned down by the film company concerned.

- (c) The film "From the Queen to the Chief Executive" has not been selected as the opening film because of the consideration on comparative artistic merits.

Details of the opening films of the HKIFF for the past five years are as follows:

<i>HKIFF</i>	<i>Film Title</i>	<i>Director</i>	<i>Remarks</i>
20th	Hu-du men (Hong Kong)	SHU Kei	World Premiered
	From Dust Till Dawn (United States of America)	Robert RUDRIGUEZ	Not World Premiered
21st	Kitchen (Hong Kong)	YIM Ho	Not World Premiered
	The River (Taiwan)	TSAI Ming-liang	Not World Premiered
22nd	Beast Cop (Hong Kong)	Gordon CHAN	World Premiered
	Dragon Inn (Taiwan)	King HU	Not World Premiered
23rd	Ordinary Heroes (Hong Kong)	Ann HUI	Not World Premiered
	Where A Good Man Goes (Hong Kong)	Johnnie TO	World Premiered
24th	Spacked Out (Hong Kong)	Lawrence Ah Mon	World Premiered
	The Million Dollar Hotel (Germany/United States of America)	Wim WENDERS	Not World Premiered

Disruptions in Sea Water Supply for Flushing

14. **MR ALBERT CHAN** (in Chinese): *Madam President, regarding the disruptions in sea water supply for flushing, will the Government inform this Council of:*

- (a) *the public rental housing (PRH) estates in the New Territories which had disruptions in such supply for over 24 hours during the past year, and the respective numbers of PRH units affected;*
- (b) *the main causes of the disruptions in the supply in these housing estates; and*
- (c) *the measures in place to reduce such incidents?*

SECRETARY FOR HOUSING (in Chinese): Madam President, a total of 10 PRH estates in the New Territories experienced suspension of sea water supply for flushing for more than 24 hours in 2000. About 35 900 flats were affected. Details are as follows:

<i>Estate</i>	<i>No. of suspension exceeding 24 hours</i>	<i>Flats affected</i>
1. Leung King Estate	8	2 500
2. Tai Hing Estate	5	3 100
3. Butterfly Estate	1	5 400
4. On Ting Estate	31	1 600
5. Shan King Estate	26	1 700
6. Wu King Estate	5	2 200
7. Yau Oi Estate	10	8 400
8. Fu Shin Estate	4	5 500
9. Kwong Fuk Estate	3	3 900
10. Tai Yuen Estate	11	1 600
Total:	104	35 900

Most disruptions of sea water supply in these estates were caused by the bursting of pipes or normal wear and tear of component parts of the supply system. On those occasions, the supply system was shut down for repair and replacement. As regards On Ting Estate and Shan King Estate, which experienced more frequent suspensions last year, disruptions were mainly caused by defective valve fittings inside individual flats, bursting of underground pipes and pipework upgrading during the refurbishment of vacant flats.

To reduce the incidence of prolonged suspension, the Housing Department has implemented the following measures:

- (a) upgrading of pump room equipment and accessories under a Water Pump Renovation Programme;
- (b) annual inspection of sea water supply systems to ensure that they are in satisfactory conditions; and
- (c) repair and replacement of aged pipes and fittings as required.

Self-employment Business Start-up Fund

15. **DR RAYMOND HO** (in Chinese): *Madam President, it has been reported that the Employees Retraining Board (ERB) plans to set up a Self-employment Business Start-up Fund (the Fund) in September this year to assist those who intend to start up businesses as self-employed persons in securing loans from banks by offering guarantees for such loans. In this connection, will the Government inform this Council of the eligibility and approving criteria set for the Fund, as well as the requirements for the repayment of loans?*

SECRETARY FOR EDUCATION AND MANPOWER (in Chinese): Madam President, the Steering Committee on the Fund set up by the ERB has taken active steps to prepare for the establishment of the Fund, which is mainly targeted for ERB retrainees, including those who have completed the ERB's full-time/part-time self-employment courses or full-time job specific skill courses and intend to start up businesses.

To enable ERB retrainees to secure loans from banks, the ERB intends to act as guarantor, undertaking up to 70% of the risks involved. The maximum amount of loan in each case is tentatively set at \$100,000. While the ERB will set up a vetting panel to screen individual applications and interview applicants, the final lending decision will rest with the banks concerned. The proposed basic screening criteria include:

- (a) The applicant's self-employment/business start-up plan and the prospect of the industry concerned;
- (b) The applicant's background and capability, such as his past experience in related industries as well as vocational skills possessed;
- (c) The financial position of the applicant (for example, whether he has filed a bankruptcy petition and his financial capability to bear part of the capital for starting up a business); and
- (d) Assessment made by the training body which provides retraining for the applicant.

At present the ERB is deliberating with a number of banks on the terms and conditions for loan repayment.

In addition to offering retrainees loan guarantees (covering up to 70% of the loan amount), the ERB plans to provide other supporting services for the retrainees, including 12-month follow-up counselling service; setting up self-employment corner in the ERB's existing retraining resource centre, with basic office facilities such as photocopying machine, fax machine and telephone receptionist; as well as providing professional advisory service on legal and accounting matters to help the retrainees overcome practical problems encountered in the initial stage of starting their own businesses. The ERB is also actively considering introducing a mentor service for the retrainees, modeling on the Trade and Industry Department's Mentorship Programme for small and medium enterprises. The retrainees using the service will be introduced to their mentors, who will share with them their experience in running a business.

Stepping up Enforcement against Drink Driving

16. **MISS EMILY LAU:** *Madam President, regarding drink driving, will the executive authorities inform this Council:*

- (a) of the respective numbers of persons injured or killed in drink driving-related incidents in the past 24 months;*
- (b) of the respective numbers of people prosecuted and convicted for drink driving-related offences in the past 24 months; and the highest, lowest and average penalties imposed on those convicted;*
- (c) how Hong Kong's drink driving legislation compares to that in London, New York and Singapore, in terms of the statutory limit for alcohol concentration and penalties for drink driving; and*
- (d) whether they plan to step up enforcement against drink driving, tighten the statutory limit for alcohol concentration and raise the maximum penalties for drink driving?*

SECRETARY FOR TRANSPORT: Madam President, in 1999 and 2000, a total of 993 drink driving-related accidents occurred resulting in 18 persons killed, 327 persons seriously injured and 1 335 persons slightly injured. During the same period, 1 151 drivers were convicted of drink driving-related offences and the average fines imposed was \$4,762 (ranging from \$500 to \$20,000), with disqualification of holding driving licence for periods ranging from one month to 36 months. Among those convicted, 10 drivers were sentenced to imprisonment for periods ranging from 30 days to four months.

In Hong Kong, the statutory limit for blood alcohol concentration (BAC) adopted in our drink driving legislation is 50 mg of alcohol per 100 ml of blood, as in places like Germany, Australia and Japan. The statutory limits adopted in London, New York and Singapore are 80 mg, 100 mg and 80 mg of alcohol per 100 ml of blood respectively.

A comparison of the levels of penalties adopted in Hong Kong, London, New York and Singapore for drink driving-related offences is set out in Annex A.

The drink driving legislation was first introduced in Hong Kong in December 1995. The then prescribed legal limit of BAC was 80 mg of alcohol per 100 ml of blood. In response to the community's concern over drink driving and having reviewed the effectiveness of the legislation, the Administration tightened the legal limit of BAC in October 1999 from 80 to 50 mg of alcohol per 100 ml of blood.

To tie in with the enactment of the revised legislation, the police also strengthened their enforcement against drink driving. In 2000, the number of screening breath tests conducted by the police increased by about 10%. With the tightened legislation and strengthened enforcement, it was found that in 2000, the number of fatal/serious night-time accidents (that is, 8 pm to 8 am when most accident cases involving drink driving occurred) reduced by 4.7%. In addition, for those screening breath tests conducted for drivers involved in traffic accident cases, the number of drivers found to have consumed alcohol decreased by 8% when compared to 1999.

The blood alcohol level currently stipulated in Hong Kong's drink driving legislation is among the most stringent in the world. With effective

enforcement by the police and our publicity campaign to advise drivers against drink driving, accident statistics of the past 12 months suggest that the revised drink driving legislation has been able to achieve its deterrent effect. Nevertheless, the police will continue to take vigorous enforcement action against drink driving, and the Administration will closely monitor the trend of drink driving-related accidents to see whether there is a need to further review the stipulated blood alcohol level and level of penalties.

Annex A

Comparison of the Penalties for Drink Driving
among Hong Kong, London, New York and Singapore

	<i>Hong Kong</i>	<i>London</i>	<i>New York</i>	<i>Singapore</i>
Prescribed Limit for Blood Alcohol Concentration (per 100 ml of blood)	50 mg	80 mg	100 mg	80 mg
Maximum Fine	HK\$25,000	£5,000	US\$1,000 (US\$10,000 for repeated offenders)	S\$5,000 (S\$10,000 for repeated offenders)
Disqualification from Driving	Minimum two years for repeated offenders (at the court's discretion for first time offenders)	Minimum three years for repeated offenders (one year for first time offenders)	Minimum one year for repeated offenders (six months for first time offenders)	Nil
Imprisonment Terms	Maximum three years	Maximum six months	Maximum seven years (12 months for first time offenders)	Maximum 12 months (six months for first time offenders)

Post-retirement Employment of Civil Servants in Public Organizations

17. **MR LAU KONG-WAH** (in Chinese): *Madam President, it was reported that the former Director of Highways joined the Kowloon-Canton Railway Corporation (KCRC) while on pre-retirement leave which began in last August. Regarding the post-retirement employment of civil servants in public organizations, will the Government inform this Council:*

- (a) *whether the permission of the employment of the former Director by the KCRC was granted on the basis that the employment had no conflict of interest with his former public office; if so, of the justifications for this basis;*
- (b) *of the criteria adopted for assessing whether the post-retirement employment of civil servants in public organizations involves a conflict of interest; and*
- (c) *in order to avoid public misunderstanding of such change of employment, whether consideration will be given to imposing a mandatory sanitization period on all retired senior civil servants, during which they are not allowed to take up employment in the public organizations with which they have had dealings in their official capacity before retirement?*

SECRETARY FOR THE CIVIL SERVICE (in Chinese): Madam President, first of all, I would like to explain the current rules governing retired civil servants in taking up employment or entering into business post-retirement. In accordance with the provisions of the pensions legislation, all retired civil servants who have been granted a pension are required to seek prior permission from the Government to take up employment, enter into business, or become partners or directors, if the principal part of the business or employment is carried on in Hong Kong, within two years after retirement, or within three years for officers retiring at Director of Bureau rank or above. The same requirement applies to civil servants who wish to take up employment or enter into business during their pre-retirement leave.

The Government considers each application individually. The basic principle is whether the proposed employment will conflict with the previous duties of the retired officer in the Government, and whether it will compromise public confidence in the integrity of the Civil Service. The Advisory

Committee on Post-retirement Employment will also advise the Government on individual applications from directorate officers. Depending on the circumstances of individual case, the Government may consider imposing an appropriate sanitization period or restricting the scope of work or business of the applicant.

I will now answer the individual parts of the question:

- (a) The application of the former Director of Highways to take up employment with the KCRC was processed and approved in accordance with the normal procedures and criteria. The KCRC is a public corporation which operates and implements major railway plans and projects as an agent of the Government. Implementation of these projects requires experienced professionals, and the former Director of Highways has profound knowledge and expertise in the field. The Government, after consulting the advice of the Advisory Committee on Post-retirement Employment, has been satisfied that the proposed employment is in the public interest, and is not in conflict with the previous duties of the officer in the Government, and has accordingly approved the application.
- (b) The Government will normally consider applications for post-retirement employment from civil servants according to the following criteria. These criteria are equally applicable to applications for employment with both public organizations or private companies:
 - whether the officer has been involved in policy formulation or decision making which could have benefited his prospective employer;
 - whether the prospective employer might gain an unfair advantage over competitors because of the officer's previous knowledge and experience; and
 - whether the employment would result in an undesirably high profile or embarrass the Government.
- (c) The present mechanism governing the post-retirement employment of retired civil servants is equally applicable to employment with public organizations or private companies to avoid potential conflict

of interest situations. The mechanism has been operating smoothly and we do not consider it necessary to impose stricter control over retired civil servants in taking up employment with public organizations.

Throwing of Objects from a Height

18. **MR CHAN KWOK-KEUNG** (in Chinese): *Madam President, regarding the problem of objects being thrown from a height, will the Government inform this Council:*

- (a) *of the total number of reported cases involving the throwing of objects from a height in the past three years and, among them, the number of those which took place within the bounds of public rental housing (PRH) estates; the casualties arising from those cases and the number of cases in which the offenders were convicted;*
- (b) *of the respective numbers of Falling Object Monitoring Systems (FOMSs) installed within the bounds of PRH estates, Tenants Purchase Scheme (TPS) housing estates as well as Home Ownership Scheme (HOS) housing courts; and*
- (c) *whether the Housing Department plans to install FOMSs expeditiously in all PRH estates, including those to be sold under the TPS; if so, of the details; if not, the reasons for that?*

SECRETARY FOR HOUSING (in Chinese): Madam President, in the past three years (1998 to 2000), the police have received 1 422 reports on falling objects from a height, which caused 711 casualties and led to 101 convictions. Of these incidents, 45 took place in PRH estates and TPS estates. The police have no separate statistics on casualties and convictions in PRH estates.

The Housing Department has 46 FOMSs. These mobile systems are installed in different PRH estates by rotation according to the seriousness of the problem, but are not installed in HOS or TPS estates which are the sole responsibility of owners.

For cost-effectiveness, the Housing Department will continue with the current arrangement to rotate FOMSs among PRH estates, and has no intention to acquire additional ones. However, an estate may use funds allocated to its Estate Management Advisory Committee to install a Monitoring System for its sole use.

Discharge of Sewage

19. **MISS CHOY SO-YUK** (in Chinese): *Madam President, will the Government inform this Council of:*

- (a) *the quantity of sewage discharged into each Water Control Zone last year, and a breakdown by each outfall and by whether the sewage met the relevant Water Quality Objectives or not; and*
- (b) *the measures to reduce the discharge of sewage not meeting Water Quality Objectives?*

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

- (a) In 2000, Hong Kong treated about 2.35 million cu m of sewage per day. After treatment at the government sewage treatment works, the effluent was discharged into various Water Control Zones. The volume of sewage treated by major sewage treatment works and the location of the discharges in 2000 are as follows:

<i>Discharges to</i>		<i>Sewage Treatment Facilities</i>		
		<i>Sewage</i>	<i>Treatment</i>	<i>Discharge Location</i>
<i>Water Control</i>	<i>Sewage</i>	<i>Treatment</i>	<i>Discharge Location</i>	<i>Sewage Flow</i>
<i>Zone</i>	<i>Treatment Works</i>	<i>Level</i>		<i>('000 cu m/day)</i>
Southern	Stanley	Secondary	Sheung Sze Mun Channel	7
	Mui Wo	Secondary	Mui Wo	2
	Peng Chau	Secondary	Peng Chau	0.2
	Cheung Chau	Primary	Adamasta Channel	12
	Shek O	Preliminary	Tathong Channel	1
Port Shelter	Sai Kung	Secondary	Port Shelter	9

<i>Sewage Treatment Facilities</i>				
<i>Discharges to Water Control Zone</i>	<i>Sewage Treatment Works</i>	<i>Treatment Level</i>	<i>Discharge Location</i>	<i>Sewage Flow ('000 cu m/day)</i>
Deep Bay	Shek Wu Hui	Secondary	River Indus	70
	Yuen Long	Secondary	Shan Pui River	48
North Western	Tai O	Primary	Tai O	1
	Pillar Point	Preliminary	Pillar Point	160
	San Wai	Preliminary	Urmston Road	54
	Siu Ho Wan	Preliminary	Siu Ho Wan	19
Western Buffer	Aberdeen, Wah Fu, Sandy Bay, and Ap Lei Chau	Preliminary	East Lamma Channel	122
	Tsing Yi*	Preliminary	Western Victoria Harbour	44
Eastern Buffer	Chai Wan and Shau Kei Wan*	Preliminary	Eastern Victoria Harbour	135
	Tseung Kwan O*	Preliminary		74
Victoria Harbour	Sha Tin and Tai Po	Secondary	Kai Tak Nullah	290
	Stonecutters Island ²	Chemical	Central Victoria Harbour	340
	Central, Wan Chai East and West and North Point	Preliminary	Harbour	279
	Kwai Chung*	Preliminary		180
	Kwun Tong*	Preliminary		273
	To Kwa Wan*	Preliminary		229
Mirs Bay	Sha Tau Kok	Secondary	Starling Inlet	0.8
Junk Bay	Effluent from Tseung Kwan O is exported to the Eastern Buffer Water Control Zone through a submarine outfall. Discharges in Junk Bay are very small.			
Tolo Harbour	Effluent is exported to the Victoria Harbour through the Tolo Harbour Effluent Export Scheme			
Whole Territory [#]				2 350

* After full commissioning of stage 1 of the Harbour Area Treatment Scheme, the effluent will undergo chemically enhanced primary treatment and then be discharged into the Western Harbour.

^Ω The existing outfall for the Stonecutters Island Sewage Treatment Works actually straddles the Victoria Harbour Water Control Zone and the Western Buffer Water Control Zone.

Excluding sewage discharges from other domestic sources which are relatively small with a total amount of 3% of the total flow in Hong Kong.

On the basis of the relevant Water Quality Objectives, the Environmental Protection Department laid down a set of discharge standards to control effluents discharged into environmental waters within each Water Control Zone. With the exception of the one at Sha Tin, all treated effluents from government sewage treatment works meet the discharge standards.

- (b) The Drainage Services Department has already started Stage III extension works to the Sha Tin Sewage Treatment Works to improve the quality of treated effluents. After full commissioning of Stage III phase I of the extension works in 2004, the sewage discharged from this Sewage Treatment Works is expected to meet the discharge standards.

Kindergarten Subsidy Scheme

20. **MR YEUNG YIU-CHUNG** (in Chinese): *Madam President, regarding the Kindergarten Subsidy Scheme (KSS), will the Government inform this Council:*

- (a) *of the method for calculating the annual subsidy to be granted to each kindergarten;*
- (b) *of the average total expenditure on each pupil incurred by each subsidized kindergarten per year, and the percentage taken up by teachers' salaries;*
- (c) *of the current percentage of the total annual subsidy granted to these kindergartens in their total expenditure per year;*

- (d) *of the current ratio of the annual subsidy granted to kindergartens to the amount of salaries they pay for qualified kindergarten teachers per year; and*
- (e) *how the figures in items (b), (c) and (d) above compare to those of the major countries or territories in the Asia-Pacific Region?*

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

- (a) To enhance the quality of kindergarten education, the Government requires all kindergartens to employ at least 60% of qualified kindergarten teachers by 2000-01. The KSS was introduced in September 1995 to assist kindergartens in meeting this target progressively without having to increase their fees substantially. The rate of subsidy received by a kindergarten was based on its actual pupil enrolment.

To ensure that the amount of subsidy received by a kindergarten would not be affected by fluctuations in enrolment, the KSS was revised in the 1998-99 school year. The subsidy is now disbursed on the basis of a class grant and calculated according to the actual number of operating classes in each kindergarten. The current KSS rate is \$41,000 per class per annum.

- (b) Based on returns from kindergartens joining the KSS, the average total expenditure incurred by these kindergartens on each pupil was about \$15,800 for the 1999-2000 school year, of which about 58% was spent on teachers' salaries.
- (c) The Government provides financial assistance to non-profit-making kindergartens by way of reimbursement of rent, rates and government rent, as well as payments under the KSS. In 1999-2000, total government financial assistance accounted for some 22% of the total expenditure of kindergartens receiving these various forms of assistance. The KSS payments alone represented about 12% of the total expenditure.

- (d) The KSS payments in 1999-2000 represented some 29% of the salaries of qualified kindergarten teachers.
- (e) As the Government does not have the relevant information in respect of the major countries or territories in the Asia-Pacific Region, a comparison cannot be made.

BILLS

First Reading of Bills

PRESIDENT (in Cantonese): Bills: First Reading.

CHIEF EXECUTIVE ELECTION BILL

INTEREST RATES (MISCELLANEOUS AMENDMENTS) BILL 2001

INDUSTRIAL TRAINING (CONSTRUCTION INDUSTRY) (AMENDMENT) BILL 2001

MERCHANT SHIPPING (REGISTRATION) (AMENDMENT) BILL 2001

CLERK (in Cantonese): Chief Executive Election Bill
Interest Rates (Miscellaneous Amendments) 2001
Industrial Training (Construction Industry)
(Amendment) Bill 2001
Merchant Shipping (Registration) (Amendment)
Bill 2001.

Bills read the First time and ordered to be set down for Second Reading pursuant to Rule 53(3) of the Rules of Procedure.

Second Reading of Bills

PRESIDENT (in Cantonese): Bills: Second Reading.

CHIEF EXECUTIVE ELECTION BILL

SECRETARY FOR CONSTITUTIONAL AFFAIRS (in Cantonese): Madam President, I move that the Chief Executive Election Bill (the Bill) be read the Second time.

The purpose of the Bill is to provide, through local legislation, for the election of the Chief Executive and for matters related to or consequential upon such election.

The Chief Executive is the head of the Hong Kong Special Administrative Region (SAR) who represents the Region and plays an important and unique role in our political structure established under the Basic Law. Therefore, there are explicit provisions under the Basic Law stipulating the principles and the specific method for the selection of the Chief Executive. In drafting the Bill, we have relied on these provisions.

In addition, we have made reference to the rules governing the first Chief Executive election and the well-established practices in the Legislative Council and District Councils (DC) elections. Having regard to the unique character of the Chief Executive election, we have adjusted these practices to suit the needs of the Chief Executive election, where necessary.

I would like to highlight the seven major areas of this Bill in the following paragraphs.

(I) Election Committee (EC)

Annex I to the Basic Law provides that the Chief Executive shall be elected by a broadly representative EC. Annex II to the Basic Law provides that the EC responsible for electing six Members of the second term Legislative Council is one and the same as the EC referred to in Annex I. The Basic Law provisions are clear and unambiguous. The Bill, thus, provides that the EC formed on 14 July 2000, which was responsible for electing six Members of the second term Legislative Council in September 2000, is also responsible for electing the Chief Executive in 2002. Members of that EC shall be members of the first EC constituted under the Bill, except for death, resignation or ineligibility of being registered as Legislative Council Geographical Constituency (GC) electors.

In the event that any EC member has died, resigned or become ineligible to be registered as Legislative Council GC electors, the Bill provides that, where necessary, a by-election and, for the religious subsector, supplementary nomination, shall be held to fill the vacancies arising therefrom.

(II) Polling date

The Bill provides that the Chief Executive shall appoint a date within six months before the expiry of his term as the polling date. However, in the event that the office of the Chief Executive becomes vacant, the Acting Chief Executive shall appoint a polling date within six months after the vacancy arises.

(III) Eligibility criteria for being a candidate for the Chief Executive election

In the Bill, we have put down the requirements as provided in Article 44 of the Basic Law, which stipulates that a candidate must be a Chinese citizen of not less than 40 years of age who is a permanent resident of the SAR and has ordinarily resided in Hong Kong for a continuous period of not less than 20 years. Moreover, candidates must have no right of abode in any foreign country. The Bill, therefore, provides that a candidate for the Chief Executive election can only hold the SAR passport, the Certificate of Identity issued by the SAR or an entry permit issued by an authority in any part of the People's Republic of China. He is not allowed to hold any foreign passports or travel documents.

The Bill requires judicial officers and prescribed public officers to resign before running in the election. This is to maintain the independence of judicial officers and the political neutrality of public servants.

As regards Members of the Legislative Council, the Bill proposes that they can run in the election provided that they fully meet all other eligibility criteria. However, a Legislative Council Member, if elected, is deemed to have resigned from Legislative Council on the date the Central People's Government (CPG) appoints him as the Chief Executive. This is based on the different responsibilities and roles of the Chief Executive and the Legislative Council as laid down in the Basic Law. It will undermine the checks and balances enshrined in the Basic Law if a person is to serve as the Chief Executive and a Legislative Council Member at the same time.

In addition, similar to the rules governing the Legislative Council and DC elections, criminals, the bankrupt, the mentally disordered and persons convicted of prescribed offences within five years before the election are disqualified from running in the election.

In the first Chief Executive election, all potential candidates were being nominated in their individual capacity. Members of political parties or political organizations had to resign from their political parties or political organizations before declaring their intention to run in the election. The Bill proposes to allow members of political parties to run in the Chief Executive election, but such candidates have to declare that they stand in their individual capacities. Only when a member of a political party is elected will he be required to resign from his political party and undertake that he will not become a member of any political party or be bound by the discipline of any political party during his term of office.

I wish to put it on record that we have very carefully considered the legality of this proposal. The legal advice which we have obtained confirms that the requirement is fully in compliance with the freedom of association guaranteed by the Basic Law and the International Covenant on Civil and Political Rights (ICCPR). The requirement will be prescribed by law. It is rational and proportional since it strikes a right balance between the overall interests of the community and the individual rights of the Chief Executive. Moreover, it is necessary in the light of our current political structure. It helps promote pluralism and is conducive to the development of political parties.

I wish to expound further.

Article 43 of the Basic Law provides that the Chief Executive shall be the head of the SAR and shall represent the Region. It also requires the Chief Executive to be accountable to both the SAR and the CPG. Article 45 of the Basic Law provides that he shall be selected by election and appointed by the CPG.

The Chief Executive holds the most important position in Hong Kong and undertakes a great responsibility. Article 48 of the Basic Law gives a detailed account of the manifold functions of the Chief Executive. He is responsible for leading the government of the Region, signing bills and promulgating laws, signing budgets and issuing executive orders. He has the power to appoint and

remove judges, and report to the CPG for appointment and removal of principal officials. He can pardon persons convicted of criminal offences or commute their penalties, and on behalf of the SAR, conduct external affairs as authorized by the CPG.

Article 47 of the Basic Law provides that the Chief Executive must be a person of integrity, dedicated to his or her duties. The Chief Executive must be impartial and always acts in the overall interests of Hong Kong. When the Chief Executive make policy decisions and implements them, he should look after the interests of all strata of the community, protecting the rights and freedom of over 6 millions citizens in Hong Kong. The candidates of the Chief Executive election are required to declare that they stand in their individual capacities. If elected, a person must resign from his political party and undertake that he will not become a member of any political party or be bound by the discipline of any political party during his term of office. This is to ensure that the Chief Executive, when discharging his duties, will take into account the overall interests of the SAR instead of the interests of the political party to which he belongs. This is a legitimate aim and accords with the community's expectation of the Chief Executive and tallies with the actual situation of the political system of the SAR.

Members of political parties were required to resign from their parties before they could run in the first Chief Executive election. The requirements stipulated in the Bill, which are different from that of the first Chief Executive election, reflects the principle of "gradual and orderly progress" and "actual situation" as prescribed in Article 45 of the Basic Law. We consider that this restriction is rational and proportional to its purpose, and that it strikes a right balance between the overall interests of the community and the individual rights of the Chief Executive.

We have also taken into account the development of political parties in Hong Kong. Nowadays, political parties are actively participating in the Legislative Council and DC elections. Through the considerable number of seats acquired in these councils, political parties have extensively participated in matters relating to all aspects of Hong Kong. The Government often seeks the views of political parties and tries to strengthen the co-operation with them and enlist their support in the process of policy making and implementation. In spite of this, we consider that under the current political system of the SAR, the Chief Executive must be independent of political parties so that political parties

may develop gradually and orderly on a level playing field so as to ensure pluralism in Hong Kong. It is necessary in a democratic society and it has a positive effect on the overall political development of Hong Kong. At this stage of political development, we consider that this requirement will help promote rather than retard the development of political parties.

Article 45 of the Basic Law states that the specific method for electing the Chief Executive is prescribed in Annex I to the Basic Law. The ultimate aim is the selection of the Chief Executive by universal suffrage upon nomination by a broadly representative nominating committee in accordance with the democratic procedures.

We need to review the political system of the SAR in future in accordance with the mechanism laid down in Annex I to the Basic Law, having regard to the actual situation of Hong Kong at the time and in accordance with the principle of gradual and orderly progress. In the long run, when we review the issue concerning the method of electing the Chief Executive, we will at the same time examine the eligibility criteria for being a candidate for the Chief Executive election to ensure that they conform to the prevailing method for electing the Chief Executive.

(IV) Nomination

The nomination for the Chief Executive election should be made by at least 100 EC members and a candidate must declare on his nomination form that he will uphold the Basic Law and will pledge allegiance to the SAR. These requirements are respectively proposed having regard to Annex I and Article 104 of the Basic Law.

Within seven days after the close of nomination, the Returning Officer shall declare by notice in the Gazette the names of the validly nominated candidates and, for each of these candidates, the names of the EC members subscribing to his nomination form. It has been a well-established feature of our local elections that the names of the subscribers to candidates are made available for public inspection. In view of the need to maintain transparency and the importance of the Chief Executive election, it is proposed that, in addition to public inspection, the Returning Officer should also publish the subscribers' names in the Gazette.

(V) *Withdrawal of candidature*

A candidate may withdraw from the election on or before the working day immediately before the polling date so that candidates can consider withdrawing from the election when facing unforeseen circumstances. The Chief Executive election will continue despite the withdrawal of candidates.

(VI) *Voting method*

If there are two or more validly nominated candidates, the Bill provides for the following voting method. At any one round of the election, if a candidate obtains an absolute majority of validly cast votes, he will be elected. Otherwise, all candidates will be eliminated except those who obtain the highest and the second highest votes. These candidates will proceed to the next round of voting. The process will continue until one candidate obtains an absolute majority of votes to win.

If there is only one candidate, he will be elected *ipso facto*, in the same way as Legislative Council and DC elections.

(VII) *Election petitions and judicial review*

There will be a dedicated legal avenue for election petitions. This is similar to the arrangement for Legislative Council and DC elections. As time is critical for the Chief Executive election, all election petitions must be lodged within seven working days after the declaration of the election result. While election petitions will first be heard by the Court of First Instance, appeal may be made against its ruling to the Court of Final Appeal direct, subject to the granting of leave by the Appeal Committee of the Court of Final Appeal.

In addition, judicial review which puts in issue whether the Chief Executive elect is duly elected must be lodged within 30 days after the publication of the election result. This is to ensure the legality of the Chief Executive when assuming office. It would give rise to grave constitutional and legal problems if legal challenges were not settled expeditiously after the Chief Executive election.

Before introducing the Bill into the Legislative Council, we have consulted the Legislative Council Panel on Constitutional Affairs on the preliminary

legislative proposals. On several occasions, in view of the importance of the Bill, members of the Panel urged the Administration to expedite the drafting of the Bill and introduce it into the Legislative Council as soon as possible. In response to Members' request, we have completed the drafting work expeditiously and introduce the Bill into the Legislative Council today. We look forward to Members' assistance and co-operation in forming a Bills Committee to scrutinize the Bill expeditiously. We hope that Members will be able to complete the scrutiny as soon as possible so as to allow sufficient time for us to prepare subsidiary legislation in relation to the Chief Executive election.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Chief Executive Election Bill be read the Second time.

The debate is now adjourned and the Bill referred to the House Committee.

INTEREST RATES (MISCELLANEOUS AMENDMENTS) BILL 2001

SECRETARY FOR PLANNING AND LANDS (in Cantonese): Madam President, I move that the Interest Rates (Miscellaneous Amendments) Bill 2001 be read a Second time. This is an omnibus Bill involving 11 ordinances and their subsidiary legislation. These ordinances are under the policy responsibility of three bureaux: the Planning and Lands Bureau, Environment and Food Bureau, and Transport Bureau.

The 11 ordinances and their subsidiary legislation affected by this omnibus Bill are as follows: the Lands Resumption Ordinance (Cap. 124), Foreshore and Sea-bed (Reclamations) Ordinance (Cap. 127), Land Acquisition (Possessory Title) Ordinance (Cap. 130), Country Parks Ordinance (Cap. 208), Mass Transit Railway (Land Resumption and Related Provisions) Ordinance (Cap. 276), Air Pollution Control Ordinance (Cap. 311), Water Pollution Control Ordinance (Cap. 358), Roads (Works, Use and Compensation) Ordinance (Cap. 370), Land Drainage Ordinance (Cap. 446), New Territories Land Exchange Entitlements (Redemption) Ordinance (Cap. 495) and Railways Ordinance (Cap. 519). In these 11 ordinances and their subsidiary legislation, there is reference to "the

lowest rate payable from time to time by members of The Hong Kong Association of Banks (HKAB) on time deposits" in relation to interest payable on provisional payment, redemption money or compensation. Prior to 3 July 2000, the lowest interest rate on time deposits was normally the deposits at 24 hours' call. For the purpose of interest payment under the aforementioned ordinances, the Administration's practice was to adopt the 24 hours' call deposit rate announced by the HKAB from time to time.

The deregulation of interest rates rules on time deposits with a maturity of less than seven days took place on 3 July 2000. After the deregulation, the interest rates for these time deposits vary among the 150-plus members of the HKAB. The Government does not have the statutory power to require all these banks to provide the relevant interest rate information. We have nevertheless requested the banks to provide information on the 24 hours' call deposit interest rate. Only 31 banks have agreed to provide such information on an ongoing basis. It is therefore not possible for the Government to ascertain from all member banks of the HKAB the lowest interest rate on time deposits, that is, the 24 hours' call deposit rate. As an interim measure, the Government is now making interest payments on the basis of the information provided by the 31 banks. For long-term arrangement, we consider it appropriate to amend the relevant laws to provide a legal basis for paying the relevant interest rates consistent with the original spirit of these statutory provisions. This is the objective of the present Bill.

We are not proposing any structural changes to the basic mechanism for calculating the interest payment. Instead, we only propose to replace the interest rates offered by all members of the HKAB with the interest rates offered by the note-issuing banks. The rates offered by the note-issuing banks will not be exceptionally high or low compared with other banks. This will enable us to have a practicable arrangement for calculating the interest rates for the various compensation payments.

Moreover, reference to the note-issuing banks has already been adopted in the existing New Territories Land Exchange Entitlements (Redemption) Ordinance in relation to redemption money payable under that Ordinance. For the avoidance of doubt, we propose a validation and application clause to give legal backing to our interim measures as mentioned earlier. We also propose that the rate be calculated on a daily basis and that the "close of business" rate be adopted for working days. For non-working days, the rate of the last working

day preceding the non-working days will be used. Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Interest Rates (Miscellaneous Amendments) Bill 2001 be read the Second time.

The debate is now adjourned and the Bill referred to the House Committee.

**INDUSTRIAL TRAINING (CONSTRUCTION INDUSTRY)
(AMENDMENT) BILL 2001**

SECRETARY FOR EDUCATION AND MANPOWER: Madam President, I move the Second Reading of the Industrial Training (Construction Industry) (Amendment) Bill 2001.

The Bill aims to empower the Construction Industry Training Authority (CITA) to arrange and pay for statutory medical examinations for construction workers.

In July 1999, we introduced the Factories and Industrial Undertakings (Medical Examinations) Regulation into this Council. The proposed Regulation seeks to implement the recommendations of the Department of Health's Expert Working Group to extend the coverage of statutory medical examination requirements under the Factories and Industrial Undertakings Ordinance from four to 17 designated occupations, and to require such medical examinations to be conducted by appointed medical practitioners trained in occupational health. Under the proposed Regulation, medical examinations will have to be arranged at the expense of the employers. Before we introduced the proposed Regulation, the Labour Advisory Board had been consulted and expressed unanimous support. However, examination of the proposed Regulation could not be completed in the last Legislative Session because of questions from Members regarding the effects on employees' rights and benefits arising from certain provisions in the proposed Regulation.

We estimate that about 195 000 employees will be required to undergo medical examinations under the proposed Regulation and the majority (about 153 000) are construction workers. Given the unique characteristics of the construction industry in having a multi-layered sub-contracting system and high mobility of construction workers, individual proprietors in the industry may have difficulties in complying with the proposed Regulation. When the proposed Regulation was introduced, we proposed to engage the Construction Industry Training Authority (CITA) as an agent to arrange medical examinations for construction workers and to impose a 0.03% levy on all construction contracts with a value exceeding \$1 million to meet the cost of medical examinations. This new role for the CITA and the levy increase would require amendments to the Industrial Training (Construction Industry) Ordinance.

We propose to engage the CITA because it has been providing training and other services to the construction industry and has in place an existing mechanism to collect levy. The arrangement has the support of the CITA, the Hong Kong Construction Association and the Real Estate Developers Association of Hong Kong.

We will re-introduce the proposed Regulation into this Council shortly. The proposed Regulation, if enacted, will be implemented in phases to tie in with the supply of appointed medical practitioners and to allow time for proprietors and employees to prepare themselves. The present Bill, if enacted, will come into effect before the commencement of the proposed Regulation. This is to ensure that the CITA will have the requisite statutory authority to arrange and pay for medical examinations under the proposed Regulation. We will also move a resolution in this Council at a later stage to increase the levy on the construction industry from 0.4% to 0.43% in order to meet the costs of medical examinations.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Industrial Training (Construction Industry) (Amendment) Bill 2001 be read the Second time.

The debate is now adjourned and the Bill referred to the House Committee.

MERCHANT SHIPPING (REGISTRATION) (AMENDMENT) BILL 2001

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, I move that the Merchant Shipping (Registration) (Amendment) Bill 2001 be read the Second time. The main purpose of the Bill is to streamline the ship registration process in Hong Kong. It is one of our policies to enhance the attractiveness of the ship registration in Hong Kong. The existing Ordinance requires that the applicant for ship registration shall present to the Registrar the original title document. However, this requirement delays the processing of ship registration. Since the delivery of the original document from the place of ship sale overseas (Europe and North America) to Hong Kong can take several days, thus delaying the vessel from resuming service.

The Bill proposes that copies of title document would be made acceptable for provisional ship registration, thus resolving the difficulties brought about by the requirement for the original document. To prevent possible frauds arising from the use of the copy, the Bill proposes that the ship mortgagee should confirm that he has sighted the original document and known that a copy instead of the original will be used for provisional registration.

The existing Ordinance requires that after the ship is registered, the original title document shall be retained by the Registrar. This requirement causes inconvenience to the ship registration applicant. As the original title document is also required by the mortgagee for retention, the applicant has to prepare two sets of the original document. The Bill therefore proposes to remove the existing requirement for the Registrar to retain the original title document.

The Bill also proposes to shorten the period of provisional registration from three months to one month, as the registration process takes only one month to complete after evaluation. Apart from streamlining the registration procedures, the Bill also proposes other amendments to bring the relevant provisions in the Ordinance in line with the commercial practices of the industry. We propose to delete the word "sole" from the relevant provisions which refer to the control of a demise charterer on all matters relating to the navigation and operation of the ship. This will reflect the existing industry practice that the demise charterer may delegate the management of the ship to ship management companies which specialize in this type of work. The other proposal of the Bill clarifies that if the demise charterer assigns through a sub-demise charter the rights of the control of a ship to another person, the ship shall cease to be registrable.

Madam President, the proposals in the Bill are made after wide consultation with the local shipping industry. Through streamlining our ship registration procedures, we hope to make ship registration in Hong Kong more attractive. This will further strengthen Hong Kong's leading role in international shipping. I so submit and recommend the Bill to this Council for early passage into law. Thank you, Madam President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Merchant Shipping (Registration) (Amendment) Bill 2001 be read the Second time.

The debate is now adjourned and the Bill referred to the House Committee.

Resumption of Second Reading Debate on Bill

PRESIDENT (in Cantonese): The Council now resumes the Second Reading debate on the Hong Kong Tourist Association (Amendment) Bill 2001.

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL 2001

Resumption of debate on Second Reading which was moved on 17 January 2001

PRESIDENT (in Cantonese): The Chairman of the Bills Committee on Hong Kong Tourist Association (Amendment) Bill 2001, Mr Howard YOUNG, will address the Council on the report of the Bills Committee.

MR HOWARD YOUNG (in Cantonese): Madam President, as the Chairman of the Bills Committee, I hereby submit the report of the Bills Committee on Hong Kong Tourist Association (Amendment) Bill 2001 and address the Council.

The Hong Kong Tourist Association (Amendment) Bill 2001 (the Bill) seeks to amend the Hong Kong Tourist Association Ordinance so as to implement the recommendations of the Strategic Organization Review (the SOR) of the Hong Kong Tourist Association (HKTA).

Deliberations of the Bills Committee

The Bills Committee has held a total of two meetings with the Administration and received 24 written submissions from the travel and tourism industry and other related groups.

Members of the Bills Committee and the travel and tourism industry are generally in support of the proposals made in the Bill. These include: first, to abolish the outdated membership system as the HKTA has been working not exclusively with its members in taking forward its promotional initiatives; second, to change the name of HKTA to "Hong Kong Tourism Board" (HKTB) to better reflect its overall role in the travel and tourism industry; third, to expand the size of the Board of Management from 11 to 20 in order to enhance its representativeness; and fourth, the HKTA should remain a public body with the flexibility of working independently and continue to co-operate with the Government and the private sector to enhance the effectiveness of its marketing and promotional activities.

The most contentious issue considered by the Bills Committee lies with the constitution and membership of the proposed HKTB. A lot of views have been expressed by members of the Bills Committee and the industry on the membership of the future Board. These suggestions include the appointment of a representative of consumers and a representative of the front-line workers of the travel and tourism industry, increasing the number of seats for retailers and restaurant operators to four, increasing the representation of hostel and guesthouse operators and inbound tour operators on the Board, and so on.

To address the concerns of members and those of the industry, the Bills Committee has examined the overall policy governing the mechanism and criteria for appointment to the proposed HKTB. The Bills Committee notes that the policy consideration of the Administration is to ensure that the best available persons are appointed to tie in with the functions and operational requirements of the HKTB, taking into account the prospective appointee's abilities, expertise, experience, integrity and commitment to public service. The Administration will maintain a balanced composition with adequate industry representatives and other professionals so as to enhance the representativeness of the HKTB for advice on furthering tourism development and making the territory a more attractive tourist destination.

The Bills Committee welcomes the Administration's undertaking to appoint one representative from the Consumer Council and one representative of the front-line workers of the travel and tourism industry to the HKTB. The Bills Committee notes that the Administration will adopt an open and flexible attitude and will consult the major organizations in the travel and tourism industry on the potential candidates and welcome nominations by the industry. The Bills Committee also notes that the Administration will consider appointing individuals from the marketing, legal and banking/finance sectors to the HKTB, in order to ensure a balanced composition of the HKTB.

The Bills Committee has also deliberated on the mode of operation of the future HKTB. Members noted the focus of the HKTA's work is on market promotion, and on co-ordination of all sectors in the travel and tourism industry with a view to improving tourism products and enhancing Hong Kong's attractiveness. It would be difficult to take forward its work in accordance with commercial principles. The Bills Committee also notes that according to the recommendations of the SOR, the HKTA should steer away from such activities as event organization and tour operation. As such, it is unlikely that the proposed HKTB will compete for profit with the private sector. Rather, it will provide the necessary support to its counterparts in the private sector for organizing major events in Hong Kong.

With regard to the controlling mechanism in respect of the finance of the HKTB, the Bills Committee notes that the existing Hong Kong Tourist Association Ordinance has already provided for effective monitoring on how the HKTA finances its activities. The future HKTB will be subject to the same financial control as presently provided for in the Hong Kong Tourist Association Ordinance.

Committee stage amendments

In response to members' request, the Administration has agreed to move Committee stage amendments (CSAs) to clause 11 of the Bill to the effect that the number of "licensed travel agent", "tour operator", "retailer" and "restaurant operator" to be appointed to the HKTB shall be one for each trade. Apart from that, the Administration has also accepted a number of suggestions from the Bills Committee and agreed to move CSAs to improve the wordings of various provisions in the Bill.

The Bills Committee supports the Bill and the CSAs proposed by the Administration.

Thank you, Madam President.

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

MRS SELINA CHOW (in Cantonese): Madam President, first of all, I would like to declare my interest. I am the Chairman of the HKTA. The object of the present Bill is to re-define the role of the HKTA.

I would like to make use of this opportunity to thank members of the Bills Committee and the Legislative Council for their expeditious and thorough handling of the Bill so that the HKTA can assume a new role on 1 April as scheduled to promote the travel and tourism industry.

After the passage of the Amendment Bill, the most important change will be the membership system of the HKTA. We shall no longer be restricted by the membership system, hence the needs of the entire travel and tourism industry, as well as of all those trades which are directly or indirectly related to the industry, can be better taken care of. The travel and tourism industry accounts for 5% of our Gross Domestic Product. Last year, it generated \$76.4 billion of income (including that from passenger carrier service), and offered 354 000 jobs to the people of Hong Kong, accounting for 10% of the total working population.

According to a forecast made by the World Tourism Organization, by year 2010, the number of tourists visiting Hong Kong would be as many as 22.5 million a year. In 2020, the number would increase to 56.6 million a year. The travel and tourism industry is gifted with a lot of opportunities for growth, but we can never be complacent and think that growth in the number of tourists can be taken for granted. As competitions in the tourism market are getting more intense, tourists will demand products and services of a diversified nature and higher quality. We must work hard to safeguard our position in the travel and tourism market in the world.

After the passage of the Bill, the HKTB will be in a better position to facilitate the implementation of the policy and work in respect of promoting the travel and tourism industry. The HKTB will work in close partnership with the Tourism Commission and faithfully discharge its duties of marketing and promoting Hong Kong as a tourist destination. We will strive to meet the needs of the tourists and promote our quality products and services. To ensure that Hong Kong will remain the premier tourist destination and the hub of travel in Asia, a sole reliance on the provision of excellent service in our hotels, shops and restaurants may not be sufficient. Hong Kong must become a friendly and hospitable city. So the promotion of travel and tourism industry must become part of our culture. We believe that people from all walks of life are in great support of the travel and tourism industry. We are convinced that the promotion work should start from our homes. Precisely because of this, we have organized a large-scale promotion campaign called "City of Life: Hong Kong is it!". Since the campaign has been under preparation, we have received a lot of support from all parties, in particular, the Tourism Commission, the Home Affairs Department, the Leisure and Cultural Services Department and the 18 District Councils. We are expecting the launch of this campaign together with the inauguration of the new HKTB on 1 April.

The clause in the Bill which has attracted the greatest concern is about the expansion of the Board of Management in the HKTB so as to enhance its representativeness and to enable it to fulfill its mission more effectively. This clause also accounts for most of the discussion by the Bills Committee.

There are views which think that the Consumer Council, the trade unions and the transportation industry should have designated seats in the Board of Management. There are also views that the number of members representing the food business and the retail sector should be increased.

At present, there are 11 members on the HKTA Board. The amended legislation will expand the size of the to 20 members. The Government will then have more room to take on board the views of the public. I suggest that the Government should take in these views. The criteria for appointment should be objective so that different trades, especially organizations related to the travel and tourism industry, can nominate candidates to the Board.

As the representative from the wholesale and retail sector in the Legislative Council, I am making a recommendation on behalf of the sector

represented by me. People from my sector are demanding that there should be two seats in the Board of Management of the HKTB for the wholesale and retail sector. The Hong Kong Retail Management Association which represents the retail sector is demanding a seat in the Board of Management. I think that is because the Association represents some large-scale retailers. As for the other seat, I think it should go to the representative of those small and medium enterprises in the retail sector. This demand is sensible, because about half of the spending made by tourists in Hong Kong is on shopping.

Since the HKTB will handle complaints made by tourists, I therefore support the inclusion of a representative from organizations on the protection of consumer rights. This will not only help forge closer ties between the Board of Management and the Consumer Council, but also help restore the confidence of tourists who have lodged complaints in Hong Kong and rebuild our image. In addition, I also support the appointment of a representative of the front-line workers of the travel and tourism industry and a representative from the passenger carriers. This will enable professional advice from these two trades to be adopted for the benefit of the work of the HKTB.

Madam President, I wholeheartedly support the Bill.

MR CHAN KAM-LAM (in Cantonese): Madam President, the Democratic Alliance for Betterment of Hong Kong (DAB) supports the Second Reading and the passage of the Hong Kong Tourist Association (Amendment) Bill 2001 and the CSAs to be moved by the Government later.

The DAB recognizes the enormous contribution made by the HKTA over the decades to the promotion of the travel and tourism industry in Hong Kong. However, with the growth in the travel and tourism industry, reforms must be made in the industry, such as in the abolition of the outdated membership system and to expand the size of the Board of Management from 11 to 20 upon the formation of the HKTB.

The DAB is very much concerned about the representativeness of the proposed 20 members on the Board. For apart from licensed travel agencies and other tour operators, the front-line workers of the industry know best the operations of the industry and the difficulties which it faces. Therefore, in the course of deliberations on the Bill, the DAB and the Hong Kong Federation of

Trade Unions demanded that the Government should specify that one representative from the tour guide trade should be appointed to the Board. The Government undertook that it would appoint one representative from the Consumer Council and one representative from tour guides. The DAB welcomes this undertaking.

Madam President, we are aware that the major tasks of the HKTB will still be the promotion of Hong Kong as a tourist destination, organizing major events and helping the industry enhance its quality of service in order to attract more visitors to Hong Kong. It would be difficult for the HKTB to operate entirely on commercial principles, but we would like to see a stringent mechanism put in place by the HKTB to ensure proper utilization of public money.

Madam President, apart from relying on the work to be done by the HKTB, we should also enlist the support of all government departments, including the Tourism Commission, to promote our travel and tourism industry. People in the various trades related to the travel and tourism industry should endeavour to improve the quality of their service and attitude towards tourists. For if not, the construction of the Disney theme park and provision of more tourist facilities alone or the adoption of short-term measures like increasing the daily quota of two-way travel permits will not help to restore the confidence of tourists in Hong Kong at all.

With these remarks, Madam President, I support the Second Reading of the Bill.

MR LEUNG FU-WAH (in Cantonese): Madam President, the labour sector and the Hong Kong Federation of Trade Unions hereby express their support for the proposal by the Government to amend the existing Hong Kong Tourist Association Ordinance because this fits the requirements of the reality to change the membership system to a system that allows more trades to participate in the development of tourism in Hong Kong, seeking to enhance its economic development and create more job opportunities.

The amendment changes the name of the Hong Kong Tourist Association (HKTA) to Hong Kong Tourism Board (HKTB), which is responsible for promoting Hong Kong tourism globally and in source markets. In addition to

marketing, one of the key areas of work of the HKTB is co-ordination of all sectors in the tourism industry with a view to improving tourism products. The change of name seeks to better reflect the role of the HKTB in the tourism industry, that is, to enhance its representativeness. To achieve the aim, there must be participation by representatives from tourism-related trades. In its 40-odd years of operation, the HKTA, due to the membership system, has stifled its own development in some measure. The size of the Board of Management (the Board) of the proposed new HKTB will be expanded from 11 to 20. The increase will undoubtedly have a positive effect, as more trades will be able to participate in the operation of the Board. Moreover, we are also concerned about the composition of the Board.

In the Bills Committee, we proposed that union representatives be included in the Board. The proposal, however, gave rise to some over-reactions from some members, who thought that we wanted to fight for staff benefits at the Board. It is true that amicable employment relations are a must for good performance. I believe no company can perform well when staff morale is low or even when labour relations are poor. Indeed, many sizable commercial organizations have long set up joint association's committees with representatives from both labour and management to promote communication between the two sides for the benefit of better corporate development. By the same token, we propose that staff representatives be appointed to the Board, that is, we hope the HKTB can take forward its work better. Currently, there are tens of thousands of practitioners in the travel and tourism industry. They may be employees in travel agencies, retailers, hoteliers, or they may work as tourist guides, and so on. Irrespective of the work they do, they need to serve tourists face-to-face. Thus, they are the people to whom tourists give comments and from whom tourists obtain first-hand information on sightseeing spots, theme activities, hotel accommodation, shopping, and so on. Therefore, the inclusion of a representative of them is conducive to bettering the development of the travel and tourism industry in Hong Kong.

The Bills Committee has accepted our proposal and the Government has undertaken to appoint a representative of the front-line workers to the Board, which is to be applauded. We hope all relevant persons in the industry may co-operate in more areas and work in the best interest of Hong Kong. Thank you, Madam President.

MR DAVID CHU (in Cantonese): Madam President, on behalf of the Hong Kong Progressive Alliance (HKPA), I support the proposals in the Bill, including changing the name of the Hong Kong Tourist Association (HKTA) to Hong Kong Tourism Board (HKTB), re-establishing the objective of the HKTB in promoting tourism and expanding the number of members in the Board of Management for enhanced representativeness.

It would be unfair to ignore the contribution of the thriving tourism industry to Hong Kong's rise to world-class city fame. The tourism industry in turn owes its success to closely related and mutually dependent trades such as hotels, retailers, restaurants, exhibitions, transportation, and even the overall economic development of Hong Kong. As Hong Kong enters the 21st century, some of the fundamentals contributing to its success over the past 40 years have changed, and a new direction of development is required now. The HKPA expects the HKTB to adopt a new thinking, sensitive market sense and agility in adapting to changes in order to more effectively improve and mobilize tourism resources to transform Hong Kong into a world-class tourist destination.

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

DR YEUNG SUM (in Cantonese): Madam President, the Democratic Party supports the passage of the Bill.

Once the Bill is passed, the name of the HKTA will hence stop to be used in Hong Kong. However, people in Hong Kong will all agree that the HKTA has made great contribution to Hong Kong. With the establishment of the new HKTB, we certainly hope all sectors across the community can assist the HKTB in its work because the tourism industry is critical to the development of Hong Kong. Therefore, we hope all parties may in future render assistance to the HKTB.

I also wish to hear from the government response later on that an undertaking would be made to include a representative from the Consumer Council as a member of the HKTB as the Consumer Council has always been handling complaints from the people regarding tourism. Thus, I believe the representative may reflect views in this regard to the HKTB, and such views will be helpful to the HKTB in its formulation of policy.

Thank you, Madam President.

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

(No Member responded)

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, the purpose of the Hong Kong Tourist Association (Amendment) Bill 2001 is to amend the Hong Kong Tourist Association Ordinance, so as to implement the major recommendations in the Strategic Organization Review (SOR) of the Hong Kong Tourist Association (HKTA).

The major provisions of the Bill include: first, to replace the HKTA and its Board of Management by establishing the Hong Kong Tourism Board (HKTB); second, to update the objects of the HKTA with emphasis on its role in promoting Hong Kong globally as a world-class tourist destination, and to step up its advisory role to the Government; third, to repeal provisions relating to the membership system of the HKTA; and fourth, to provide that the HKTB shall consist of 20 members and a new Deputy Chairman will be appointed from amongst the Board members.

First of all, I would like to thank the Honourable Howard YOUNG for assuming chairmanship of the Bills Committee and I wish to thank all Bills Committee members as well. The Bills Committee has actively finished its scrutiny of the Bill and shown their support for the Bill proposals. In the course of scrutinizing the Bill, they made a lot of valuable and constructive suggestions. I would like to thank the travel and tourism industry and the related organizations for their support and views expressed in connection with the Bill.

We understand that members of the Bills Committee and industry organizations, as well as the representatives from all political parties are very much concerned about the composition of the HKTB. We will endeavour to ensure that the HKTB will maintain a balanced composition with representativeness. It will consist of adequate trade representatives as well as representatives from other professions and individuals in order to enhance the representativeness of the HKTB. Thus pooling together more wisdom from different sectors.

The Bill provides that the HKTB shall consist of 20 members and eight of whom shall come from the following sectors: namely passenger carriers, hotel operators, licensed travel agents, tour operators, retailers and food establishment operators. It is to ensure the trade representativeness in the HKTB. After consulting the Bills Committee, I will move Committee stage amendments to the Bill concerning the constitution and composition of the HKTB later, so as to reflect the composition of trade representatives clearly. As for the remaining 12 members, we will invite talents with different experiences from different fields to become members. We will consider appointing individuals from the marketing, legal, banking and finance sectors. Moreover, we will also accept the recommendation of the Bills Committee to appoint one representative from the Consumer Council and one from the front-line workers of the tourism industry as members of the HKTB. In considering the appointments, we will adopt an open and flexible attitude. The factors for consideration will include the appointees' abilities, expertise, experience, integrity and commitment to public service, so as to appoint the most suitable people to the HKTB. In the course of consideration, we will also make reference to nominations from the trade. After the Bill has been passed, we will consult the industry on the candidates for appointment to the HKTB. In future, we will from time to time review the composition of the HKTB, so as to ensure its representativeness.

The Bill seeks to better define the role of the HKTB in respect of marketing and promotion, so as to improve the effectiveness of its work. The Government will continue to maintain close co-operation with the HKTB and the travel and tourism industry, and spare no effort in developing the tourism in Hong Kong. I hope that all Honourable Members will support the Bill and the amendment proposals I shall be moving in a moment.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Hong Kong Tourist Association (Admendment) Bill 2001 be read the Second time. 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.

CLERK (in Cantonese): Hong Kong Tourist Association (Amendment) Bill 2001.

Council went into Committee.

Committee Stage

CHAIRMAN (in Cantonese): Committee stage. Council is now in Committee.

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL 2001

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the following clauses stand part of the Hong Kong Tourist Association (Amendment) Bill 2001.

CLERK (in Cantonese): Clauses 1, 2, 3, 5, 6, 8, 10, 13 to 19, 22 to 25, 27 to 39 and 41 to 48.

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

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Clauses 4, 7, 9, 11, 12, 20, 21, 26 and 40.

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam Chairman, I move the amendments to the clauses read out just now, as set out in the paper circularized to Members.

Clause 4 of the Bill amends the interpretation provision in section 4(e) of the Hong Kong Tourist Association Ordinance. The section contains a definition for "licensed travel agent". The term is intended to include the controller, director or officer of a corporate that is a travel agent as well as a natural person who is himself/herself a travel agent. For the avoidance of ambiguity, we propose to amend the existing definition in the Bill so that the two categories of persons mentioned above are unequivocally included.

Clause 7 relates to the seal of the Hong Kong Tourism Board (HKTB). We propose to substitute "接納" with "收取" in the Chinese text of section 5(2) to ensure consistency with the existing Ordinance.

Clause 9 of the Bill specifies the general powers of the HKTB. The proposed sections 7(i) and 7(l) refer to the performing of the duties of the HKTB. When we consulted the Bills Committee, some members said "履行責任" was more appropriate than "執行責任" in the Chinese text. We agreed to the views of the Bills Committee and therefore suggest amending the relevant Chinese text in the Bill by substituting "執行" with "履行" wherever it appears. The relevant clauses include clauses 9, 12, 20, 21, 26 and 40.

The amendments to clause 9 of the Bill also include deleting the words "execute or" in the proposed section 7(j). Since in the proposed section 7(j) the meaning of "enter into" is sufficient to cover "execute" and so the word "execute" can be deleted.

To clearly reflect the power of the HKTB to establish and maintain offices both in and outside Hong Kong, we propose adding a new provision in clause 9 to state the relevant power, after consultation with the Bills Committee.

Clause 11 of the Bill provides for the composition of the HKTB. When we consulted the Bills Committee, a member proposed inserting a provision in the Bill to the effect that the number of licensed travel agents, tour operators, retailers and food establishment operators to be appointed to the HKTB shall be one for each trade. After deliberation, we think this is consistent with our object of maintaining a balanced and representative composition and we have therefore accepted the proposal. We have also agreed to move an amendment to the relevant provisions in clause 11.

The above amendments have been scrutinized and endorsed by the Bills Committee. Thank you, Madam Chairman.

Proposed amendmets

Clause 4 (see Annex II)

Clause 7 (see Annex II)

Clause 9 (see Annex II)

Clause 11 (see Annex II)

Clause 12 (see Annex II)

Clause 20 (see Annex II)

Clause 21 (see Annex II)

Clause 26 (see Annex II)

Clause 40 (see Annex II)

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

(No Member indicated a wish to speak)

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendments moved by the Secretary for Economic Services be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): Clauses 4, 7, 9, 11, 12, 20, 21, 26 and 40 as amended.

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

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): New clause 33A Schedule amended.

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam Chairman, I move that new clause 33A, as set out in the paper circularized to Members, be read the Second time.

The new clause 33A, which is a technical amendment, seeks to amend the item number in the square bracket in the Schedule to the Hong Kong Tourist Association Ordinance to "s. 26". Thank you, Madam Chairman.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That new clause 33A be read the Second time.

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

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

CLERK (in Cantonese): New clause 33A.

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam Chairman, I move that new clause 33A be added to the Bill.

Proposed addition

New clause 33A (see Annex II)

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That new clause 33A be added to the Bill.

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

(Members raised their hands)

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

(No hands raised)

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

CHAIRMAN (in Cantonese): Council now resumes

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third Reading.

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL 2001

SECRETARY FOR ECONOMIC SERVICES (in Cantonese): Madam President, the

Hong Kong Tourist Association (Amendment) Bill 2001

has passed through Committee with amendments. I move that this Bill be read the Third time and do pass.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Hong Kong Tourist Association (Amendment) Bill 2001 be read the Third time and do pass.

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.

CLERK (in Cantonese): Hong Kong Tourist Association (Amendment) Bill 2001.

MOTIONS

PRESIDENT (in Cantonese): Motions. Proposed resolution under the Interpretation and General Clauses Ordinance.

PROPOSED RESOLUTION UNDER THE INTERPRETATION AND GENERAL CLAUSES ORDINANCE

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, I move that the motion set out in the Agenda regarding technical amendments to the Prevention of Copyright Piracy (Notices) Regulation (the Regulation) be approved.

To prevent bootlegging of copyright works in cinemas, theatres or concert halls, amendments to the Prevention of Copyright Piracy Ordinance (PCPO) were passed by the Legislative Council last year to create an offence for any person who, without lawful authority or reasonable excuse, has in his possession in such a place of public entertainment any video recording equipment. The amendment will come into effect on 1 April 2001.

Under section 31E of the amended PCPO, the manager of such a place of public entertainment is required to display notices in the prescribed form and statements as well as in such manner and locations as required by the Regulation. Accordingly, the Commerce and Industry Bureau made the Regulation in accordance with section 38 of the PCPO, which was introduced into the Legislative Council on 14 February.

After examining the Regulation on 23 February, the relevant Subcommittee of the Legislative Council proposed some amendments, which have been accepted by the Government. I would like to take this opportunity to thank the members of the Subcommittee and the Chairman, the Honourable Timothy FOK, in particular.

The motion amends section 3 of the Regulation to state in clearer and more precise terms that the manager of a place of public entertainment shall display the notices in such numbers and locations outside that place as will ensure that the notices may be readily seen and read by any person entering that place.

The motion also amends the content of the notice as provided in the Schedule to the Regulation. Our original proposal was to adopt simple wordings to remind the public not to bring video recording equipment into such places without the express consent of the manager. However, the Legislative

Council Subcommittee considered that the concept of "bringing video recording equipment into a place" did not embrace the full meaning of the offence in question and agreed that it should be substituted by that of "carrying or possessing video recording equipment in a place".

Thank you, Madam President.

The Secretary for Commerce and Industry moved the following motion:

"That the Prevention of Copyright Piracy (Notices) Regulation, published as Legal Notice No. 39 of 2001 and laid on the table of the Legislative Council on 14 February 2001, be amended —

- (a) in section 3 by repealing "位置的" and substituting "告示的位置及";
- (b) in the Schedule —
 - (i) in the heading by adding "THE" before "ORDINANCE";
 - (ii) by repealing "而攜帶攝錄器材進入電影院、劇院或音樂廳，即屬犯罪" and substituting "，不得在電影院、劇院或音樂廳攜有或藏有攝錄器材";
 - (iii) by repealing "It is an offence to bring video recording equipment into" and substituting "No video recording equipment is allowed in"."

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

Does any Member wish to speak?

MR HUI CHEUNG-CHING (in Cantonese): Madam President, on behalf of the Hong Kong Progressive Alliance (HKPA), I support the amendment to the Prevention of Copyright Piracy (Notices) Regulation which seeks to make the

forms, wordings and locations of warning notices are more obvious in places of public entertainment. The relevant amendment not only makes the manager of a place of public entertainment become more aware of his responsibility to combat copyright piracy crimes, but also makes it easier for the public to receive the message of respecting intellectual property rights.

The legislation on the prevention of copyright piracy has constantly been improved. Therefore, the HKPA hopes that the law enforcement officers can crack down rigorously on copyright piracy crimes, so that the bad name of Hong Kong being the heaven of copyright piracy can be cleared as soon as possible.

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

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

(No Member responded)

PRESIDENT (in Cantonese): Secretary for Commerce and Industry, do you wish to reply?

(The Secretary for Commerce and Industry indicated that he did not wish to reply)

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Proposed resolution under the Public Finance Ordinance.

PROPOSED RESOLUTION UNDER THE PUBLIC FINANCE ORDINANCE

SECRETARY FOR THE TREASURY: President, I move the motion standing in my name on the Agenda.

The purpose of this motion is to seek funds on account to enable the Government to carry on existing services between the start of the financial year on 1 April 2001 and the enactment of the Appropriation Ordinance. This follows the procedure long established in this Council.

We have determined the funds on account sought under each subhead in accordance with paragraph 4 of the resolution, by reference to percentages of the provision shown in the 2001-02 draft Estimates of Expenditure. If the draft Estimates are changed by the Finance Committee or officers under delegated powers, the provision to which the percentages are applied will also change accordingly. Thus, the provision on account under each head is not constant, but may vary with every increase being matched by an equal decrease. The initial provision on account under each head is shown in the footnote to this speech. The aggregate total under all heads is fixed, however, at \$54,678,433,000 and cannot be exceeded without the approval of this Council.

The resolution also enables the Financial Secretary to vary the funds on account in respect of any subhead, provided that these variations do not cause an excess over the amount of provision entered for that subhead in the 2001-02 draft Estimates of Expenditure or an excess over the amount of funds on account for the relevant head.

The Financial Secretary will issue a vote on account warrant to the Director of Accounting Services, authorizing him to make payments up to the amount specified in this motion and in accordance with its conditions. The vote on account will be subsumed upon the enactment of the Appropriation Ordinance, and the general warrant issued after the enactment of the Appropriation Ordinance will replace the vote on account warrant.

President, I beg to move.

Footnote

<i>Head of Expenditure</i>	<i>Amount shown in the draft Estimates \$'000</i>	<i>Initial amount of provision on account \$'000</i>
21 Chief Executive's Office	51,904	10,381
22 Agriculture, Fisheries and Conservation Department	786,752	236,077
25 Architectural Services Department.....	1,574,706	318,366
24 Audit Commission	133,111	27,942
23 Auxiliary Medical Service	65,302	13,061
82 Buildings Department	749,927	178,308
26 Census and Statistics Department	825,684	314,357
27 Civil Aid Service	79,282	16,685
28 Civil Aviation Department	650,740	134,240
43 Civil Engineering Department	869,084	184,755
29 Civil Service Training and Development Institute	155,314	31,063
30 Correctional Services Department	2,637,629	596,825
31 Customs and Excise Department.....	1,887,500	413,880
37 Department of Health	3,622,980	807,018
92 Department of Justice	986,695	218,707
39 Drainage Services Department	1,481,982	316,361
40 Education Department	30,786,223	7,638,471
42 Electrical and Mechanical Services Department	291,240	105,782
44 Environmental Protection Department	2,615,945	885,389
45 Fire Services Department	3,085,773	744,461
49 Food and Environmental Hygiene Department	4,435,779	988,837
46 General Expenses of the Civil Service	5,364,590	1,219,736
166 Government Flying Service	328,384	202,768
48 Government Laboratory	246,324	68,936
50 Government Land Transport Agency.....	302,631	258,927
51 Government Property Agency	2,006,626	416,126

<i>Head of Expenditure</i>	<i>Amount shown in the draft Estimates \$'000</i>	<i>Initial amount of provision on account \$'000</i>
35 Government Secretariat : Beijing Office ..	52,131	11,428
143 Government Secretariat : Civil Service Bureau	207,329	53,298
152 Government Secretariat : Commerce and Industry Bureau	130,579	47,670
144 Government Secretariat : Constitutional Affairs Bureau.....	37,106	9,726
145 Government Secretariat : Economic Services Bureau	104,362	26,708
146 Government Secretariat : Education and Manpower Bureau	200,541	119,113
154 Government Secretariat : Environment and Food Bureau	60,562	14,113
147 Government Secretariat : Finance Bureau...	118,258	23,652
148 Government Secretariat : Financial Services Bureau	159,906	45,662
149 Government Secretariat : Health and Welfare Bureau	101,561	21,233
53 Government Secretariat : Home Affairs Bureau	193,851	50,650
150 Government Secretariat : Housing Bureau	43,065	9,413
55 Government Secretariat : Information Technology and Broadcasting Bureau ...	185,919	84,304
155 Government Secretariat: Innovation and Technology Commission	142,748	39,724
142 Government Secretariat : Offices of the Chief Secretary for Administration and the Financial Secretary.....	359,790	101,192
96 Government Secretariat : Overseas Offices	238,610	68,156

<i>Head of Expenditure</i>	<i>Amount shown in the draft Estimates \$'000</i>	<i>Initial amount of provision on account \$'000</i>
56 Government Secretariat : Planning and Lands Bureau and Works Bureau	280,068	67,620
151 Government Secretariat : Security Bureau ...	124,441	33,926
153 Government Secretariat : Transport Bureau	78,251	18,372
58 Government Supplies Department	175,156	36,072
60 Highways Department	1,928,464	394,155
63 Home Affairs Department	1,251,477	290,717
168 Hong Kong Observatory	225,708	47,886
122 Hong Kong Police Force	12,350,674	2,637,578
62 Housing Department	481,200	96,240
70 Immigration Department	2,192,943	457,739
72 Independent Commission Against Corruption	686,659	139,048
121 Independent Police Complaints Council ...	14,089	3,618
74 Information Services Department	373,339	87,868
47 Information Technology Services Department	619,131	125,793
76 Inland Revenue Department	1,343,285	270,209
78 Intellectual Property Department	116,837	53,509
79 Invest Hong Kong	70,366	33,306
80 Judiciary	1,027,845	226,959
90 Labour Department	912,523	278,088
91 Lands Department	1,635,537	354,064
94 Legal Aid Department	883,571	176,795
112 Legislative Council Commission	357,230	78,578
95 Leisure and Cultural Services Department	5,287,321	1,116,663
98 Management Services Agency	60,946	12,413
100 Marine Department	984,389	214,182
106 Miscellaneous Services	6,590,275	2,566,621
114 Office of The Ombudsman	106,929	22,049
115 Official Languages Agency	121,809	24,747

<i>Head of Expenditure</i>	<i>Amount shown in the draft Estimates \$'000</i>	<i>Initial amount of provision on account \$'000</i>
116 Official Receiver's Office	137,885	30,217
120 Pensions	14,572,788	5,397,054
118 Planning Department	447,243	121,976
130 Printing Department	248,286	51,919
136 Public Service Commission	18,521	3,705
160 Radio Television Hong Kong	515,144	122,221
162 Rating and Valuation Department	389,629	77,926
163 Registration and Electoral Office	79,239	15,848
170 Social Welfare Department	29,768,739	6,990,057
174 Standing Commission on Civil Service		
Salaries and Conditions of Service	14,210	2,842
175 Standing Committee on Disciplined		
Services Salaries and Conditions of		
Service	6,774	1,355
173 Student Financial Assistance Agency	2,308,508	461,702
176 Subventions : Miscellaneous	293,328	79,367
177 Subventions : Non-Departmental Public		
Bodies	33,263,441	7,203,962
180 Television and Entertainment Licensing		
Authority	120,635	44,367
110 Territory Development Department	227,576	46,853
181 Trade and Industry Department	300,813	65,850
186 Transport Department	921,952	246,065
188 Treasury	324,271	70,571
190 University Grants Committee	12,900,744	2,584,513
194 Water Supplies Department	5,429,959	1,095,747
	<hr/>	<hr/>
	210,928,573	51,652,433
184 Transfers to Funds	3,026,000	3,026,000
	<hr/>	<hr/>
Total	213,954,573	54,678,433
	=====	=====

The Secretary for the Treasury moved the following motion:

"That:

1. Authority is hereby given for a sum not exceeding \$54,678,433,000 to be charged on the general revenue in advance of an Appropriation Ordinance for expenditure on the services of the Government in respect of the financial year commencing on 1 April 2001.
2. Subject to this Resolution, the sum so charged may be expended against the heads of expenditure, and expenditure for each such head shall be arranged in accordance with the subheads, shown in the draft Estimates of Expenditure 2001-02 laid before the Legislative Council on 7 March 2001 or, where such estimates are changed under the provisions of the Public Finance Ordinance (Cap. 2) as applied by section 7(2) of that Ordinance, in accordance with such estimates as so changed.
3. Expenditure in respect of any head shall not exceed the aggregate of the amounts specified in respect of each subhead in that head, by reference to percentages, in section 4(a) and (b).
4. Expenditure in respect of each subhead in a head shall not exceed:
 - (a) in the case of a Recurrent Account subhead, an amount equivalent to:
 - (i) except where the subhead is listed in the Schedule hereto, 20% of the provision shown in respect of it in the draft Estimates;
 - (ii) where the subhead is listed in the Schedule hereto, that percentage of the provision shown in respect of it in the draft Estimates which is specified in relation to that subhead in the Schedule; and
 - (b) in the case of a Capital Account subhead, an amount equivalent to 100% of the provision shown in respect of it in the draft Estimates,

or such other amount, not exceeding the provision shown in respect of the subhead in the draft Estimates, as may in any case be approved by the Financial Secretary.

		SCHEDULE		[s.4]
<i>Head of Expenditure</i>		<i>Subhead</i>		<i>Percentage of provision shown in draft Estimates</i>
26	Census and Statistics Department	000	Operational expenses	38
28	Civil Aviation Department	170	Airport insurance	100
30	Correctional Services Department	149	General departmental expenses	36
31	Customs and Excise Department	248	Grant to the Customs and Excise Service Welfare Fund	100
40	Education Department	325	Direct Subsidy Scheme	41
		326	Kindergarten Subsidy Scheme	47
		330	Assistance to private secondary schools and bought places	35
		340	English Schools Foundation junior schools	42
		345	English Schools Foundation secondary schools	41
		489	Miscellaneous educational services	25
46	General Expenses of the Civil Service	013	Personal allowances	40

<i>Head of Expenditure</i>		<i>Subhead</i>	<i>Percentage of provision shown in draft Estimates</i>
53 Government Secretariat: Home Affairs Bureau	536	Uniformed groups and other youth organizations	25
90 Labour Department	280	Contribution to the Occupational Safety and Health Council	25
	295	Contribution to the Occupational Deafness Compensation Board	25
92 Department of Justice	234	Court costs	25
	243	Hire of legal services and related professional fees	25
	287	Legal services for construction dispute resolution	25
95 Leisure and Cultural Services Department	368	Leisure and culture subventions	25
106 Miscellaneous Services	163	Write-offs	50
	192	Refunds of revenue	100
120 Pensions	015	Public and judicial service pension benefits and compensation	30
	017	Surviving spouses' and children's pensions, widows' and orphans' pensions and increases	30
	021	Ex gratia pensions, awards, allowances and increases	50

<i>Head of Expenditure</i>	<i>Subhead</i>	<i>Percentage of provision shown in draft Estimates</i>
	026 Employees' compensation, injury and death related payments and expenses	30
130 Printing Department	002 Allowances	25
160 Radio Television Hong Kong	102 Technical Services Agreement	25
170 Social Welfare Department	176 Criminal and law enforcement injuries compensation	25
	177 Emergency relief	100
	179 Comprehensive social security assistance scheme	25
	180 Social security allowance scheme	25
	187 Agents' commission and expenses	100
	412 Refunds of rates	30
176 Subventions : Miscellaneous	414 Environmental Advisory Service	25
	437 Hong Kong - Japan Business Co-operation Committee	25
	446 Duty Lawyer Service	25
	475 Outward Bound Trust of Hong Kong	25
	503 Subventions to non-government organization camps	26

<i>Head of Expenditure</i>	<i>Subhead</i>	<i>Percentage of provision shown in draft Estimates</i>
	521 Skills centres	25
	527 Open University of Hong Kong	25
	528 Guardianship Board	25
177 Subventions : Non- Departmental Public Bodies	520 Vocational Training Council	25
	526 Legal Aid Services Council	25
	537 Employees Retraining Board	25
188 Treasury	187 Agents' commission and expenses	68"

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by the Secretary for the Treasury, as set out on the Agenda, be passed.

Does any Member wish to speak?

(No Member indicated a wish to speak)

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

(Members raised their hands)

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

(No hands raised)

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

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. 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. As Members are already familiar with the rules on the time limits on speeches, I will not repeat them here.

First motion: Consultation Document on Health Care Reform.

CONSULTATION DOCUMENT ON HEALTH CARE REFORM

MRS SELINA CHOW (in Cantonese): Madam President, as Chairman of the House Committee, I move that the motion, as printed on the Agenda, be passed.

On 12 December last year, the Administration released a Consultation Document on Health Care Reform entitled "Lifelong Investment in Health". The consultation period will end at the end of March. At the House Committee meeting on 23 February this year, Members agreed to the Honourable Mrs Sophie LEUNG's suggestion that I should move a motion so that Members could express their views before the end of the public consultation period. In discussing this Consultation Document, reference must be made to the Harvard report. Members may recall that in November 1997, the Health and Welfare Bureau appointed the School of Public Health, Harvard University in the United States to review the health care financing and delivery system in Hong Kong to assess whether the existing financing method could meet future needs and to recommend reform options for consideration.

The Harvard team released its report on 12 April 1999. Its recommendations induced extensive discussions among the public and 2 200 submissions were received from different sectors of the community. Based on the views collected, the Administration has reviewed the existing delivery system,

the system of quality assurance and the sources of funding for health care services. The relevant directions for reform and recommendations are set out in the Consultation Document on Health Care Reform. First, I wish to talk about some of the differences in the recommendations made by the Government and the Harvard team.

In respect of financing, the Harvard team recommended the introduction of a Health Security Plan (HSP) and MEDISAGE. The HSP is a universal compulsory insurance scheme. The initial premium will account for about 1.5% to 2% of wages, and will be shared jointly by employers and employees, while the premium of the poor and the unemployed will be financed by the Government. The Government is to set up the Health Security Fund, Inc., a quasi-government body, to pool the risks of hospital care for Hong Kong residents and certain serious chronic diseases. It will establish uniform payment rates for various services through negotiations with public and private health care service providers. Regardless of whether patients choose public or private services, the Fund will pay the uniform rate on their behalf. Under this scheme, public hospitals will not automatically receive funding from the Government and public and private health care services will engage in fair competition in the market.

The HSP is not adopted in the Government's Consultation Document. Instead, it proposes to introduce Health Protection Accounts to help people meet their health care expenses after retirement. The people will deposit 1% to 2% of their earnings in a personal account from the age of 40 to 64, with no contributions from employers. The savings can be withdrawn when the person reaches the age of 65 to pay for medical and dental expenses at public sector rates, or to purchase medical and dental insurance plans from private insurance companies.

In order to meet the needs of long-term health care, the Government indicates in the Consultation Document that it agrees with the Harvard team's recommendation to establish MEDISAGE accounts. But since long-term care insurance is not well developed in Hong Kong, the Government will examine the scheme in detail before making proposals on implementing the scheme or amendment.

In respect of out-patient services, the Harvard experts recommend contracting out certain public health care services, such as the Maternal and Child Health Services of the Department of Health (DH) or specific services which have long waiting lines at Hospital Authority (HA) facilities, as a short-term measure. In the long run, under the HSP, all primary out-patient services will be contracted out and no longer provided by the Government. The Department of Health will mainly be responsible for health education and promotion, monitoring the quality of health care services and setting standards for health care services.

In the Government's Consultation Document, it recommends transferring the general out-patient service from the DH to the HA to facilitate integration between primary and specialty services within the public health care system. The HA will consider contracting out some of its services to the private sector to tie in with the family medicine training programme.

As regards the mechanism for handling patients' complaints, the Harvard team recommends setting up an independent medical complaint office similar to an Ombudsman office responsible for dealing with complaints related to health care services. The Government's Consultation Document recommends instead the establishment of a Complaint Office in the DH to help patients lodge complaints. Its task will include conducting investigations, helping patients to obtain expert opinion and providing relevant information to complainants. The Complaint Office will try to mediate. Failing this, the Complaint Office will upon request of the complainants refer the findings of the investigation to the regulatory bodies, which will decide whether to take disciplinary action.

Madam President, the Government's Consultation Document has also adopted some of the recommendations made by the Harvard team. These include strengthening the functions of the DH and its preventive care work, promoting family medicine practice, developing primary care and community care services, introducing Chinese medicine into public hospitals on a trial basis and carrying out a full-scale review of the fee structure of public health care services.

People are no doubt particularly concerned about the fees of public health care services. In its report, the Harvard team points out that the Administration

could raise the fees for public health care services as a short-term measure to improve health care services in Hong Kong. In addition, the team recommends that the HA and the DH should consider establishing "green lines" with shorter waiting times and increasing the provision of semi-private wards and services with choice of doctors. If patients choose these services, they will have to pay higher fees.

In the Consultation Document, the Government points out that the purpose of reviewing the fees is to explore how to spend public money properly and subsidize the various services appropriately. In reviewing the fees, the Government will examine how the relative priorities of services provided may be reflected in the subsidy level and how misuse of services can be prevented.

During the past three months, the Legislative Council Panel on Health Services held four meetings specifically to discuss the Consultation Document on Health Care Reform. Members were very much concerned about the recommendations on health care financing. They were generally of the view that the savings in the Health Protection Accounts would only provide very little protection and that most people would ultimately choose public hospital services. Some members objected to requiring the people to contribute to the Health Protection Accounts when the Mandatory Provident Fund Scheme had only just commenced.

Some members also pointed out that unless the Government raised fees substantially, the huge gap between the fees charged by public and private health care organizations could hardly be bridged. As a result, the uneven distribution of workload between the public and private sectors would continue and the heavy workload and stress suffered by the front-line workers of public hospitals would not be reduced. Some members also considered that the low fees of public health services made it difficult for the insurance industry to attract the general public to take out medical insurance.

As regards the handling of patients' complaints, most members opposed the establishment of a Complaint Office in the DH. In their view, only by establishing an independent complaint office outside the government framework could the public be provided with a genuine and credible channel of redress.

Some members also thought that the Government's Consultation Document did not contribute to a constructive discussion, since its recommendations contained no figures or details of implementation. With regard to this point, I also wish to point out that Prof William HSIAO, author of the Harvard report, has recently strongly criticized some of the recommendations in the Consultation Document on Health Care Reform, as well as the forecast made by the Secretary for Health and Welfare on various public occasions that the provision for health care expenditure will fall short by about \$9 billion in 2016. In Prof HSIAO's view, the Consultation Document lacks detailed information and arguments and proposes financing options that offer temporary instead of fundamental solutions based on unreliable forecasts. With regard to these views and criticisms, the Administration owes the public a clear explanation on the recommendations in the Consultation Document, and it should account for the basis and computation method of the figures used by the Secretary.

Madam President, health care policy is a very important issue. The recommendations made in the Consultation Document on Health Care Reform will have far-reaching effects. I hope the Administration can keep an open mind and listen to views from various sides. It should examine the pros and cons of the various recommendations in detail to find a suitable reform option in order to provide Hong Kong people with comprehensive quality health care services, and ensure that there is adequate funding for the long-term operation of the public health care system.

With these remarks, I beg to move.

Mrs Selina CHOW moved the following motion:

"That this Council notes the Consultation Document on Health Care Reform."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mrs Selina CHOW be passed.

DR YEUNG SUM (in Cantonese): Madam President, today I am going to concentrate on discussing the "Mandatory Medical Fund" (Health Protection Accounts) proposed by the Government in the Consultation Document.

The Consultation Document on Health Care Reform (Consultation Document) proposed the introduction of the Health Protection Accounts (HPA) which require all citizens to deposit 1% to 2% of their income into their personal accounts from the age 40 to 64 and they can withdraw their contributions on reaching the age of 65. Every time they can withdraw an amount equivalent to the fees charged by the public medical services. The Democratic Party has reservations about this scheme.

The Harvard Consultants commissioned by the Government last year estimated in a review of the health care services that the public medical expenditure would be increased by 6.6% every year. The Health and Welfare Bureau considered that the consultants had exaggerated the growth in expenditure on medical services, so a new calculation was done. The result was an annual growth of approximately 3.2% only, of which 2.2% was attributed to the growth and ageing of the population whereas 1% was attributed to development in technology. Altogether there were 3.2%. The Financial Secretary undertook that funding for health care in the future would be able to meet the needs of the growth and ageing of the population. What required a solution was the 1% growth brought about by medical technology.

If the statement of the Health and Welfare Bureau was true, through improving the information on medical services, thus allowing the people to know more about the prices of private medical services, and improving the convergence between public and private services, then many patients would leave the public sector medical services and turn to the private sector. Moreover, through adjusting public service fees slightly and improving the efficiency, then the problem arising from the 1% growth might have been solved. If so, what is the point of involving so many people and requiring hundreds of thousands of employees to make contributions to the medical savings scheme, and incurring a substantial amount of additional administrative expenses?

If the Government has underestimated the future growth in medical services, the future medical expenditure will rise drastically, as predicted by the Harvard scholars. Thus the Government may increase the rate of contribution greatly. In fact, the personal medical savings scheme implemented in Singapore has resulted in such a consequence. The Government has to raise the contribution rate constantly in order to cope with the surging medical expenditure.

Even if the amount of contribution proposed in the Consultation Document, that is, 1% to 2% of the salaries, could already solve the problem of growing medical expenditure, it is not appropriate now to implement this proposal. I wish to emphasize that it is absolutely not right to launch it now. The economy has not yet fully recovered currently. Many people are making an unstable income and a monthly 5% of contribution to the Mandatory Provident Fund is already difficult for them. If they have to contribute 1% to 2% of their salaries to the HPA and 1% to the MEDISAGE savings accounts, it will undoubtedly add to their already heavy burden. Instead of spending \$430 billion of fiscal reserves, the Government changes the trick again in an attempt to dig into the pockets of the public. The public will certainly respond strongly to that. Therefore, we can only engage in discussions now and get an understanding of the public's views first.

In fact, there are many problems with the HPA scheme. For the high-income group, they will accumulate a big sum of money in the HPA and will certainly use it to the fullest. Therefore, it will lead to abuse very easily. Furthermore, they can only withdraw from the HPA an amount which is equivalent to the fee charged by the public medical services. If they use private services, they have to subsidize the expenses on their own. Hence, it is not sufficient to encourage them to shift to private medical services. Therefore, the protection account must set a maximum contribution amount. However, the Consultation Document is silent on this point.

As for the middle- and low-income groups, their contributions may not be adequate. Since they earn a low income and have an unstable job, the savings in their HPA are smaller. However, the health condition of the low income group is generally worse and their medical expenses are heavier. The investigation of the Harvard Report indicates that the percentage of the chronically ill for households with a monthly income of \$10,000 or below is 20% higher as opposed to the average population whereas the percentage of falling ill for households with a monthly income of \$40,000 or above is nearly 20% lower than the average population. Therefore, the medical savings of the low-income group may not be sufficient to pay for the medical expenses in their old age. If the Government mandates the public to make contributions, it should at the same undertake to provide subsidized and free medical services for the public after they have used up the savings in their HPA. I emphasize that the Government should provide free medical services, but this point is not mentioned in the Consultation Document.

As regards the lowest income group, they "live from hand to mouth" and even have problems with their essential daily expenses. In fact, they should not be required to take part in any contributory system. The Consultation Document, however, does not mention that the low-income group are exempt from contributions. As a result, people feel that they make contributions to many schemes but there is no protection for their income. They will ask, "What has actually happened to Hong Kong?"

Finally, the Consultation Document mentions that people after the age of 65 can use their savings in the HPA to purchase personal insurance. In fact, with a view to protecting the profits of private medical care insurance underwriters, it is very difficult for the chronically ill and the elderly to take out insurance policies at present. The Government should study different proposals and ensure that all elderly can purchase medical insurance through legislation or setting up its own non-refusal medical insurance scheme. This point is not mentioned in the Consultation Document either.

In conclusion, with respect to the HPA mentioned in the Consultation Document on Health Care Reform, the Democratic Party is concerned about a number of issues. Firstly, there is no provision of reliable actuarial and statistical information to prove that the HPA can tackle the problems in expenditure brought about by the ageing and growth of population, and the development of technology. The Consultation Document is really too careless, and it is hoped that future government consultation documents will not be as careless as this one because its contents are utterly incomprehensible. Secondly, the Consultation Document does not mention that the implementation of the "Mandatory Medical Fund" will only be considered after wages have actually been increased and the community has adapted to the Mandatory Provident Fund (MPF) Scheme. Thirdly, no maximum contribution is imposed on the high-income group in the Consultation Document. Fourthly, for the general wage earners, the Government does not undertake to provide them with subsidized and free medical services when they have spent all their savings in the HPA. Fifthly, as far as the poor are concerned, the Consultation Document does not mention that the low-income group are exempt from contributions. And sixthly, the Government has no way to guarantee that all elderly can use the accrued savings to purchase medical insurance as well. The HPA proposed in the Consultation Document is basically a very rough concept. The above issues all call for our concern, but the Consultation Document has completely failed to give us any answers. Therefore, the Democratic Party absolutely cannot support this Consultation Document in terms of either political consideration or policy analysis.

I hope that the Government will further discuss the above issues in our future discussions. Moreover, with respect to the discussion on medical financing so far, very little statistics have been made available to the public to date. The Government should publicize the relevant information as soon as possible so that people can make comments on them in a rational manner.

Madam President, I so submit.

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

DR LO WING-LOK (in Cantonese): Mr Deputy, although I am a doctor, I am also an ordinary citizen. When I am sick, I certainly hope that I can get a medical service which is comprehensive, high-quality, inexpensive, free from waiting, together with the most convenient and quickest complaint mechanism which does not require us to pay anything in cost.

I am very grateful to the Secretary for Health and Welfare for his efforts over the past years to create a medical ideal for Hong Kong people. When the economy of Hong Kong was growing rapidly, Secretary YEOH assumed the office of the Chief Executive of the Hospital Authority (HA). With the enormous provision of public funds, he created for Hong Kong people a colossal and public hospital service-oriented health care system. The economy of Hong Kong has experienced a recession period. Currently, it is consolidating itself in gradual recovery. To stick to the ideal, the Government can only on one the hand attempt to dig into the pockets of the public and pass the responsibility of failing to reach the ideal to the front-line health care personnel and on the other, hope that the flesh and blood of the health care personnel can satisfy the ever increasing expectations of the public and maintain this medical "utopia". "Utopia" is lofty, but it is also illusory.

All Hong Kong people fell heavily as a result of the bursting of the bubble economy. I do not want to see another burst in a "bubble medical service" and make thousands and thousands of people become the victims. To avoid a bubble burst, we must relieve the pressure of the bubble instead of inflating it and make it bigger and bigger.

Recently, Secretary YEOH has been appearing on television personally to promote his Consultation Document on Health Care Reform (the Consultation Document) and kept making promises to the public. For example, the Consultation Document proposes the introduction of the HPA which requires people to make contributions from the age of 40 to 64. On rough calculation, the contributions accrued in 25 years will amount to a few ten thousand dollars only. However, it promises that "the medical expenditure at public sector rates up to the average life expectancy age" can be taken care of and estimates that this sum of money should be sufficient for everyone to use six general out-patient clinic services, six specialist clinic services and two hospitalization services annually in average after 65. Also between the age of 65 to 80, the elderly can have replacements for two sets of dentures. However, when the public required the Secretary to produce some objective data, none was available. If he was not making a bubble medical service, then what was it?

The Consultation Document also mentions that "the Hong Kong population is entitled to a high standard of service and it is the responsibility of the health care professionals to ensure that quality health care services are always maintained and delivered." Certainly, the health care professionals must strive to discharge their duties and maintain the service quality. As the representative of the medical sector, even if I mobilize nearly 10 000 medical practitioners and dentists to strive to improve themselves constantly, to work hard to serve the public, and to meet the relevant requirements in the Consultation Document to guarantee the quality, but medical service has a price and there is a limit for the pressure bearable to health care professionals. They practically cannot satisfy the endless expectations and needs of the public. To pass all responsibilities of maintaining the quality of medical service onto the health care professionals will ruin the relationship between them and the patients. This behaviour is to create bad blood between them and shirking of responsibilities. This method and manner of handling things is one of the major reasons that makes the administration of Hong Kong so difficult.

With the limited public resources, the Government can never satisfy all the needs of all the people. The Government can only distribute the resources evenly according to their priorities, so that the public can get appropriate medical services when such a need really arises. I think that the best way to reform is to "set a parameter for public medical services".

In fact, the resources put into the medical services by the Government annually are absolutely not small. They stand at as much as \$30 billion or so yearly. In terms of the 6.8 million people in Hong Kong, every person gets more than \$4,400 of medical protection from the Government per annum. Under the principle of risk sharing by all people, this protection is actually quite good.

Never can an insurer undertake unlimited risks with a limited sum of premium. Therefore, the Government, as "the first medical insurer" of Hong Kong people, must formulate effective measures to control the moral hazard of service users and providers, so as to prevent users from asking for more endlessly. Also, it can stop providers from creating needs and squandering money. That is to say, we have to set a parameter for public medical services. The Government, as the first insurer, must clarify to the people its coverage. I said it once again. No single insurer can provide people with comprehensive protection with a limited amount of premium.

The Government being the first insurer must explain to the people clearly its coverage. If the public think that the protection provided by the first insurer is inadequate, they can look for a second insurer according to their own needs, such as to increase the premium, savings, and so on. For those people who are in need and cannot afford to bear the "residual risks", the Government should provide them with assistance.

On the contrary, if "a parameter" is not set for the public medical services, they cannot fill the black hole of medical need either even though the people have to contribute a large sum of money. To ask the public to pay without setting "a parameter" for public medical services, or to even go in the opposite direction by stimulating the needs is irresponsible behaviour.

Hong Kong people are very smart and industrious. The Government should have the courage to state the truth of the facts to the public so that they can make a rational and sensible choice. It should never appeal to the public with a beautiful package and empty words. The authorities must not underestimate the wisdom of the public.

Finally, as regards the inadequacies in the medical sector, being the representative of the medical sector, I am willing to listen to views with an open attitude and accept criticisms in a humble way. However, I also hope that the public will not be deceived by the false impression produced by the bubble medical service. Let us work together to establish for Hong Kong a medical

system that can provide the public with sufficient protection and choices, and a service of reasonable quality.

I so submit.

MR MICHAEL MAK (in Cantonese): Mr Deputy, first of all, the wordings of this motion are neutral and lack a clear direction. Members can neither make amendments nor "vote against" it, but are forced to say they "support" it. Moreover, the outcome of the debate will fail to provide guidance to the public either. As a result, it gives the Government a chance to interpret it freely and manipulate the public opinions. Therefore, I am at a loss in the debate or even feel very sorry about it.

In fact, earlier I attended several forums and public events where I expressed my position on the Consultation Document on Health Care Reform (the Consultation Document). I am going to sum up the views that I have expressed and draw a brief conclusion below. And I will submit my opinions to the Administration later.

In recent years, the cost of medical and health services has been constantly on the rise due to factors relating to technology, needs of users, and the ageing and growth of the population. In addition, the utilization rate of public and private medical institutions has suffered from a loss of balance. The attendance of patients in public hospitals has been surging constantly, bringing enormous work pressure on the service providers. From 1991 until now, the manpower of the health services sector has failed to increase in keeping with the times. The number of nurses has gone down instead of going up in these few years. On the contrary, the number of consultants has increased a lot. The Hospital Authority (HA) also suffers from an uneven allocation of resources. All these problems have caused our system to face a very big challenge.

The population of Hong Kong is ageing continuously. Chronic diseases account for most of the illnesses suffered by the public. They constitute a heavy burden on the provision of medical care in terms of either manpower or technology. The Consultation Document mentions many strategies and objectives, such as to strengthen preventive care work, improve the collaboration between private and public medical services, or even promote Chinese medicine, and so on. These are directions that I consider worthy of endorsement.

I fully agree that all professionals should pursue continuing studies. In this way, it can ensure that the colleagues in the sector can equip themselves with the latest professional knowledge and technology that will put their services on a par with the international standard.

Also, I think that the separation of the medical and dispensing practices is definitely necessary and must be carried out. Hence people can choose to get their prescriptions at dispensaries, with the resident registered pharmacist explaining to them the efficacy and side effects of the drugs. This can ensure that the public will get a safe and effective treatment.

As far as the promotion of the use of Chinese medicine is concerned, I am worried that some people will try to block its implementation with ulterior motives. Traditional Chinese medicine has accumulated 5 000 years of our country's civilization and it is a school of profound and sophisticated knowledge, so it will contribute significantly to the protection of public health. Many people overseas are scrambling for this traditional medical practice, too. When the Honourable David CHU proposed a relevant motion for debate earlier, I expressed my support explicitly and hoped that the Administration could implement the policy as soon as possible and provide to relevant professionals with sufficient professional training and continuing education in Chinese medicine, so that the public seeking Chinese medical treatments can get a quality service.

Mr Deputy, the Consultation Document, like the Budget announced not long ago, talks about some great ideals only without the support of any actuarial data. Most of the proposals seem to be feasible but not quite there yet. What kind of utopia that the Government actually wants to lead us to?

Insofar as financing is concerned, the Consultation Document proposes that the HPA be established, with people starting to make contributions when they reach the age of 40. The rate of contribution will be 1% to 2% of their monthly salaries. On reaching 65, they can then get certain health care services. Actually, what data are there to support this beautiful blueprint? The Administration has not yet given the public a detailed explanation so far. I think that any proposals involving insurance or contributions will carry a moral hazard. Since some of the people may casually utilize the medical services after they have made their contributions, therefore, in order to prevent the concept of cost control from bringing about negative effects, the Administration has to conduct an actuarial and prudent study, and educate the public to prevent abuses.

Recently, the Health and Welfare Bureau has intended to introduce a series of measures to control cost-effectiveness, hoping to maintain the annual increase in the take-up rate of public medical services and the cost of technology growth at 1%. It implies that the "user pays" principle will be implemented in the future. However, the Administration must consider that current public medical service users are mostly senior citizens, the chronically ill and the grassroots, so a fee increase will only make them shoulder a heavier burden whereas the take-up rate of services may not necessarily be reduced effectively. If the Government is to implement the "user pays" proposal, it has to provide the public with a number of options. Moreover, it must ensure that the disadvantaged will have access to suitable medical services as well.

Furthermore, the Consultation Document also proposes that the out-patient service of the Department of Health (DH) be transferred to the HA for management. Although it is said that the resources, especially human resources, can be fully utilized in this way, the Government should give the relevant staff sufficient choice and officer them remuneration not lower than the level offered to public hospital staff when the hospitals were taken over by the HA in 1991. The Consultation Document also proposes to set up in the DH a Complaint Office which is responsible for investigating into cases of patient complaints. This official investigation mechanism is set up with no arbitration power, thus its transparency and credibility is open to question. Why cannot the Administration set up a fair, open and impartial independent investigation mechanism which enables Hong Kong to enjoy a good international reputation for "judicial independence"?

I think that to really foster a new era of healthy lifestyle, inter-departmental co-ordination must be achieved strategically. For example, the Education Department, Environmental Protection Department, Food and Environmental Hygiene Department, and so on, have to work together to promote primary health care services instead of enhancing primary medical services alone, with too much emphasis being put on the "doctors' rights-oriented and treatment" mode of delivery. The Government must inject more resources into the preventive efforts and the enhancement of health care services. In this way, the public can understand their health conditions better, thus tackling the problem at root.

Mr Deputy, regarding the two proposals of setting up the HPA and a Complaint Office in the DH, I can hardly agree to them. As for this motion, I

reiterate that I will support it albeit with reluctance. I must stress one point. That I support this motion but does not mean I support the Consultation Document. Thank you, Mr Deputy.

THE PRESIDENT resumed the Chair.

MR LAU PING-CHEUNG (in Cantonese): Madam President, the Government is consulting the public for a consensus from the community on the future directions of our health care policies before deciding the direction for reform. This merits our support. However, the general view of the community, including many professional medical bodies like the Hong Kong Medical Association, has reservations about the recommendations contained in the Consultation Document on Health Care Reform (the Consultation Document). It warrants careful consideration by the Government. Even the Secretary for Health and Welfare openly admitted not long ago that the relevant recommendations might have to wait until after the economy has recovered before they could be proposed for discussion again.

Indeed, the Consultation Document, like most of the other similar ones published by the Government before, outlines a rosy future with flowery language so that the public is carried away by the beautiful future without focusing their attention on the feasibility of the recommendations contained therein.

As some critics from the professional medical bodies say, the Consultation Document fails to position health care services in the future. As every Hong Kong citizen knows, there is no such thing as free lunch. All services have a price. Medical services are no exception. The Consultation Document proposes a contributory system as an arrangement for financing health care services in the future. This is understandable. However, even if we are willing to make contributions for future medical services today, can we rest assured that we are going to get the kind of quality health care services as we would have liked to get today? There is in fact no guarantee for this whatsoever. This is the major reason why the Consultation Document has failed to gain support.

As we all know, medicine is a form of technology, both of which advance by leaps and bounds. As we apply new technologies in medicine, we need to pay more for health care services. Therefore, this should be taken into account in the medical policies for the future. We need a consensus first as a starting point for the development of our medical services. Take the example of computers provided to Members of the Legislative Council. Their purchase price could be \$13,000 each when they were new three years ago. Their worth could have dropped to \$2,000 each or even less now. However, they are still working properly and serving Members well. If we need to buy a computer today, how should we choose one? Similarly, when we formulate reform policies for our health care in the future, the eventual reforms may not win public support, I am afraid, if we just use abstract wording to beautify the future, such as "high standard", "quality health care" and "adequate medical care", without properly positioning our medical services or reaching a consensus on medical expenditure.

Madam President, I so submit.

MR HOWARD YOUNG (in Cantonese): Madam President, health care has always been an issue of public concern, and the Liberal Party understands very well that quality health care is both the key to protecting people's health and the basis of social progress.

That the Government needs to reform the health care system is already a consensus of the community. The Liberal Party has organized a number of seminars on this topic to listen to and collate the views of people, in the hope of making a contribution to the promotion of health care reforms. The views of the Liberal Party can be summed up into six points: We are of the view that:

First, in the future, the Government should prudently set down a proportion for public health care expenditure in the total government expenditure, lest the incessant increases of the former may exert pressure on other public services (such as housing, social welfare and education);

Second, in its studies on revising the fees structure for public health care services, in addition to ensuring that the vulnerable groups in the community will not be deprived of suitable medical care through lack of means, the Government should also look positively at some medical charges that are relatively more affordable by the public and see if it is possible to introduce any reasonable increases, taking into account people's affordability;

Third, for the purpose of building up an effective interface between the public and private health care sectors, the Government should encourage the setting up of private allied clinics which can provide district-based health care services that are both comprehensive and convenient. It should also encourage these clinics to co-operate with public hospitals;

Fourth, the Government should enhance its primary health care services and step up its health education and disease prevention efforts. It should also make positive efforts to promote family medicine and train up more family doctors. In the long run, the Government should actively consider the idea of contracting out its out-patient services;

Fifth, there should be more transparency and public participation for the health care investments mechanism, and the relevant procedures should be streamlined, so as to better ensure the rights of patients; and

Sixth, while seeking to put in place any health care financing scheme, the Government should at the same time promote the concept that people themselves also have the responsibility of protecting their own health, and it should also ensure that people can choose from different kinds of medical services charging different fees according to their ability and wishes.

Regarding these six points raised by the Liberal Party, I wish to give a detailed explanation on two of them, namely, an interface between public and private health care services and Health Protection Accounts (HPA).

At present, hospital services in Hong Kong are provided mainly by public hospitals. According to the statistics of the Census and Statistics Department, the total number of hospital beds in Hong Kong in 1999 was 34 286. Of these, 83.42% were provided by the Hospital Authority (HA), and those provided by private hospitals and infirmaries represented only 14.41%. Regarding the utilization of hospital services, the public sector also plays a predominant role; at present, of all the hospital inmates in Hong Kong, 93% are found in hospitals under the HA, and those who stay in private hospitals represent only 7%, or just half of the percentage of hospital beds provided by institutions not under the HA mentioned a moment ago.

Our public sector health care services are currently in a serious state of imbalance, and besides resulting in a waste of health care service resources I mean, if the private sector health care services continue to shrink, people's choices will be reduced, and this will in turn increase the pressure felt by public sector health care services. Worse still, for those people who are in genuine need but who are unable to afford private health care services, their chances to receive treatment may also be reduced — for they really cannot afford private health care services. In addition, the absence of competition and any pressure may also perpetuate the overweening attitude of public sector service providers, making them reluctant to make any improvement. For this reason, the Liberal Party suggests that the Government should offer some preferential contract terms such as rental remissions, or it may relax the terms of land grants, so as to encourage private medical practitioners of different specialties or professional health care organizations in Hong Kong to set up allied clinics in public housing estates or large private housing estates. Such clinics may then operate on a self-financing basis to offer comprehensive and teamwork health care services at inexpensive prices but with longer consultation hours. They may also draw lessons from the management and operation of other enterprises, so as to see how they can reduce their costs and increase their economic efficiency.

The Government should also allow those allied clinics that are of a high quality to establish links with public hospitals, so that they can refer their patients to public hospitals for further treatment. That way, because of the close connection between public hospitals and private medical practitioners, patients will be able to receive the most appropriate medical services, and the chances of their failure to receive integrated health care services due to compartmentalization will also be reduced.

As for the controversial HPA, the Liberal Party is of the view that this is not the right time of implementation. A couple of days ago, the Secretary for Health and Welfare, Dr YEOH Eng-kiong, also remarked that we would have to wait for some 10 to 20 years before the proposed health care financing scheme could be implemented. This shows how he has responded to the consensus of the community. However, the Liberal Party must say that it still very much recognizes the importance of the underlying concept of the scheme, that is, the concept that people must be made to pay for their future medical expenses and make savings for the purpose. The reason is that people will thus pay more

attention to their own health, and this will in turn prevent diseases and reduce medical expenses. Therefore, the Liberal Party wishes to reiterate its support for a voluntary medical contributions scheme. It is hoped that on this basis, people can choose the kinds of medical services appropriate to their needs.

Madam President, I so submit.

MR FREDERICK FUNG (in Cantonese): Madam President, the Health and Welfare Bureau has recently published a consultation document entitled "Lifelong Investment in Health", in which it outlines its plan for our future health care system. The document mentions the establishment of an effective and sustainable health care system which can provide holistic and lifelong health care services to people. It also stresses that health care should start with people themselves, and that everyone should therefore lead a healthy lifestyle with wholesome habits and make plans for his long-term health care needs, because the maintenance of one's health should be one's own responsibility. The document also says that in order to achieve this aim, the Government plans to reform the management and delivery of health care services by, for example, conducting community health education to enhance people's ability and determination to prevent diseases. It is also mentioned in the document that the health care, education and environmental sectors must pool their resources together and make joint efforts in disease prevention. And, while the work of community health education should be handed over to the Department of Health, the HA should be vested with the responsibility of delivering actual health care services such as general out-patient, accident and emergency and ward services. The document also expresses the hope that front-line health care personnel, including doctors, nurses and professional health care workers, can be versed in family medicine. This is a novel idea, and in fact, this is the first time that this branch of medicine is mentioned. Equipped with the knowledge of family medicine, health care personnel will be able to provide continuing and holistic primary health care services to patients in an environment familiar to them and their family members.

I think the various proposals made in the consultation document are precisely a positioning of the health care system by the HA. I think the HA has already made the positioning, but whether people would find the positioning

appropriate would depend on their different value judgements. However, looking at the document as a whole, I can say that the Hong Kong Association for Democracy and People's Livelihood (ADPL) is in support of this positioning, because it can enhance people's awareness of disease prevention and promote the concept of family medicine. This is desirable as an objective, and the direction is correct. The only question is how we are going to achieve this objective. I think the document has failed to give a clear and systematic account of its proposals. For example, it does not say how the system is to be reformed. Specifically, it does not say how the Department of Health (DH) should be reformed before it is capable of conducting community health care education, nor does it tell us how much additional manpower the HA will require if it is to take up the additional responsibility of providing out-patient services. Talking about out-patient services, I do not know whether the Secretary for Health and Welfare is aware of the existing situation. I think the Secretary had better visit our out-patient clinics and see for himself the situation there. As early as 6 am or 7 am every day, out-patient clinics are already packed with waiting elderly people. However, the daily quota is just 90, and so, very often, those at the end of the queue will simply have no chance to see a doctor. This explains why so many people wish to seek treatment from accident and emergency departments. The current abuse of accident and emergency services is probably caused by the shortage of out-patient services. To reform such a system, the Health and Welfare Bureau must formulate an integrated plan, and after it has set down its objectives, it must then decide how it is going to achieve the objectives step by step. This is of primary importance.

Second, following the implementation of changes, the Government will have to make available huge resources. That is why it should identify those areas where resources can be saved and others where additional resources are needed. Or, it should work out the total amount of public money that is required. If the Health and Welfare Bureau cannot give us a clear and practicable scheme now, then, as Dr LO has said, some may say, "The Health and Welfare Bureau has painted a very beautiful picture, but we just do not know whether it can really achieve its objectives." Some others may even question the ability of the Bureau. In my view, such a rosy and mammoth plan has in fact been drawn up by experts, and as laymen, we are not in a position to comment on its feasibility. But we do agree that the direction is correct. And, this is the message I wish to deliver clearly today. Though I endorse the

direction of the plan, I still wish to raise several problems connected with the actual situation now and the proposals made in the document. By raising these problems, I hope that the Health and Welfare Bureau can take prompt actions to tackle them. These problems have to be tackled, whether the proposals in the document are to be implemented after one year, two years or even 10 years.

Although we endorse the direction, we still have to say that the time spent by doctors on their patients in out-patient clinics is far too short. It is definitely not enough to spend just two to three minutes on each patient. I agree that we should switch to the approach of family medicine proposed in the document. If this approach is adopted, doctors will definitely be able to spend more time on their patients. But how many additional doctors are required before we can achieve this objective in the shortest possible time, before we can make patients feel that doctors are really serious about treating their diseases and are not trying to skimp on their work? I am sure that if a clear picture does not come out of this, patients will not be convinced, and doctors will also fear that the pressure brought about by this approach will again fall on their shoulders. I think this problem should be tackled as quickly as possible; once the problem is solved, I am sure that both doctors and patients will support the new approach.

The second point I wish to raise is that I have received many complaints, and those related to health care services are especially large in number. The consultative document suggests that complaints from patients will be referred to the DH in the future. But the ADPL has all along failed to see why it is impossible to form a complaints body composed by independent individuals or organizations. This explains why the ADPL has been advocating the establishment of such an independent complaints body. The complaints body advocated by us should deal not only with medical problems relating to the DH; problems relating to the HA, but even all other medical problems. The only problem we must consider is whether this body or committee can really command public confidence by acting independently and impartially in its handling of each medical complaint. The reason is that both the HA now and the future work of the DH mentioned in the consultation document are marked by an intricacy of connections with the Government, thus making people worry that the investigation findings would always be in favour of doctors. This is precisely the point that makes people lose confidence in the redress mechanism.

The third point I wish to raise is that in the whole consultation document is silent on the fees charged by private doctors and the relationship between private doctors and their patients. Should the Health and Welfare Bureau really consider these issues in the future? I think there is one possibility that can be considered; if the fees charged by private doctors can be lowered to levels affordable also by the common masses, we will have one more way to ease the shortage of doctors in public hospitals. We have also thought about one other possibility — I do not know whether it is feasible, but I hope the Bureau can give some thoughts to it, and that is: Can we allow doctors to advertise their services? Or, can we allow them to publicize their fees, so that the public, thus informed, can make their own choices? I think the Government can consider all these proposals. Also, should private doctors also be supervised by the independent body mentioned by me just now, so that it could handle complaints lodged against private doctors independently?

The last point I wish to raise is that I also do not think that the HPA should be introduced now, because we are still experiencing an economic downturn, and we all know that the common masses have yet to be able to share the fruits of economic recovery. Employees are now already required to pay 5% of their salaries as contributions to Mandatory Provident Fund Schemes (MPF), and some employees have even been denied pay rises because of this. And, the salaries of some of them have also been cut in one way or another. I think the Secretary has chosen the wrong time to put forward such a scheme. This is especially so, because 18 months later, the Bureau will put forward another financing scheme. So, why do we not wait until 18 months later, when we can tackle all matters together?

I hope the Secretary can consider all these views. Thank you, Madam President.

DR TANG SIU-TONG (in Cantonese): Madam President, as pointed out in the Consultation Document on Health Care Reform (the Consultation Document), the people of Hong Kong generally enjoy a long life span and their infant mortality and maternity mortality rates are very low. The health indices of Hong Kong rank among the highest in the world, but we do have a price to pay for that. In the 2001-02 Estimates, the recurrent expenditure on health care

accounts for 14.5% of the total expenditure, second only to education, but it must be noted that the real growth rate of health care expenditure over the past five years has been higher than that of education. With the ageing of the Hong Kong population, the resultant increase in the incidence of chronic diseases and the soaring medical fees brought about by technological advances, our health care expenditure will only increase in the foreseeable future. That is why we must pay attention to how best we can prevent public health care resources from "drying up" while maintaining the reasonable quality of public health care services.

The Hong Kong Progressive Alliance (HKPA) maintains that since the issue of health care reform is both complex and far-reaching in implications, and also since the speed of reform is not the curx of the problem (what is more important instead is whether or not the reform can be smoothly implemented), it is not advisable to make any hasty decision. Actually, the description of the several institutional reforms mentioned in the Consultation Document are both incomplete and unclear; the Government should really clarify all the related matters, so as to give the community more time to consider and discuss this issue before a choice based on a wider consensus can be made. At this stage, it is not advisable to make any hasty decision. In the following part of my speech, I am going to give my views on health care financing, the health care framework and patient complaint mechanisms. I hope the authorities can consider my views.

Of all the proposals in the Consultation Document, the one on HPA has attracted the most attention, and it is also a proposal with the most extensive implications. Under the proposal, every Hong Kong resident aged 40 to 64 is required to pay approximately 1% to 2% of his monthly income into his personal account, so that when he reaches the age of 65, the money saved can be used to meet "the public sector health care fees" payable by him and his spouse. This idea can no doubt enable one to save for the rainy day, but many of the practical problems involved warrant detailed consideration. First, most Hong Kong people will retire at the age of 60; so, why do they have to wait until the age of 65 before they can use their own medical savings? Why is the age of contribution set at one's middle age, when one's financial burden is the heaviest? Why do we not ask people to make contributions when they are still young, so that their savings can have a longer time to amass and accrue more investment returns? Second, can these accounts be linked up with MPF to save administrative costs? Can a contribution of 1% to 2% of one's monthly income

enable one to meet one's health care expenses for some 10 to 20 years, or even longer, after retirement? What are the detailed data? What is the coverage? Is the Government prepared to meet the shortfall? Even if the Government is prepared to do so, how can it avoid possible "moral hazard" and prevent the system from being abused? What is more, I wish to remind the Government that once a scheme of medical savings and insurance for all is implemented, it will be very difficult to make any changes or abolish it. This means that in case the Government wishes to implement some other major medical policies or reforms in the future, it may well find its hands tied. The HKPA is of the view that when it comes to the different possible options of financing, we should conduct more studies on their comparative merits and weaknesses, and we should also conduct objective debates, so as to ascertain, for example, the advantages and disadvantages of a central medical insurance scheme, and whether a mandatory contributory scheme will impose too heavy a burden on the people,

Madam President, on the reform of the health care framework, I support the concept of primary health care advocated by the Consultation Document, which involves the development of a "Community-focused Patient-centred and Knowledge-based Integrated Health Care Service". Page 14 of the Consultation Document depicts a "patient-based" model which links up hospitals with the community, involving various different service providers in the process. This model looks perfect, but the Consultation Document only says that public hospital services and out-patient services will be put under the co-ordinated charge of the HA. But regarding the community support provided by voluntary agencies and the Social Welfare Department, such as outreaching community services, home care and the disease prevention work of the DH and the Food and Environmental Hygiene Department, and also regarding the interface of the public and private health care systems, "who" are going to perform the task of co-ordination and integration? The Consultation Document devotes little length to these aspects. I am of the view that in the absence of any organization vested with the sole responsibility of following up and fostering such a model of integrated medical services, it is simply impossible to realize the desired "integration" because just a simple concept and a simple flow chart with some lines connecting the various elements will not be enough. The Consultation Document proposes to turn the DH into an "advocate for health", but does this mean that the Department is going to be the organization in overall charge of fostering the "Community-focused Patient-centred and Knowledge-based Integrated Health Care Service"? If yes, then does one single Department have sufficient "teeth" to complete this task? I hope that the Secretary can offer a more detailed explanation about this.

Besides, regarding patient complaint mechanisms, I support the idea of setting up an "independent complaint mechanism" to handle and follow up patient complaints and to act as a mediator. But I do not think that the DH is a suitable organization for this task. Although the DH will no longer be involved in the direct delivery of health care services, it will still be charged with the responsibility of assisting the development of Chinese medicine, and it will also be involved in community health care services as an "advocate for health". This means that the DH will still be indirectly involved in the delivery of health care services according to the proposal in the Consultation Document. This will inevitably lead to conflicts of interests, rendering its image as an "independent third party" totally unconvincing. For this reason, I wish to advise the authorities to reconsider the whole matter and set up a new organization to handle patient complaints. Naturally, the DH can continue to provide its professional support, and it can also devote all its efforts to its work as an "advocate for health", positively playing a co-ordinating role in integrating our community health care services and promoting people's health.

To sum up, though I agree that health care reforms are essential, we must still avoid rash actions, because the whole matter involves many problems related to changes in social values, and people really need time for thinking and discussions before making any decisions. As for financial arrangements, there is an even greater need for the Government to provide more detailed information because the decision to be made today will have very far-reaching implications. In addition, the authorities must not ignore the views expressed by the relevant professional bodies, nor should they overlook the problems of insufficient manpower and declining morale among front-line medical staff. After all, the success of any long-term reform will depend very significantly on the support from medical staff. Earlier in this debate, the representative of the medical sector called upon the Government to set down a proper orientation for our public health care services. A proper positioning is very important, and it is also the aspiration that we in the medical sector have been voicing over the past few years. Positioning is indeed difficult, but the Government is obligated to provide holistic and integrated health protection services to the vulnerable groups of society. This is only the least that we expect of a responsible government. Madam President, I so submit.

MISS LI FUNG-YING (in Cantonese): Madam President, Hong Kong's existing health care system is indeed effective, not only the people are able to enjoy quality health care services at inexpensive prices, our health indices are also among the best in the world. However, we need to understand that since

public health care expenditure has been on the increase in recent years and with over 90% of the expenditure being met by public money, we must consider exploring new sources of income to ensure that the general public can still enjoy quality public health care services in the long run, and particularly during times of economic recession. The Consultation Document on Health Care Reform (the Consultation Document) entitled "Lifelong Investment in Health" has outlined, on the surface, an attractive blueprint on reforming the health care system of Hong Kong in the future. Yet when it comes to the specific contents of the reform proposals, the Consultation Document has failed to provide a detailed account of the data and statistics concerned. As such, it is not surprising that members of the public have expressed all sorts of concern about the Consultation Document.

Concerning the reforms to the health care delivery system, the Government will be formulating plans towards the end of the year for transferring the general out-patient service under the charge of the Department of Health (DH) to the Hospital Authority (HA). This is to facilitate the integration of the primary and secondary levels of care in the public sector, thereby enhancing the efficiency of health care services. However, the Consultation Document has not mentioned about which government department should take up the role used to be played by the DH in obtaining the latest information on diseases and taking timely preventive measures. According to a questionnaire survey conducted by the Hong Kong Medical Association, about 40% of the doctors remarked that if the authorities were to transfer the DH's general out-patient service to the HA mandatorily, they would rather elect early retirement. Further still, some 57% of the doctors concerned indicated that they would rather be transferred to other divisions under the DH than to the HA. People cannot help but wonder: Why do the doctors working under the DH react so strongly to this proposal?

As regards the proposal for establishing an effective complaint mechanism, the proposed new mechanism will still be under the charge of the DH and placing emphasis on the role played by professionals and experts. I do not oppose this proposal entirely, but I do think it remains doubtful whether the concern of the public that government officials and professionals are shielding and protecting each other's interests can be dispelled. I suggest introducing representatives from patients' rights groups or grass-roots associations into the mechanism to reflect directly the views of the public. That way, not only can the complaint mechanism be enabled to remain fair, open and in line with the principle of

balanced representation, the credibility of the complaint mechanism in the eyes of the public can also be improved.

It is recommended in the Consultation Document that all health care professionals should be required to undertake continuing professional education and development to ensure that they can master the latest medical knowledge and treatment skills. While this constructive recommendation is worth welcoming, the actual situation remains that in the face of the increasingly heavy workload and the growing demands of the public, health care professionals in the public sector have to work extra shifts and hours. Given the manpower shortage and resources constraints facing them, how can they pursue continuing education? Moreover, with the complaint against long working hours lodged by the Government Doctors' Association remaining unresolved after a lapse of more than one year, how is the Government going to ensure that our health care professionals can remain in their best condition to provide health care services for the public?

Madam President, I agree that studies should be conducted to help formulate financing options that could identify and obtain new funding sources for health care services, in order to finance the public health care expenditure in the future. Nevertheless, apart from being prudent and well arranged, the financing options must also fully assess their respective impact on society having regard to the acceptability of the public. Regarding the proposed HPA, I consider it inappropriate to require individuals aged between 40 to 65 to make contributions to the scheme. This is because to the general wage earners, their bargaining power and income will decrease further as they grow older. Besides, following the restructuring of the economy, many workers are forced to leave the labour market even though they have not reached retirement age. Such being the case, how can they afford the contributions? Further still, where should the line dividing the low-income families and the rest of society be drawn? How can individuals who have been unemployed or underemployed continuously resolve their contribution-related problems? The Consultation Document has failed to address all these issues in detail. On top of the aforementioned, I hold that issues such as who should be responsible for managing the HPA and whether or not the investment risks and moral hazard involved have been taken account of to the full also warrant careful consideration.

The Secretary for Health and Welfare once said that this was not the right time to introduce the proposed contributory scheme. The Secretary also remarked that the Administration should wait until the economy has further revived and the salary levels of the public adjusted upwards to implement the scheme. In that case, it might take more than a dozen years or even two decades' time before the proposed scheme is finally implemented. Nevertheless, what the Secretary has said is proof positive that the Government is aware that the Consultation Document does have inadequacies, and that the opinion of the public must always be upheld.

With regard to the proposal for revamping the fees structure, at present there are indeed abuses of accident and emergency service. For this reason, the Secretary for Health and Welfare has indicated that the Government would examine the question of fee charging. But then, how is the Government going to set the fees at a level that is affordable to the public? In my opinion, the Government should consult the public extensively beforehand and strive to reach a consensus on such issues as how the fees charging standards should be determined, how the various fees should be calculated, and so on. The Government should consider charging fees only after it has secured sufficient support from the public, so it should not take any rash actions hastily, particularly not to add to the burden on the general public at a time when they are still unable to share the fruit of economic growth. At the same time, the Government must also ensure that recipients of Comprehensive Social Security Assistance and low-income families will not be denied proper health care services or medical treatment because of lack of means. I also support the establishment of a fund to provide a second safety net for the public, so that they could have timely assistance when such need arises.

I so submit. Thank you, Madam President.

MR DAVID CHU (in Cantonese): Madam President, any effort to introduce reforms into the community will certainly be greeted by difficulties. This is because the process of reform will inevitably bring about redistribution of resources or interests and changes in mentality. Over the years, the Government has injected considerable resources into maintaining and enhancing the public health care system, and the results thus achieved are indeed obvious to all. At the same time, however, as people have got used to receiving quality

medical and health services at very low prices, they naturally do not wish to pay higher medical fees. In the wake of economic recession over these last few years, many people are left with substantially less money in their pocket. They are of course resistant to any proposals that will require them to pay higher fees. But then, we must understand that the limited social resources must be utilized in a fair and reasonable manner. To be fair and reasonable, instead of enjoying subsidies funded by public money, people with means should shoulder their due responsibilities. At present, members of the community are entitled to public health care services regardless of their financial conditions. This approach is both unfair and unreasonable because the resources that should be spent on the most needy have in some ways been shared by other people. Hence, the reform of the financing of our health care services must embody the principle of "those who have the means pay more" to enable the public to appreciate that while it is the responsibility of the Government and society to safeguard people's health, individuals should also bear an affordable share of the responsibility. I trust Honourable Members will agree that there is a need for reform, and that because of the complexities involved and the extensive scope of influence, reform is of the utmost importance. As such, we recommend that in addition to implementing the reform step by step, adequate consultation and research efforts should be made before taking a new step.

The Consultation Document on Health Care Reform (the Consultation Document) has proposed to set up a Complaint Office in the Department of Health (DH) to handle complaints lodged by patients. Given that the proposed one-stop complaint mechanism can enable patients to lodge complaints and at the same time seek advice and assistance from the professionals of the DH, I believe it is appropriate to charge the DH with handling complaints from patients. As regards the proposal for transforming the DH into a regulator responsible for ensuring the quality of medical and health care services, I believe this should be helpful to promoting the co-ordination between relevant professions and regulating the quality of services they provide, thereby boosting public confidence in such services. Last but not least, I support very much the recommendation made in the Consultation Document that all health care professionals should be required to undertake continuing professional education and development to ensure that their knowledge can keep up with the times, with a view to protecting the safety of patients and giving the public peace of mind in receiving health care services of even better quality.

I hope that the Government and the various sectors of society can adopt an objective, open and responsible attitude in collaborating to establish step by step a sustainable health care system for Hong Kong. With these remarks, Madam President, I support the motion.

MISS CYD HO (in Cantonese): Madam President, I believe that while no Members would disagree that enhancing the health of the public should be the ultimate objective of health care reform, considerable controversy would arise over the effectiveness or otherwise of the means employed. So, what are the ideal means? Over the years, the Frontier has put forward a number of service improvement proposals, such as establishing a medical databank, and promoting the use of lower-cost treatment methods including Chinese medicine and naturopathy. Today, we will focus our comments on only the financing aspect.

Actually, Madam President, the options for financing our health care services fall mainly into four categories; namely, taxation, insurance, savings, as well as fees and charges. Regardless of the method adopted, the money taken by the Administration is the people's money. We do not have anything called the Government's wallet; if we do, we will not need to cover the payments ourselves. Quite the contrary, under the four methods mentioned, money will all the same be taken out of the people's pockets and put into the Government's purse, only that the specific mechanisms involved will determine who needs to pay, who shall pay more, and who can enjoy the services in a fairer manner. As far as the issue of financing is concerned, the stance of the Frontier is: "Those who have the means pay more".

The Consultation Document published by the Government has proposed, as a financing option, to introduce mandatory savings through a scheme of Health Protection Accounts (HPA). In other words, on top of the existing tax-based financing method, the Government is currently considering adopting an additional new financing arrangement. Now, let us see whether any problems would really arise if we should maintain the *status quo*. This is in fact a very fundamental issue. In this connection, the Government has criticized the Harvard Team's report for its inaccurate health care financing projection up to year 2016. According to the estimation made in the report by the Harvard Team, our health care expenditure will incur a deficit of \$26 billion in 16 years, whereas the projection made by the Government was \$9 billion at first and then revised to \$7 billion. As regards the relevant percentage, the estimates made by

the Harvard Team's report and the Government were 6.7% and 3.2% respectively. Indeed, some medical-economists have pointed out that so long as Hong Kong could maintain a steady annual economic growth of 2%, even if no actions were taken, we would still be able to meet our needs fully if the relative size of our health care expenditures as a share of the Gross Domestic Product should be maintained at its current level. At the Panel on Health Services meeting held a couple of days ago, I expressed the hope that the Government could furnish us with more data, and the response of the Secretary was that information on how the Government had worked out that \$7 billion figure would be provided for interested Members upon request. However, my hope is more than just to have interested Members individually asking the Secretary for the relevant information. Hence, I think it would be better if the Secretary could call a spade a spade and frankly disclose to us the formula with which the Government has worked out that \$7 billion.

Madam President, even if the sum concerned should really be \$7 billion, spreading it over 16 years the average figure would be \$430 million a year only. Is \$430 million really a daunting sum compared to the annual public expenditure of \$250 billion? Do we really need to make drastic changes to establish the HPA scheme for financing purposes just because this sum? As mentioned by a doctor in the public sector, public health expenditure can be a bottomless pit because people are expecting that: first, they do not have to wait; second, they do not have to pay; and third, they can have more choices. Actually, unless we transform health care into a kind of state-run service and drive away all health care providers in the private sector, the said expectations of the public can never be satisfied. So, insofar as financing for public health care is concerned, what we look for are in fact ways to balance the conflicting needs of enhancing the quality of services, protecting the disadvantaged groups and preventing the various services from being abused. According to the Secretary, the proposed establishment of HPA is the way. For my part, however, I have considerable reservations about the proposed scheme because I fail to see what purposes the HPA can serve. Except for the mandatory contribution of around 1% to 2% of people's monthly income, which serves to remind them that they do need to pay and hence be responsible for their own health, the establishment of HPA really cannot help to fulfill the expectations mentioned by me just now. Speaking of the question of risk pooling, taxation is in fact playing a role in achieving this purpose. As regards the fees structure, actually people are required to pay part of the costs for the health care services they receive, only that the services concerned are heavily subsidized by public money. At present, users of public

health care services are required to pay only 2% of the actual cost, and the purpose of requiring the public to pay such a minimal fee is only to remind them to shoulder their own responsibility as a member of the public. However, as we can see, the minimal fees charged can hardly prevent services from being abused.

But then, can the proposed HPA scheme achieve the purpose of abuse prevention? I do not think it can. As the Secretary has mentioned before, tax revenue and savings are not the same because tax revenue offers no choice, the Government can only spend it on public services; whereas savings are people's own money, they can choose how such money is spent.

Madam President, I have been ill recently and thus have some experience in making medical payments. The bill I have to pay cost me almost \$80,000. Even though I have taken out an insurance policy, I could only get \$50,000 in reimbursement for my medical expenses. Apart from that, I also had \$40,000 in my savings account. If I had not taken out any insurance policy, with that amount of savings I could only afford half of the treatment; besides, I would also be discharged when I was only halfway through my hospitalization period. So, it does not seem to be a justifiable argument to say that savings accounts can offer people more choices. Actually, regardless of how we call the fees charging system, the Government is dipping its one hand into the people's pocket to take away their money by means of taxation, and extending its another hand to ask for more money by advocating the savings scheme. As for the fees structure, it is the Government's third hand asking the people for money. Nevertheless, we still need to ask the following question: Who should be required to pay? How much should each one of us be required to pay? Is the fees charging method acceptable in a fair and just society?

Revamping the fees structure is indeed a very sensitive issue, so much so that even the Government, which is not directly elected, feels that it is under huge political pressure and must therefore announce the revamp with extra care and to implement the relevant programme very slowly. I understand very much that many directly-elected Members would have much difficulty facing their voters in this respect. But then, if we are genuinely concerned about how public money can be put to the best and most suitable use and how abuse can be avoided, I believe society as a whole will and shall face up to the health care review and the review of the financing arrangement in a very rational manner.

In that case, we would need to have more information. As such, the Secretary really need to frankly disclose to this Council the relevant information, rather than providing individual Members with the said information upon request. Nevertheless, I still wish to emphasize that even though there is a need for the fees structure to be revamped, we must always have regard to the interests of the disadvantaged members of society, including the low-income groups, the elderly and the chronically ill. To provide protection for these disadvantaged groups in society, we hold that the fees they have to pay for hospital care and out-patient consultation service must be maintained at the lowest level or even be waived. In the future, regardless of whether we would maintain the tax-based system or cover the fees with other supplementary financing sources, we still hope that "those who have the means pay more". That way, the interests of the grassroots can be safeguarded. Thank you, Madam President.

MR IP KWOK-HIM (in Cantonese): Madam President, as I can recall, in preparing the report on health care reform for the Government the Harvard Team of professors and experts proposed to reform the financing system to introduce the "money follows the patient" concept, thereby changing completely the existing compartmentalized health care delivery system comprising health care providers in both the public and private sectors. Despite the considerable controversy caused then, people generally agreed that a centralized universal medical insurance system was not suitable for Hong Kong. After a lapse of more than a year, the Government now puts forward its own proposals in a Consultation Document. The proposed reforms are not as radical as the recommendations made by the Harvard Team, as the existing health care delivery system comprising health care providers in both the private and the public sectors is proposed to be retained. Apart from that, the Consultation Document has also put forward a number of other improvement proposals in respect of the health care system and the quality of health care services, including the most controversial proposal of establishing the HPA.

On the whole, the Democratic Alliance for Betterment of Hong Kong (DAB) supports the proposals put forward by the Government to improve the existing system and quality of service, as they are to a very large extent identical to the DAB's response to the recommendations made in Report of the Harvard Team. Nevertheless, while we support transferring to the Hospital Authority

(HA) the out-patient service currently under the charge of the Department of Health (DH), I need to point out that the DAB is concerned about the situation after the general out-patient clinics have been transformed into a training ground for family medicine. Our concern is that in the absence of any additional resources, the efficient out-patient consultation service currently provided by the public sector can hardly be maintained in the future.

On the other hand, the DAB also has reservations about the proposal to set up under the DH an office responsible for handling complaints. Our reason is that upon assuming the role of monitoring the health condition of the public and controlling the spread of infectious diseases, the DH should not involve too much in any specific work which is practically related to the provision of health services. Hence, in order to establish its credibility and acceptability, the complaint handling mechanism should be independent of the DH.

Madam President, I will now switch to the most controversial part of the Consultation Document, the options for financing health care service. All along, the DAB holds that regardless of the future changes in the health care system, one principle must remain unchanged, and that is, no one will be denied adequate medical care because of lack of means. Hence, there is indeed a need for the inexpensive public health care service to continue to exist. But then, what service standard do the people expect of our public health care providers? How is society as a whole going to share the health care expenditure? These are questions we must look into.

With the quality of public health care services improving continuously after the establishment of the HA, a large number of people who can afford private sector health care are attracted to seek health care service in the public sector. As a result, the balance between public sector and private sector health care services is interrupted, thus adding to both the demand for public health care services and the pressure for additional resources supply. This leads us to a very serious question: Are we requiring the quality of public health care service to improve continuously to a level surpassing that of private sector health care providers? Unless superb quality public health care service is the consensus amongst the public, it will not be of any practical value to discuss the financing options. However, if that is not what the public asks for, and if the public only cares about the positioning of public health care service as a means of controlling health care expenditure, to put forward proposals asking the public to pay is putting the cart before the horse.

With regard to the proposal to establish the HPA, Madam President, the DAB holds that in implementing policies, only the most simple methods should be adopted to achieve the policy objectives. However, the proposed scheme of HPA is indeed ridiculous. To begin with, we already have the Mandatory Provident Fund (MPF) system which limits the withdrawal by the individual to until age 65. Did the Government not take into account post-retirement medical expenses when calculating the MPF contribution rate? I trust that it did. In that case, since we use the MPF to pay for medical expenses, why must we open another special savings account? And just do not forget that the Government is now considering the need for MEDISAGE accounts. Is it not too complicated to open three different contributory accounts to cover the post-retirement daily expenses?

Moreover, obviously the scheme is proposed with the hope that people will shoulder their own medical expenses and be streamed to private health care providers, thereby alleviating the pressure on public health care. However, given a mere saving of \$40,000 odd, and the fact that one will be reimbursed only at public sector rates, nobody but the Government would believe this proposal can effectively achieve the streaming purpose. Perhaps the only advantage the Government can enjoy under this proposal is that it can prevent people from defaulting on payments. Besides, the Government might also make this an excuse for increasing substantially the public health care charges in the future. If not for these purposes, such savings accounts are absolutely not worth the while.

Madam President, the DAB has much reservations about the proposal to establish those complicated HPA which cannot help to alleviate the pressure on public health care service.

I so submit. Thank you, Madam President.

MR BERNARD CHAN: Madam President, our community has rising expectations for better quality health care in the years ahead. The Government's consultation paper explains very clearly that reform is inevitable if we are to meet those expectations.

I would like to congratulate the Secretary for Health and Welfare, Dr YEOH Eng-kiong, and his colleagues for outlining the need for a practical, sustainable and equitable system. And I would like to express the support of the insurance industry for his recommendations to increase the effectiveness of the health care delivery system. However, there is a major omission in this document. It gives us no alternatives to Health Protection Accounts and MEDISAGE as financing systems for medical and elderly care.

This document does not give us a choice, just as the health care system that it proposes would not give patients a choice. This document assumes that the Government must entrench its position as the monopoly provider of medical services to the vast majority of the population. The insurance industry has serious reservations about this assumption, let alone the viability of Health Protection Accounts and MEDISAGE. We will be asking the Administration to consider taking bolder steps to harness market forces and consumer choice as part of health care reform.

We all recognize that health care charges must rise in the future, for those people who can afford it. However, health care reform is not simply about changing the way that funds are raised. It is also about changing the way that funds are spent.

At the moment, we have a public-sector health care service that charges very little. And we have a private-sector system that charges a lot. The result is that most people feel they have little or no choice — they have to use the public system. The proposals in this consultation document are designed to maintain this state of affairs. The document implies that the public sector should continue to provide 94% of hospital services. And it proposes to avoid a funding shortfall in the public sector by charging better-off patients more towards their subsidized care. In effect, this will be a tax increase aimed at the better-off. But they will have no say over how that extra money is used.

There are alternatives to this approach. It is possible to have a system that allows much of the population to choose between public and private services, on the basis of convenience and value. This would give them a choice that they currently do not enjoy. And it would introduce competition into both the private and public sectors, with funds going where the patient chooses. Such a system would bring better value for the Government's money and better service for patients.

Economists, members of the medical profession and other commentators have, in the past, suggested various ways in which this can be done. The key requirement is for the extra money to be at the disposal of the patients themselves. This may be through subsidized health care coverage, incentives to buy private medical insurance, or even a voucher scheme.

This approach has been totally ignored in this document. But it needs to be explored. I believe it is essential that the Government considers a more free-market approach.

This document is a "big government" document. The Government already provides half of our housing. It decides how most of our children are educated. Now, it will control virtually all of our health care. But there is an alternative. The alternative is to allow people more choice. Trusting them to spend their money the way they want.

Madam President, I strongly urge the Administration to join with other interested parties and conduct a detailed study into alternative ways of raising — and spending — additional health care funding. Until that has been done, this will not have been a true consultation exercise. Thank you.

MISS CHAN YUEN-HAN (in Cantonese): Madam President, before criticizing the Consultation Document, I would like to say a few words about it in order not to make my criticisms sound too simplistic. The Consultation Document can be divided into three parts, with two parts being devoted to the system of quality assurance and the health care delivery system respectively. Frankly speaking, we are trying to look at these two parts with a positive attitude. We support such recommendations as transferring the out-patient services currently provided by the DH to hospitals. Of course, we have our own view on specific issues involving expenditure. Insofar as other areas such as reconsolidating quality are concerned, our attitude is positive too. For the time being, however, I do not want to dwell on the relevant contents. I only wish to tell Members of my personal views and those held by the organizations to which I belong.

It has been a long time since the Consultation Document was published. During the interim, I could feel that the atmosphere surrounding this Consultation Document was different from that surrounding the previous one. This time, participants of discussions were confined mainly to Members of this

Council and members of the community who were interested in this. The response of the public to this Consultation Document, when compared to the previous consultation document, was obviously lukewarm. I believe this has something to do with the two parts mentioned by me earlier, that is, quality of service delivery and system. Of course, discussions were held about the two parts. However, the issues involved are not matters of our utmost concern as what concerns us most is financing. Yet we can see that the whole document can be described as empty, lacking substance and difficult to arouse public sympathy in terms of its probing of the financing issue. In discussing the financing of public health care services, I found that the entire Consultation Document still contains a lot of uncertainties. It is therefore relatively difficult for the public to join the discussion.

Madam President, going through the Consultation Document, we will find that the ageing population has been blamed for the financing problem currently faced by Hong Kong. In the document, the ageing population is blamed for the financing problem as well as resource constraints. I cannot agree with the Government for it simply blames the ageing population for the rising medical costs. We can also see that in 2000-01, the recurrent expenditure in public medical service accounts for 14.7% of the total public expenditure. According to the projection of the Harvard experts, public medical services will rise to 28.4% of public expenditure in 2016 if calculated on the basis of a real growth of 3% per annum in Gross Domestic Product. With such an appalling figure, society as a whole will naturally feel concerned about the financing problem. We will not object to discussions on this issue. However, the problem has been extended to the setting up of the HPA in the Consultation Document. We cannot agree if the Government tries to resolve the matter simply by linking the figures involved in the problems we are currently facing to the establishment of a scheme of HPA. This is because both the Hong Kong Federation of Trade Unions and the Democratic Alliance for Betterment of Hong Kong, in all the discussions on financing and resources, have been emphasizing the point that public health care should not hurry to make profits. Actually, we still have a considerable period of time to carry out restructuring. We can, as suggested in the Harvard Report, start by addressing the issue of resource wastage caused by compartmentalization or examining the wastage of medical resources. Nevertheless, Members will find that not much has been said on to this in the entire Consultation Document for it has immediately jumped to the scheme of HPA. It is proposed that under the scheme, employees aged between 40 and 64 shall deposit 1% to 2% of their monthly earnings in their accounts as insurance

contributions for meeting future medical expenses. Such a calculation method is indeed doubtful but no specific elaboration is given in the Consultation Document. I wish to highlight the point that, under the current economic situation, it will be over-simplistic for the Government to propose establishing the HPA for the purpose of solving a major problem identified by the Harvard experts, by levying 1% to 2% of monthly earnings either as tax or savings. We will not support the Government in doing so.

Madam President, I must emphasize that the Mandatory Provident Fund (MPF) Scheme has only just begun under which wage earners have only just started to set aside 5% of their monthly salaries as contribution to the Scheme. Now all of a sudden, members of the public are asked to deposit 1% to 2% of their monthly earnings into the HPA. Can the really resolve the problem? Can the public afford it? We have indeed serious doubts about this. Under the contributory system of the MPF Scheme, employees earning a monthly salary of less than \$4,000 are not required to make contributions. Only those making more than \$4,000 a month are required to do so. We have made some calculation by assuming the same approach is adopted by the HPA scheme in future. At present, there are approximately 240 000 low-income people earning a monthly salary of \$4,000 to \$6,000 in Hong Kong. If they start contributing at the age of 40, they will need to contribute \$12,000 to \$18,000 in 25 years. Even if investment returns are factored into the calculation, only very young employees can receive approximately \$30,000 after 25 years. With such a low coverage, how can they meet their medical expenses after retirement until the day they pass away? This is why we have serious doubts about this scheme.

We appreciate, as Members are all aware, the present situation of grass-roots people, particularly that of low-income earners between the age of 40 and 65. Insofar as these people are concerned, they have already found it difficult to make ends meet. Their burden will undoubtedly be aggravated if they are required to contribute to the HPA on top of the MPF Scheme. On the one hand, the insurance will not be very useful to them and will not give them substantial protection and, on the other, it will only impose a burden on their present living. In addition, we should consider the fact that ordinary middle-class people falling in the age group of 40 to 64 will have taken out private insurance policies. If the scheme of HPA is only applicable to public hospitals but not private hospitals, this group of people will eventually be forced to switch to public hospitals. This will naturally affect the constantly inflating public medical resources. Can the Government explain this?

Madam President, we will surely face numerous doubts. Can the proposal really solve the problem as long as members of the public are willing to contribute 1% to 2% of their monthly salaries, as suggested by the Government? We are also worried that if the Government really imposes this new type of tax or implements this saving scheme, the rate of contributions might not be restricted to 1% to 2% only. Perhaps the contributions will rise constantly, like the case in the United States. What shall we do should that happen? This has been of grave concern to us. However, the Consultation Document has not mentioned anything about it.

We are of the view that it is inappropriate for us to discuss this scheme at the present stage. We should leave this issue until the restructuring of the public health care system as I mentioned earlier has been completed and such problems as the review of drug dispensing have been resolved.

I would like to raise the point that I hope the Government can seriously consider the various issues in relation to charging raised by it when the charging problem was discussed in this Council lately. I would also like the Government to consider whether elderly people who are not Comprehensive Social Security Assistance recipients but rely basically on public health care can be exempted from payment of medical charges. Thank you, Madam President.

MR NG LEUNG-SING (in Cantonese): Madam President, the fact that the Consultant Document on Health Care Reform has aroused extensive concern is proof that health care reform is the general trend, which warrants our exploration in a more liberal manner. One of the key issues brought about by health care reform is the effective utilization of public medical resources and proper conciliation of the conflicts between unlimited demands and limited resources. In keeping with the economic development and the rising standard of living, the public demands for medical services have been constantly rising. As a result, there is an increasing pressure on medical costs. In particular, a considerable amount of resources will need to be injected into the development and application of new treatment methods and technology. If effective adjustment cannot be made to the mode of utilizing public medical resources, and if such resources are allowed to expand rapidly, resources for public services will inevitably come under constraints. Moreover, the socio-economic development of Hong Kong

may be affected too. Eventually, the immediate interests of the general community, including the quality of public medical services ultimately enjoyed by the public, will be affected.

Therefore, from the angle of basic concept, it is necessary to change the previous delivery mode of public medical services whereby all members of the public, rich or poor, can receive the same government subsidy. Actually, such a broad-brush approach is not adopted for other public services provided in Hong Kong. Let us look at, say, public housing. Not every one of us can live in public housing. It is targeted at low-income earners to safeguard the housing needs of the grass-roots people. As for those people who have the means, they will need to make their own investment in order to improve their living conditions. By the same token, those people who have the means should make appropriate health investment in order to enjoy various medical services. In doing so, more public resources can be released for the needy who cannot afford the services.

Insofar as the specifics of the subsidization of public medical services are concerned, the Government should consider a long-term and clear positioning, put in place a mechanism, lock on its target, and implement different charging modes ranging from full or partial subsidy to full cost recovery. Meanwhile, the Government should take into account the fact that different diseases might impose different financial burden on patients due to treatments of varied complexity and duration. Therefore, reasonable subsidy should be provided for items involving long-term treatment or a high treatment cost to ensure patients can receive the right treatment and prevent them from running into difficulties because of chronic or serious diseases. Nevertheless, public and private medical service organizations should establish a complementary co-operative relationship and put in place a standard classification system for quality of service. This will enable the entire health care system to provide on the one hand basic subsidized services and, encourage on the other those people who have the means to make use of services that charge differently but probably of a better quality, thereby enabling Hong Kong, as a low-tax region, to achieve the ultimate objective of distributing resources reasonably.

Madam President, I so submit.

MR TAM YIU-CHUNG (in Cantonese): Madam President, every one of us must go through birth, senility, illness and death. However, whether this path will lead to helplessness or brightness is totally dependent upon how we enrich our lives and face challenges from illnesses. In this aspect, the Government is obliged to promote public health by providing us with a sound health care system.

In December 2000, the Consultation Document on Health Care Reform entitled "Lifelong Investment in Health" (the Consultation Document) was published by the Government in the hope of gathering consensus and enabling our health care system to keep pace with the times. It is evident that a number of proposals on reform of the delivery system and quality assurance contained in the Consultation Document can indeed respond to public aspirations.

There has been frequent occurrence of medical blunders in recent years and doubts are mounting over the credibility of the existing complaint and investigation mechanism. It is for these reasons that the Consultation Document proposes setting up a Complaint Office under the Department of Health to improve the complaint mechanism for patients. This is going to produce a positive impact on enhancing public confidence. However, an even better arrangement is to give this complaint mechanism a totally independent status without the need of attaching to a government organization. Even if the Government is unwilling to set up an independent framework in the short run, it should include members of the community in the proposed complaint mechanism as representatives in order to strengthen public monitoring.

We can also find in the Consultation Document another contentious point, that is, the proposal on the HPA scheme, which was mentioned by a number of Members, including those from the Democratic Alliance for Betterment of Hong Kong and the Hong Kong Federation of Trade Unions, earlier on in the debate. However, the scheme is still confronted with a number of problems in implementation according to what is conceived by the Government. I would like to make an analysis from three aspects, namely efficiency, fairness, and cost-effectiveness. First, insofar as efficiency is concerned, the contributions made by the public will not suffice to meet the medical expenses during their old age. Under the scheme of HPA, every individual must contribute 1% of his/her monthly earning to his/her account. Let us assume the actual growth in wages annually is 2% and the actual rate of return of investment per annum is 3% (this is identical to the assumption made by the Government when setting up the

Mandatory Provident Fund). If we calculate on the basis of the current median wage of \$10,000, the account will have a balance of \$56,012 after 25 years of contribution. For low-income earners, their balances will be as little as \$20,000 to \$30,000 only. Such an amount is virtually negligible.

Second, from the angle of fairness, the "user pays" principle emphasized by the HPA is actually in conflict with the Government's usual practice of considering medical services as part of social welfare. According to the proposals put forward in the Consultation Document, if every single individual in Hong Kong is required to make contributions, it will be compulsory for the non-working population (such as housewives) and low-income earners to make contributions too. Should that happen, a grave financial burden would surely be imposed on families. Self-commitment of medical expenses will definitely defeat the purpose of redistributing social resources through the Government's provision of inexpensive but comprehensive medical services to the lower strata of society too. More importantly, the Consultation Document even proposes that an individual's account can be used for meeting the medical expenses of the individual's spouse in addition to meeting the medical expenses of the individual. This implies that if the accrued savings in the account of an individual is insufficient to meet medical expenses, money will be drawn from the account of his/her spouse and no direct government subsidy will be given, hence it will be even more unfair to the grass-roots people. Should the "people have means pay more" or the "user pays" principle be applied to medical services? I believe the implementation of the HPA will encounter great resistance if such controversies in respect of fairness remain unresolved.

Third, cost-effectiveness. As the amount of contributions made under the scheme of HPA is comparatively small, the ratio between the annual administrative fee and the gross asset value of each account holder may be as much as 4% to 5%, which is much higher than the ratio of 1.6% to 2.4% recorded by the Mandatory Provident Fund Scheme. The assets of the public will definitely be eaten up gradually as a result. This weakness will also reduce the cost-effectiveness of the entire scheme. Furthermore, the insurance sector has estimated that more than 2 million people in Hong Kong have purchased medical insurance at a total value of \$28 billion. More social resources will be wasted if the scheme of HPA fails to tie in with private protection.

In addition to the constraints imposed by the current economic condition, these problems have reminded us of the necessity to exercise caution when implementing new medical financing options.

In my opinion, we can actually relieve the tight supply of medical resources in two areas. We can strengthen health publicity and education on the one hand and provide more rehabilitation and convalescent facilities on the other. For instance, we can prevent elderly people from being tortured by pains and diseases or make early detection to facilitate treatment by strengthening community care and carrying out preventive work on senile diseases. All these measures can eventually reduce hospitalization expenses, and so on. A multi-pronged approach must be adopted to steadily raise the health standard of the public and to foster a more colourful life for all.

With these remarks, I support the motion.

MS AUDREY EU (in Cantonese): Madam President, I am disappointed with this Consultation Document on Health Care Reform (the Consultation Document)

Firstly, the Government has in fact set down a timetable for implementing some of the proposals in the Consultation Document. For example, it proposes that the Hospital Authority (HA) should take over the general out-patient service of the Department of Health. The Consultation Document states that an implementation plan will be worked out by the end of this year. Another example is the proposal to formulate common clinical protocols for medical practitioners. The medical sector has questioned the proposal, opining that it might affect the quality of medical services. However, the Consultation Document has stated that starting from this year, the HA will encourage the formulation and adoption of common clinical protocols. Given this, I really have some doubts about the Government's sincerity in consulting the public.

Secondly, medical financing is an area of public concern. The Consultation Document proposes the introduction of the HPA scheme, the commonly called "Mandatory Medical Fund", and proposes that the public shall set aside 1% or 2% of their monthly salaries starting from the age of 40 as savings to meet medical expenses in their old age in future. This is only a preliminary consultation, but a responsible consultation document should at least estimate the effectiveness of the "Mandatory Medical Fund". The experience from the "Mandatory Provident Fund" tells us that any similar plans would

naturally involve a lot of paperwork, administration and advertising fees. The case with the "Mandatory Medical Fund" must be much more complicated. Come to imagine that the public have to fill in a few forms every time they seek medical consultation. As a result, substantial administrative costs will definitely be incurred before a medical fee costing several tens of dollars can be approved. Such a practice is a waste of time and can achieve nothing. Is it cost-effective to do so?

Thirdly, the Consultation Document mentions no specific proposals to improve the existing problem of the loss of balance in the supply structure of medical services in Hong Kong. Currently 94% of the people use public sector services. There are long queues at public hospitals whereas the clinics of private medical practitioners and private hospitals are so quiet that not a soul is found. Such a situation really cannot continue forever. The Consultation Document hints that the solution lies in revamping the charging system and says that the new charges will be affordable to the public. So doing, it says, can reduce the incidence of abuse and change the distribution of workload between medical institutions in the public and private sectors. Does it mean the HA has to increase the charges significantly? If not, how can a slight upward adjustment in charges improve the existing problem of the loss of balance in the supply structure of medical services? I believe the problem does not lie simply in adjusting the charges because a more effective collaboration mechanism should be put in place between public and private medical services. However, the Consultation Document makes no mention at all of any specific proposals for this.

For the above reasons, the Consultation Document as it stands can hardly be used as the basis for consultation. Nor can it command any specific response.

Madam President, I hope that future consultation documents, that is the consultation document to be released next time, can provide us with more options other than data. Apart from setting a parameter for future public medical services, the document can include more detailed discussions on the efficient utilization of medical fees charged, which may include how to encourage different kinds of research and development, such as the co-ordination between Chinese and Western medicines, the effects of various kinds of medical tests, exceptionally high risk diseases to Hong Kong people, and so on.

Madam President, I look forward to seeing a more solid consultation document. I so submit.

MR LEUNG YIU-CHUNG (in Cantonese): Madam President, a certain paragraph in the Consultation Document on Health Care Reform reads: "Over the years, we have developed in Hong Kong an enviable health care system, which provides an accessible, quality, equitable and affordable health care service. Highly subsidized, the public health care sector offers protection to individuals from significant financial risks that may arise from catastrophic or prolonged illnesses." These comments lead us to think that the health care system in Hong Kong is really perfect, and that we can enjoy quality health care services without having to pay high fees. But is the reality quite like this? Madam President, I see that you are smiling. Well, people have in fact been criticizing the health care system. Some criticize that there are not enough health care services, and people thus have to travel long distances to seek consultation in hospitals. Others complain about long waiting, especially in the case of specialist consultation, which often requires a waiting period of one month, or even several months. This is the real situation now. What worries us even more is the number of medical blunders. According to government statistics, there were 492 such cases in 1999 alone, and in 2000, the figure even rose to 519. Problems like those mentioned by me actually abound. So, are our health care system and its quality really that satisfactory? The Consultation Document does not offer any answers to these questions.

On the surface, the Consultation Document is about health care reforms, but in reality, it is about health care financing. That is why many organizations have criticized that the concern of the Consultation Document is not any health care reform but just the financial considerations relating to the health care system. In fact, the thrust of the Consultation Document is financing, and in this connection, it lays down three objectives — costs reduction, reform of the fees structure and the introduction of the Health Protection Accounts (HPA) scheme. But besides these, I can also notice quite a number of hidden possibilities. For example, regarding the introduction of other fees, the Consultation Document mentions that after the Hospital Authority has taken over the delivery of out-patient services, the main target of out-patient services would be patients in financial difficulties and patients of chronic diseases requiring prolonged treatment who are in financial difficulties. This means that people who are now enjoying free or inexpensive health care services may be subject to means test or pay higher medical fees in the future.

The Secretary has actually said on different occasions that in addition to considering this type of fees, consideration will also be given to the charging of

fees for accident and emergency services. I think this is a separate issue, so I am not going to discuss it today, and I hope I will have the chance do so in the future. Anyway, I must say that the real emphasis of this Consultation Document is to propose ways to get money from the public. In this connection, it says that the Government is of the view that since public sector health care services are heavily subsidized by the Government and are thus inexpensive, and also since their standards are improving on the day, the number of people seeking treatment from public sector health care institutions has been rising incessantly, thus exerting an increasingly heavy burden on them. In the long run, this will pose a significant problem to government finances.

Let us however try to find out whether the financial burden is really so heavy. It is pointed out in the Financial Secretary's recently announced Budget that the expenditure on public sector health care will go down from 15.3% in 1998-99 to 14.5%, or 25% of our Gross Domestic Product, in the coming financial year. This is no doubt a very high rate compared to those of other countries, one example being the United States, where the rate is just 7%. But this is not the point I wish to raise, because the question of percentage is not the most important. What matters is the distribution of the money we spend on health care. In this connection, we should look at one figure, and this figure concerns how Hong Kong as a whole has been spending money on health care. Well, it may sound a bit unbelievable, but only about 44% of that money goes to the public sector, and about 50% goes to the private sector medical services. This shows that many people have in fact been seeking medical treatment at their own expense.

Currently, patients have to pay for at least nine items of treatment, medical supplies and drugs. These include cardiac catheterization, for which there are five classes of fees, ranging from \$1,000 to \$48,000. And, some chronic patients of chronic diseases also have to buy the medical supplies they need at their own expense, one example being catheters. To save money, some of these patients have started to do something incorrect, such as sterilizing their catheters with hot water for reuse, and this worries me a lot. Patients have been driven to such incorrect acts because they have to pay at their own expense. Who knows what may happen to them as a result? It is often emphasized that patients who are poor need not worry, for the Government will definitely look after them, will never ignore them. That is correct, and I am sure that the Government will certainly look after Comprehensive Social Security Assistance (CSSA) recipients, but what about those who are not eligible for CSSA, those marginalized people

who have to pay for their own medical treatment? What worries me most is precisely the problem faced by these people. According to a survey conducted by the University of Hong Kong, as many as 1.8 million people in Hong Kong are suffering from one or more kinds of chronic diseases. If these people do not seek medical treatment because of the high fees charged, I will be very worried. The reason is that if they do not seek medical treatment because of financial considerations, then, in the end, even if they do not die of their diseases, they may still die through lack of proper treatment. This is my biggest worry. So, although we do not demand a 100% fees exemption when the Government proposes to charge fees in its health care financing reform, we must still ask, "Has the Government ever considered the financial conditions of the grassroots?"

Thank you, Madam President.

MR ANDREW CHENG (in Cantonese): Madam President, on behalf of the Democratic Party, I will speak on the medical complaint system and community-focused health care services.

Madam President, there has been extensive discussion in the community as a result of the Harvard report which points out that medical doctors tend to side with one another and thus recommends the setting up of an independent medical complaint office. According to the findings of an opinion survey conducted by the Democratic Party, more than 80% of the respondents agreed to the creation of an independent medical complaint commissioner to handle medical complaints. The setting up of an independent medical complaint mechanism has undoubtedly become the consensus of various sectors in the community, except for a number of doctors who oppose the creation of the post of a medical complaint commissioner for they consider it infeasible for laymen with little medical knowledge to assess the performance and professional conduct of doctors.

We regret that the Consultation Document on Health Care Reform has only proposed setting up a Complaint Office in the Department of Health (DH) to assist patients in lodging complaints, failing to respond to the public aspiration of setting up an independent medical complaint mechanism.

The biggest difference between an independent statutory organ and a government department is that an independent organ will not be suspected of siding with the Government and medical doctors for it is independent of the health care system. On the contrary, if a department responsible for handling public complaints is established within the government framework, say, if the Equal Opportunities Commission is set up as a working group under the Home Affairs Bureau, public confidence in the department of maintaining independence and autonomy will inevitably be undermined.

Furthermore, an independent complaint mechanism can allow representatives from such different sectors as the health care sector and patients' organizations, as well as members of the community and so on, to be appointed as members to oversee the daily operation closely. If a government department is responsible for handling medical complaints, it will find it more difficult to command public trust since non-professionals will not be appointed as its members. As a result, it cannot guarantee its credibility and neutrality.

Madam President, the Democratic Party supports the Consultation Document's suggestions on respecting the principle of professional self-regulation and giving the regulatory body the final decision and discipline. They are in line with the proposal of setting up an independent medical complaint office. Although Northern Territory in Australia, the United Kingdom, Ireland and Australia have all set up independent statutory organs to take charge of medical complaints, the power of arbitration is still vested in the relevant professional bodies. As regards the concern raised by the health care sector with respect to the point that only health care professionals can investigate complaints against health care personnel, we can indeed follow the practices of independent complaint mechanisms overseas by inviting health care professionals from overseas to give expert advice when the need arises.

According to the Consultation Document, the Government has planned to set up the Complaint Office in 2002. The Democratic Party does not object to the proposal of setting up the Complaint Office in the DH on a trial basis to get to gauge the effectiveness of the Office in actual operation and treating this as a transitional measure of establishing an independent medical complaint office. However, the Government should absolutely not reject the proposal of establishing an independent medical complaint mechanism at this stage. On the contrary, it should review the performance of the DH in handling medical complaints in the near future before reconsidering the proposal of setting up an independent complaint mechanism.

Madam President, the Consultation Document has devoted considerable length to the reform of the health care delivery system and has put forth such proposals as reducing reliance on hospitalization services, shortening the period of hospitalization, and developing a community-focused health care service. This was originally a good direction for development. However, the Consultation Document has failed to put forward concrete proposals, including ways to enhance community support and to transfer patients from hospitals to different service providers such as health centres, day-care centres, and so on. Although there is still a lack of community support, the Hospital Authority has already adopted a new criterion by using the population and the population structure as the benchmark for making its funding arrangement and relinquished its past practice that was based on the number of beds and facilities. The medical services provided to the public may well be affected without a strict regulatory mechanism. Patients might then be forced or asked to leave hospitals earlier and return to their homes to recuperate because of the tight resources. However, as day-time services and community nursing services still fall short of demands and hospitalization services and community support are poorly co-ordinated, it is indeed doubtful whether patients can receive proper community support at home.

Madam President, the authorities should explain in greater details as to how a community-focused health care service can be implemented by, for instance, setting out the number of day-time treatment centres and integrated services centres to be constructed, the dates when these centres can start providing services, the funding set aside for subsidizing these facilities, the demands for and shortfalls of the relevant services, and so on. At the same time, the Government should set an objective target for the provision of services to enable resources to be distributed in a better manner and to ensure that patients remaining in the community receive the care they need.

Madam President, I so submit

DR RAYMOND HO: Madam President, I appreciate the Hong Kong Government's efforts on reviewing the current health care system and the introduction of the Consultation Document on Health Care Reform. After studying the consultation paper, I have a number of comments, namely on the proposed idea of establishing Health Protection Accounts, the use of the limited resources, the role of the Department of Health and the patient complaint mechanisms.

The idea of establishing Health Protection Accounts is good in itself because it can alleviate the Government's financial burden of offering cheap medical service to the public. However, under the system, if it is implemented, people between the age of 40 and 64 will need to contribute 1% to 2% of their salaries to the scheme so that when they retire, they can use their accumulated money to support their own medical needs. However, like the Mandatory Provident Fund Scheme, it is likely that this proposal will incur economic hardship to the people involved. In my opinion, instead of implementing the proposal, it is more preferable for our Government to support the poor financially while letting the richer people pay more for the medical services. It is a matter of social fairness. If all people between the age of 40 and 64, no matter how rich or poor they are, are needed to contribute part of their income to the scheme to receive the same service, the poor will be at a disadvantage.

Cost control is another important area of the consultation paper. Government resources are very limited, so they must be used appropriately. My view is that people suffering from chronic diseases and at the same time are financially vulnerable should be given more help by the Government, for example, by charging them at lower rates for essential medical services. On the contrary, as accident and emergency (A&E) service is often abused by some citizens, I suggest that A&E service should be charged, but at a reasonable level so that all citizens can still afford it.

According to the Consultation Document, the role of the Department of Health will be changed. Instead of supervising the general out-patient clinics, it will be responsible for policy setting, controlling and regulating health care providers, and so on. Although this proposal may sound reasonable, particularly duplication of job duties can be reduced, this involves major restructuring of the Department and should only be implemented after very careful consideration and adequate consultation.

As regards the current medical complaint system, it is one of my main concerns. As I understand, the availability of the current complaint channels is not commonly known by the community. Therefore, when people suffer from the poor quality services of government clinics or hospitals and want to complain about the services, they often do not know to which department they should submit their complaints. In my view, the complaint system should be more publicized. Last but not least, the complaint mechanisms established must be independent and impartial, with enough lay members.

Health care system is important to all of us. What we need is good medical services but at reasonable costs. I hope that our future health care system will strike a good balance between quality and cost.

Madam President, I so submit. Thank you.

MR LEE CHEUK-YAN (in Cantonese): Madam President, a series of reform proposals have been put forward in the Consultation Document on Health Care Reform (the Consultation Document), including strengthening preventive care, reorganizing primary health care, developing a community-focused health care service, promoting Chinese medicine, improving the patient complaint mechanism, and so on. In this connection, however, I believe the most important point or the gravest concern of the Secretary is still the "funding" aspect, which covers the controversial fees structure and the proposed Health Protection Accounts (HPA).

On behalf of the Hong Kong Confederation of Trade Unions, I oppose the proposal made in the Consultation Document for establishing the HPA, which is commonly known as "mandatory medical fund". We oppose the mandatory medical fund scheme not because people are resistant to making contributions seeing that their income has dropped in the midst of economic recession over years but, more importantly, because this mandatory medical fund scheme is completely inconsistent with the principle of social justice.

One basic assumption of this mandatory medical fund scheme is that patients are the main culprits abusing health care resources and causing medical expenses to soar. I am not sure whether this is what Dr LO meant by "the unlimited needs and demands of health care services users". So, this is the assumption, but we do not subscribe to it. However, because of this assumption, the Government has come to the view that in order to prevent resources from being abused and to control expenditure, it must abandon the social security principle of spreading the risks evenly, and introduce, instead, a "mandatory personal medical savings scheme" on the ground that patients should bear the medical expenses they have incurred. Under this scheme, the mandatory contribution individuals make is proportional to their respective treatment which will stop once the savings are exhausted. This scheme, if put into practice, can be very dangerous, and patients have to be very careful in handling their personal medical savings accounts. They might need to refrain from seeking medical

consultation as far as possible if they are not seriously ill, so that they could save up the money for serious diseases. This proposed scheme will serve to personalize the health care issue and diminish the role of redistribution of social resources, thereby causing the situation of social inequality to deteriorate and adding to the burden of the low-income strata of society.

Earlier on Miss Cyd HO said that the Government has three hands, the first one collects tax; the second one, charging fees; and the third one, dipping into people's pocket to get the proposed mandatory medical fund. However, since the third hand is associated with pickpockets, the Government had better not to use the third hand; otherwise, people would consider the Government is trying to steal their money. I just hope the Government will cut its third hand off.

One major reason why medical expenditure is soaring in Hong Kong is that insufficient efforts have been made in respect of disease prevention. Actually, this issue warrants attention because the consequential increase in the number of patients with chronic diseases will in turn give rise to more cases of complications the medical treatment for which can cost a fortune. It is regrettable that the Government has over the years been concentrating on treatment services and hospital care to the neglect of preventive measures and primary health care. If the Government should keep sticking to this erroneous policy, whatever financing arrangement it might adopt, it just would never be able to rein in the rocketing medical expenditure.

Another issue of concern to me is the relationship between people's work and their health. This is because disease prevention involves not only health maintenance services but also other social and economic factors. The Consultation Document has also mentioned this point briefly. What I particularly wish to discuss today is the impact of work on people's health. I read in today's newspaper (*Ming Pao Daily*) that a middle-aged man working 14 hours daily on his two jobs died suddenly in his sleep. It is suspected that the man had been suffering from common cold for more than a week and thus taken some patent medicine before going to bed.

Although the Government keeps warning the public repeatedly that cigarette smoking may cause death, it has never alerted the public to the fact that work is also hazardous to health and may even cause arthritis, gastric ulcer, diabetes mellitus, heart and vascular diseases, or even certain kinds of cancer.

I am not trying to raise alarmist talk, nor am I telling people not to work. I am just citing the many results of the research studies conducted by the *British Medical Journal*. As indicated in the findings of these studies, the lower the income or job level that one is with, the more susceptible he will be to the aforementioned diseases. Compared to factors like hereditary genes or risky activities (such as cigarette smoking and alcoholism), the impact of social and financial status on people's health condition, morbidity rate and mortality rate is far more significant. According to the explanation given by the researchers concerned, continual mental stress will cause one to incur abnormal gluconeogenesis and immune system disorders, and is therefore an important factor in getting sick. Given the enormous stress they suffer in their daily lives, the morbidity of the impoverished, the low-ranking workers, and the unemployed is higher than that of other people. According to a research study conducted in the United Kingdom, the mortality rate of low-ranking civil servants is three times higher than that of the management personnel. Apart from that, the results of another study also indicate that for workers who have been unemployed for more than a month, they are 3.8 times more susceptible to common cold than people working a stable job. Perhaps I may say that the labour sector should strive for more employment opportunities, because getting employed can help one to avoid catching a cold.

Back to the home scenario, in a survey conducted recently by the School of Medicine of the University of Hong Kong, about one third of the people interviewed said they had suffered from work-related sickness or injury before. Basing on the figures obtained in the survey, the researchers reckoned that the number of working hours that the 3 million-odd wage earners lose due to sickness and injury would amount to 3.33 million, or an extra day of vacation a year. According to government figures, the wage cost for one day of vacation is approximately \$700 million.

The survey also discovered that about one third of the wage earners suffering from work-related sickness and injury had to seek treatment from clinics, hospitals or accident and emergency departments, with the medical expenses directly paid by the employees and employers concerned amounting to more than \$550 million yearly. Not counting the government expenditure on health care services, the medical expenses paid by employees and employers can add up to \$1.2 billion. Should the research studies mentioned by me earlier be applicable to Hong Kong as well, the medical expenses and economic loss incurred in treating the immune system disorders of the impoverished,

unemployed and low-ranking employees as well as the consequential increase in their risk of contracting diseases would add up to an amount beyond estimation.

The purpose of my raising these points is to urge the authorities to face squarely up to the fact that the impact of social and economic factors, in particular work, on people's health is so significant to be overlooked, and that in discussing the various reforms to the health care system, we should also consider the ways to develop a social-economic environment beneficial to the health of the public. I always wish to appeal to the Secretary for Health and Welfare for his support for our proposal to make legislation on controlling the number of working hours, as it seems to me that the Education and Manpower Bureau do not agree very much with our proposal. I just hope the Secretary for Health and Welfare can discuss the matter with his colleagues in the Education and Manpower Bureau from the point of view that "controlling the number of working hours can help to reduce Hong Kong's health care expenditure", with a view to winning their support for our proposal. Thank you, Madam President.

MRS SOPHIE LEUNG (in Cantonese): Madam President, please allow me to declare my status first. Since the mid-1980s, I have taken part in the management of health care services in the public sector and the promotion of relevant reforms. Since 1989 upon the inception of the Hospital Authority (HA), I have been a member of one of its committees. Some friends in the media have described me as having gone through long years of hard study, and I wish to say here that I have indeed benefited a lot from my participation in the relevant work during the past decade or so. It is because I have learned plenty of things and I have come to understand that to implement any reform, we must first truly understand the system as well as the strengths or weaknesses of all participants. Failing this, we simply cannot talk about reforms. Moreover, I have learned that in the course of reform, we will discover many other areas that also need to be reformed, and many similar situations abound.

Today, we are discussing what constitutes an ideal health care system. In fact, to any country or any territory, this is by no means an easy question to answer. To implement health care reforms successfully is no easy task. Take the United States as an example. The former First Lady of the United States, Mrs Hilary CLINTON, who is universally recognized as clever and smart, had endeavoured to promote health care reforms since the former President took office, but the reforms had achieved little success and were wound up hastily. Of course, they had been faced with a whole host of problems.

Every place has its own characteristics, culture, political and economic environment, and pace of health care development; and the variables in the course of development are also different from one place to another. Therefore, the experience of one place in achieving success simply will not work in another place due to the differences in a diversity of areas. Moreover, we must proceed step by step in the course of development.

For example, the "National Health Plan" and the national "Medisave" scheme introduced by Singapore in 1983 and 1984 respectively operate on the basis of the central provident fund set up in 1955. So, there is a capital base for these initiatives backed up by stable economic development over a long period of time. Besides, the Singaporean Government has in recent years revised their financing arrangements time and again before coming to the present stage. Therefore, it is not the case that we can see the results of the reform or its way forward on the very first day. On the other hand, the long-term medical care expenditure associated with the ageing population in Singapore has compelled the Singaporean Government to think of a way out. In Taiwan, three years after the introduction of the medical contribution scheme, they are already threatened by the crisis of bankruptcy as a result of abuse of health care services (probably because they have not yet made clear which course to take). In fact, every society faces the same problems: first, an ageing population; second, the rapid development of medical technology and rising public expectations of health care services, with everyone aspiring for longevity. Furthermore, new diseases and germs have emerged one after another. Now there is the mad cow disease and this and that springing up in an endless stream. But our resources for this are grossly limited.

In terms of health care reforms, Hong Kong started out rather late for the reforms began only in late 1980s. The demand for health care reforms has become greater and greater in the community. Some said that the HA has indeed contributed a lot to public sector health care services over the past 10 years since its establishment, but it is precisely because of this that the community has more and more expectations of the HA and therefore more and more criticisms of the HA. Under such circumstances, we must look at the work of the HA in the past decade. While we did not start out early, we have not made too many hasty decisions or taken wrong measures or caused delays to reforms which might otherwise create many obstacles to the reforms now.

That said, the new health care reforms can brook no delay in any case. Our public health care services are under great pressure. Whether it be in-patient services, accident and emergency services or specialist out-patient services, the take-up rate has been on the increase. Take the accident and emergency department as an example. Figures of the HA show that close to 2.41 million of people used the services of the accident and emergency department in public hospitals in 1999-2000, representing an increase of almost 6.64%, compared to 2.26 million in the previous year. On the other hand, specialist or in-patient services in the private sector registered a very low attendance rate of a mere 7%.

While the profession and the authorities have endeavoured to improve health care services in Hong Kong, only some slight improvements have been made to the public sector after 10 years' work. So, it can be said that we are faced with scores and scores of difficulties. For instance, back in those years when we were working on the establishment of the HA, much controversy was aroused in the community. Since the establishment of the HA, while we have successfully developed new management and service cultures and introduced new medical technologies into public hospitals, and despite commendation from the public in many areas of our work, some people nonetheless said that public hospitals are doing too good; and the pressure from demand for health care services is still mounting.

How should we take the medical reforms forward? We should not reject reforms because of the shortsightedness of some people or their excessive worries. As the Western saying goes, "Rome was not built in one day." Health care reforms cannot succeed with the effort of one or two individuals or by the Government alone. There should also be some courageous pioneers and visionary leaders in the community to take the lead and push the reforms. In this regard, I hope that sector, particularly those in the medical sector, can give play to their leadership and work in concert with the so-called laymen like us to promote reforms, rather than pointing their fingers at us and unilaterally proceed to build a new Rome in the medical profession.

Madam President, I so submit.

MR LAW CHI-KWONG (in Cantonese): Madam President, seven minutes are indeed too short a time. Although the Democratic Party has three Members

speaking on this motion, we still cannot finish everything that we wish to say. So, I can only raise some key points for discussion.

Particularly, I wish to speak on fees and charges. The Consultation Document on Health Care Reform (the Consultation Document) pointed out that the funds allocated for health care services in the public sector are not sufficiently well-targeted. Therefore, it is suggested that a full-scale review of the existing fees structure be carried out and the subsidy level be determined on the basis of the priorities of services.

I believe no one will oppose the general principle of conducting an overall review of the fees structure in the public sector to ensure that resources are sufficiently well-targeted. The Democratic Party is of no exception. But in my view, it is not particularly meaningful to propose a principle as general as such. The Consultation Document pointed out that the new charges subsequent to the review will still be affordable to the public. I wish to draw the attention of the Government to the point that the so-called "affordable" is indeed a very abstract concept. The Government proposes to revise fees as a deterrent against abuse of services. But given the very serious wealth gap in Hong Kong, even a small increase in the fees for public health care services will deter some of those in the low-income group from seeking medical consultation, not for fear of medical treatment, but for fear of the fees. This will certainly happen with just a slight increase in the charges. Then how should the fees be revised so that abuse can be reduced without deterring even more patients from seeking medical treatment? This is a very difficult question indeed. The Government must act cautiously for what we can see is not a high level of income on an average, but a ladder of wealth gap where some people are standing high above whereas some are at the lowest end. The problem that I have just described will occur once the fees are slightly adjusted upwards.

There is one certainty and that is, the Democratic Party will definitely oppose the Government increasing the fees substantially, but I believe the Government will not do so. Regarding the principle of "people with means pay more", there are points agreeable to the Democratic Party and also points to which we take exception. We agree that under the existing health care system, those who have the means are already paying more in that the wealthy people have to pay more tax and therefore, they are indirectly paying more for health care services. But if the Government intends to introduce a means-tested system to determine how much medical fees a patient should pay in order to

fulfill the principle of "people with means pay more", the Democratic Party will certainly oppose it.

I also wish to remind the Government that members of the public are still in dire straits financially. While I have said just now that we might not strongly oppose a slight fee revision and that we would only oppose a substantial fee increase, the Democratic Party will oppose whatever fee increase suggested by the Government that will have an impact on the people's livelihood. I just wish to remind the Government that it is definitely not the right time now.

Earlier on Members mentioned the itemized charging arrangement. So did the Honourable LEUNG Yiu-chung. In fact, the current fees structure in public hospitals is not based on any particular rationale. On what basis is a hospital bed charged at \$68 per day? The cost for meals, which is factored into the calculation, can no longer reflect the actual situation. So, it can be said that the fees are charged on no basis at all. At present, patients are required to shoulder the costs for nine medical items, that is, patients have to purchase these medical items at their own cost. These items are selected arbitrarily and are not subject to any specific selection mechanism. Nor is there any justification for a decision on which items should be paid out of the pockets of patients. As technological development advances, patients will very likely be required to pay for the costs of more medical items. From the remarks made by the Secretary on many occasions, we are very much worried that there will be more and more of these items. The authorities must put in place a reasonable and transparent mechanism to determine which items or services should be excluded from government subsidy. Certainly, extensive consultation should be conducted to determine which items or services should be excluded. According to a survey conducted by the Hong Kong Polytechnic University, the middle-class considers that patients should bear the costs of 69 items of health care services, which are far more than the original nine items. Items among those on the top of the list include non-emergency services provided by the Accident and Emergency Department, and I stress non-emergency services provided by the Accident and Emergency Department, such as the treatment of impotence, prescription of "Viagra", breast augmentation, and so on. Medical practitioners are of the view that the fees for cardiac bypass operation should rank the third on the list. I find this very strange, but this operation is surely not chosen by the public. I hope that when considering whether or not fees will be charged and whether or not subsidies will be provided, the Government will not only consult the medical profession. Public opinions are equally important.

Another point that I wish to raise is the role of the HA. As I have mentioned in the Panel on Health Services, the HA has now integrated the curative services of the Department of Health, and this is supported by the Democratic Party. But if the system whereby government funding is provided for the HA is changed from bed-based to one based on population and the proportion of the elderly, then the role of the HA will require some adjustment. But how should it be adjusted? I believe the Government certainly has to study, for example, whether resources can be utilized flexibly so as to foster co-operation with the private sector? I believe consideration can be given to this aspect.

Another issue that I wish to raise is dental health. If we have problem with our corneas, the public health care system will take care of us. If we have problem with our joints and require replacement, the health care system will also take care of us. But if we have dental problems, our public health care system will simply pay no attention to us. Is it that traditionally our health care system is disproportionately influenced by Western medical practice and as dentistry is not part of Western medical practice, all parts of our body will be taken care of except our teeth?

The Consultation Document also mentioned that the Department of Health will provide services for primary pupils, and that services will also be provided to emergency cases and persons with special needs, such as patients with haemophilia and HIV infection. Nevertheless, the elderly are not included. I do not know why the elderly are not included. I will discuss this matter with the Government at the Panel on Health Services in detail later.

I also wish to raise one point to supplement the speech made by Dr the Honourable YEUNG Sum earlier on. On the question of financing, I just wish to add one point. Originally I wished to add three points but there is not enough time for me to do so. That is, I have always suggested to the HA that it should explore new sources of revenue. For example, in a traffic accident, there must be a party who should be held responsible. If somebody's car knocked down a person who then sustained injuries, why do we not demand payment from the insurance company with which the car is insured to cover the medical expenses incurred? As for people who force others to smoke passively, should they be made to pay a health tax? In my view, many people are affecting our medical expenditure. Should they be made to pay more?

With these remarks, I support this motion that does not have a particular stance. Thank you.

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

(No Member responded)

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Madam President, to begin with, I wish to express my gratitude to the Honourable Mrs Selina CHOW for moving this motion debate on the Consultation Document on Health Care Reform (the Consultation Document), and I also wish to thank other Members for their speeches. This debate has afforded thorough discussions to the Consultation Document and enabled us to collect more opinions to form the basis of our reform in the future.

The remarks of Members have mostly focused on several more controversial issues. I shall respond to these views a moment later. For the time being, let me first say a few words on the objectives and principles of the reform.

All reforms must be guided by clear missions and objectives. As far as the health care reform is concerned, our objective is to revamp the health care system, so that it can protect and promote public health and provide people with lifelong health care services that can raise their quality of life and enable them to give full play to their potentials. Such services must be conveniently accessible, of a high quality and available to all on an equal basis. Besides, they must be cost-effective and reasonably priced at levels affordable to everyone and society as a whole.

With these objectives in mind, we have set down a number of principles as guidelines in formulating our health care reform proposals. These principles are as follows. We must establish a satisfactory health care system which is community-focused, patient-centred and knowledge-based, one that can provide people with lifelong health care. We must actively promote disease prevention and primary health care services by encouraging and helping people to lead a healthy life. The maintenance of health is a personal responsibility. We must endeavour to implement measures of quality assurance, for this is the only way to

raise our health care standards continuously. We must ensure the effective use of public resources; specifically, we must target our limited resources at those services and patients having the greatest needs, so as to ensure that everyone in society can receive the health care services most appropriate to his needs. We must also ensure adequate funding to sustain the provision of health care services, lest our future generations may have to bear a heavy burden.

On the basis of the objectives and principles mentioned above, we conducted an in-depth study and analysis on our health care system, and subsequently put forward 11 reform strategies and 33 specific measures. The proposed orientation of reform covers all the three major segments of the health care system, namely, the delivery system of health care services, quality assurance system and financing options. The reform of the delivery and quality assurance systems can ensure the provision of integrated, appropriate and reliable health care services to patients. For financing, we propose to further reduce costs through enhanced productivity and cost control. At the same time, we must also identify new sources of financing to support the long-term operation of the whole health care system. At the meetings of the Legislative Council Panel on Health Services, I undertook to share and discuss the relevant statistics with Members. We are prepared to do so.

Members have put forward many views on the various proposals. I now wish to respond to all these views. As a start, let me say a few words on how we can improve the interface of the public and private health care sectors.

We are convinced that private sector health care services are very important to Hong Kong. Hence, we do not have the slightest intention of allowing public sector health care services to over-expand and replace their private sector counterparts. In this connection, it must be noted that public sector health care services are basically financed by the tax revenue of the Government; since such a source of financing cannot increase endlessly, it will not be possible for public sector health care services to expand forever. A complementary partnership of public and private health care services is therefore the only way to offer more choices to the people. We agree that the co-ordination between public and private sector health care institutions is not satisfactory enough now, and that this may lead to the lack of coherence in services, thus making it necessary for patients to incur unnecessary expenditure

on duplicated services. These problems have all stemmed from three major obstacles standing between the two sectors: differences in professional opinions, inadequate exchange of information and differences in fees.

To tackle these problems, we must administer the proper remedies. We have put forward a series of measures in the Consultation Document, in the hope of enabling the two sectors to form a better complementary partnership. To remove the differences in professional opinions, we propose that the two sectors should draw up a set of common clinical protocols and assessment criteria, so that patients can still enjoy coherent health care services upon referral. Besides, we also think that if the two sectors can conduct some joint training courses, they will be better able to achieve co-operation in their work.

As for exchange of information, we propose to set up an electronic health care information system to facilitate the exchange of health care knowledge and information between public and private sector institutions and raise the overall quality of health care services. Moreover, we also propose that given a patient's consent, the relevant health care institutions may even exchange the patient's medical records to facilitate his referral from one institution to another. In the future, through such an information system, every citizen will have his own lifelong health records.

On the question of price differences, we propose to tackle it through the provision of different types of services. Although the public sector health care system can always provide every citizen in need with appropriate care, it is still constrained in a number of respects at the level of service delivery, some examples being choice of doctors and waiting time. What is more, now matter how we are going to reform the fees structure of public sector health care, the rates of increase will always bound to be mild. For this reason, people simply cannot speculate that the Government's thinking is to promote the interface of the two sectors by drastically increasing public sector fees to eliminate the existing fees differences. We encourage private sector institutions to make use of their own strengths to complement the inadequacies of the public sector and thereby increase their competitiveness.

The work on improving the interface of the two sectors is already underway. We have held working group meetings with representatives from the private health care sector to discuss how best we can share our health care

knowledge and information. In the very near future, we plan to set up more working groups comprising representatives from private hospitals and doctors and the insurance industry, and we will actively discuss various feasible modes of co-operation between the two sectors and develop new health care products. We hope that through these co-operative efforts, we can provide more choices to patients who may otherwise choose to receive services within the public sector health care system.

Next, I wish to discuss the patient complaint mechanism. For the protection of patients, we must put in place a complaint mechanism with credibility, so as to enhance their trust in health care personnel. It is proposed in the Consultation Document that a Complaint Office should be set up within the Department of Health (DH) to handle health care-related complaints. A Complaint Office under the DH will have the following advantages.

First, there are now various professional registration and disciplinary systems for health care professionals in Hong Kong, and they are regulated by their respective professional bodies. However, since a complaint may involve several health care professions, and also since there are many channels of complaint now, patients may well be confused. The proposed Complaint Office will provide a direct and thus convenient channel to the complainant and will also facilitate the efficient handling of complaints.

Second, the DH will gradually give up its role in the direct delivery of health care services, and instead seek to enhance its role as a regulatory authority in respect of the operation of private hospitals and clinics, the sale of drugs and the use of health care facilities and equipment. Since some complaints may also be related to the problems with specific health care institutions, there will be a need for the DH to carry out investigation as a regulatory and licensing authority. A Complaint Office under the DH will be able to combine the work of receiving complaints, investigation and regulation, thus preventing the duplication of investigation efforts.

Third, under the existing health care system, there are no relationship of subordination and involvement of interests between the DH and the various providers of health care services, whether they are the Hospital Authority (HA), private health care institutions or even patients' organizations. Thus there is no reason for the DH to protect any particular sides, and for this reason, the DH will definitely handle patients' complaints objectively and impartially. The

setting up of a separate body outside the DH to handle medical complaints will only lead to unnecessary confusion and demands for additional resources to achieve co-ordination.

For all these reasons, we are sure that the DH is perfectly qualified to provide patients with a fair, open and credible channel of complaints. We will continue to discuss with Members on the details of implementing this proposal, so as to make sure that the procedures for complaint handling can command the acceptance of all sides. We also propose to review the operation of the Complaint Office two years after its establishment, with a view to ascertaining and deciding whether there is any need for changes.

Before I move on to the various financing strategies, let me reiterate the several important principles upheld by the Government. First, the Government will continue make use of its tax revenue to maintain its heavy subsidy of public sector health care services. Heavy subsidy from tax revenue is already a very effective means of risks sharing. Under such a system, we can always ensure that no citizen will be deprived necessary health care services because of lack of means. That said, I must add that even if the Government continues to increase provision from its tax revenue every year to keep pace with our population growth and ageing, our health care costs will still rise incessantly due to rapid advances of medical technology and ever-increasing public expectations. Governments all over the world are already racking their brains for new forms of health care financing, and we are no exception. We must realize that a public sector health care system which is battered by inadequate funding will adversely affect low-income earners and the middle classes. The journey may be long, but one must still take the first step. It is the right time for us to embark on the long journey of exploring how we can protect our future generations from a heavy health care burden.

I wish to point out that Health Protection Accounts are just one of the strategies in the health care financing reform effort; cost control and a revamp of the public sector fees structure will also produce far-reaching effects. A combination of the various proposed measures will help build up a health care system which is affordable to individuals, society and the Government.

Cost control measures are the first strategy of our health care financing reform. We believe that through our long-standing efforts of fully implementing cost control measures such as medical technology management,

development of primary health care, enhancement of community-focused services and development of clinical protocols, we will be better able to improve the cost-effectiveness of services and relieve the upward pressure of health care costs.

Similarly, a revamping of the fees structure will not only lower the incidence of misuse of services, but will also reduce the reliance of society on public sector health care services. We believe those who have the means will certainly not mind paying more for services that are most appropriate to their needs. We shall conduct a study on this and discuss with Members later.

Some members of the public have raised a number of questions about Health Protection Accounts (HPA). They have, for example, asked, "Can a mere savings of 1% cope with the drastic increases in health care expenses anticipated by the Harvard Team?" I wish to explain once again that first, it is not our intention to rely mainly on the HPA as a major source of health care funding; they are meant basically as supplement to meet health care costs. Second, we note that the projection made by the Harvard Team is based on the drastic increases in health care investments during the early 1990s, and this projection does not therefore take account of the savings achieved by the new cost control initiatives implemented by the Government. We are convinced that through the measures to enhance the cost-effectiveness of public sector health care services, we will be able to slow down the increase in health care expenses, thus making our financing prospects less negative than those forecast by the Harvard Team. Hence, even with some financing options that are less drastic, we will still be able to meet future challenges.

The next point I wish to discuss is the concept of a medical savings scheme. The HPA are themselves a form of inter-generation risks sharing. This means that while people are still young, they are required to put aside a portion of their income in their own accounts. The savings thus accrued can then be used to meet their health care expenses after retirement. This concept is very much in line with our long-treasured idea of saving for the rainy day. Besides, it can also give expression to the spirit that one should assume the responsibility of looking after one's own health. The personal savings amassed can be ploughed into the investment market for profits, and the amounts will increase as time goes by. We expect that in terms of the prices today, as much as \$2 billion to \$2.4 billion will be deposited into the proposed HPA every year, and this can ease the heavy financial pressure under a system whereby young people have to look after

an increasing number of old people. In addition, since all the money in such a savings account is the personal savings of the account holder, people will naturally spend it with extreme care. In this way, we do not need to worry about the problem of abuse, which is otherwise found when the bill of health care is footed by a third party. This savings scheme can also render assistance to post-retirement medical insurance schemes. The concept of health care savings is entirely in line with our needs. In fact, the HPA as a concept of personal health care savings is not so unpopular in society as alleged by some Members earlier on. Let us look at the medical profession as an example. In a recent questionnaire survey conducted by the Hong Kong Medical Association among its members, over half of the doctors surveyed, that is, 51.3%, actually agree that the savings accumulated in the HPA should be used to meet medical and dental expenses incurred by patients in public or private institutions, or to take out insurance policies in respect of these two types of services.

Talking about medical insurance, I wish to point out that the Government is fully aware that voluntary insurance will not only create new sources of funding, but will also provide people with more choices. We know that the voluntary insurance market still affords various sectors of the industry enormous room for development. The insurance industry can explore what new products to develop, so as to promote the development of the market. Service providers may also explore ways of payment other than the existing per-consultation arrangement. As for employers, they can consider how best to assist their employees in making their insurance policies portable after resignation, or in renewing their policies. The HA is prepared to provide the industry with the statistics and information required, and it is also prepared to conduct studies on co-operation with the industry. To enhance the role of medical insurance in Hong Kong, we need the concerted efforts of all sides. We shall set up a working group to hold continued discussions with the sectors involved.

Lastly, I wish to emphasize once again that what the Consultation Document has done is simply to set out the broad directions of health care financing reform, and the details have yet to be finalized after further studies and consultation. For a health care reform with such profound implications, it often takes years to moot the proposals, actually put them forward and complete extensive consultation before it can be implemented. We shall wait for an opportune time to put the scheme into practice.

Madam President, we do have a clear mission for our health care system, and I trust Members will share the objectives and principles of our reform. As I said at the beginning of my speech, the health care reform will both be comprehensive and integrated in nature. Changes in any one single segment alone will not help us tackle the problems related to the long-term operation of the entire system; the only long-term solution is the incremental implementation of a comprehensive reform. With regard to health care services and quality assurance, we will enhance the role of DH as an advocate for health step by step and seek to strengthen our efforts of disease prevention and oral health. We will also transfer all out-patient services to the HA and introduce Chinese medicine into the public health care system. At the same time, we will also change the existing institution-based mode of service delivery; instead, we will put in place a community-based health care model. We will also set up an electronic health care information network, with a view to fostering the interface of public and private sector health care services. We will also enhance the continuing training for health care personnel to raise their quality. As for the complaint mechanism and the HPA, we have listened to many views; we will shortly carry out detailed studies and consult the public at a later time. In the remaining two weeks of the consultation period, I look forward to receiving more views that can help us in implementing our reform.

Thank you, Madam President.

PRESIDENT (in Cantonese): Mrs Selina CHOW, you may now speak in reply. You have four minutes 31 seconds.

MRS SELINA CHOW (in Cantonese): Madam President, I must salute the Secretary for Health and Welfare, Dr YEOH Eng-kiong, for his choice of words, which is more complex than all the Chinese I know, in his 20-minute speech delivered in Cantonese earlier on. In addition to myself, 22 Members have spoken on this motion, and I am very grateful to them. It goes to show that Members are also aware of the great importance of this Consultation Document, and are thus, very concerned. Though different political parties may have established positions and views and individual Members may also have very strong views on this issue, I am very pleased to find that Members have taken part in this debate so enthusiastically.

In fact, after listening to the views of different parties, I find that apart from the issue of money, this subject is not very controversial. Of course, we all understand that it will become very important once money is involved, and no matter whether we are talking about the HPA, or how much money actually has to be spent, I believe that the subject will be highly contentious. Moreover, we all hope that a proposal can be finalized early. As Secretary YEOH said earlier, we all understand that the Government has come up with the proposals after repeated deliberations. However, I believe the Government should make careful preparations and detailed plans before trying to explain to the public, to convince them that the proposal is acceptable and justified. Earlier on, Secretary YEOH said there would not be any drastic increase in fees and charges, and we are very happy to hear that. I also believe that everyone will support this move. If the Government plans to increase its fees and charges drastically, I believe it will not be able to enlist sufficient support from various sectors, in particular, within the Legislative Council.

Having said that, I believe we all feel that progress should be made in our society as well as the medical system. From the social aspect, we can see that expenditure on this area and the relevant resources will gradually increase, especially as our population ages. I think this is the knottiest problem, and the Secretary may have to come up with a solution to this problem in his ultimate proposal.

Here, I would like to respond to the remarks of the Honourable Michael MAK, and I am very pleased that he has not left the Chamber. He said earlier that this motion is in lack of a guideline and direction, and it seems that he is none too pleased with this motion. I would like to state that, in moving today's motion, I have simply acted according to the consensus of all Members present at the relevant House Committee meeting. I cannot remember clearly whether Mr Michael MAK was present on that day, and if he were, apparently he did not raise any strong objections. I am very pleased to learn that he will support this motion, even though with reluctance. However, I would like to stress that such an innocuous motion is appropriate, for everyone has heard many different views from various parties. I think we should provide an opportunity during the consultation period for everyone to express opinions which will "let a hundred flowers bloom", so that all views can be passed onto the Government and bring its attention to the varied views. Otherwise, there will be both positive and negative views, and views for or against the motion, if a direction is laid down in the motion. In that case, the whole debate may be bogged down in arguments,

and Members, be they in the for or against, may not be able to express their opinions freely. If we do not "let a hundred flowers bloom", the Secretary may not have a chance to listen to all different views. In this regard, I would like to express my gratitude to Members and thank them for supporting my motion today.

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

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese): Second motion: Alleviating the difficulties of small and medium enterprises.

ALLEVIATING THE DIFFICULTIES OF SMALL AND MEDIUM ENTERPRISES

MR HUI CHEUNG-CHING (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed. It has been almost two years since I moved a motion in July 1999 in this Council on "Assisting the development of small and medium enterprises". I am now once again moving a motion to urge the Government to further alleviate the difficulties of small and medium enterprises (SMEs) because of three reasons:

Firstly, though there have been signs of recovery in Hong Kong economy since last year, SMEs have yet to benefit from the recovery. The "Business Operating Environment Index for SMEs" released by the Hong Kong Productivity Council last month showed that 43% of the SMEs did not expect any growth in their turnover in the first quarter of this year, and another 10% or so even anticipated a drop in their turnover. This shows that many SMEs are still struggling for survival;

Secondly, high cost, difficulties financing and failure in opening up new markets remains the most difficult problem faced by SMEs;

Thirdly, the Small and Medium Enterprises Committee (SME Committee) will soon submit its recommendations to the Chief Executive. As a member of this Committee, I hope Members of this Council will be mobilized through this motion debate to voice their opinions, so that the recommendations of the Committee may meet the aspirations of the SMEs in various trades and industries as far as possible.

I am very pleased to note that the Financial Secretary, in his Budget delivered last week, made several proposals on supporting SMEs, and those proposals happen to coincide with the proposals in my motion. For example, the establishment of an official economic and trade office in Guangdong and the establishment of a \$300 million fund to enhance training for employees of SEMs are all timely measures. I hope this is only the first step taken by the Government in strengthening its support for SMEs. In fact, there is still room for the Government to render more support to SMEs in the areas of operating costs, financing and opening up new markets.

On lowering the operating costs, I believe we can tackle this problem by taking actions in five areas:

First of all, the Government should expeditiously and suitably relax the restrictions on the use of factory buildings. It is estimated that at present, there is a total floor area of 200 million sq ft for industrial use in Hong Kong, while the industrial labour force has dropped to 300 000. However, as the Government still maintains an industrial age planning policy, where the plot ratio for office areas and commercial use in factory buildings is still subject to stringent control, many factory buildings become abandoned as local industries move their operations outward. I think that the Planning Department should expeditiously

and comprehensively implement the policy of allowing enterprises to set up offices within factory buildings and exempt them from plot ratio restrictions, so that owners may split spacious units of several thousand square feet into a number of smaller units. This measure will substantially lower the office accommodation costs for SMEs (businesses starters in particular);

Secondly, when I moved the motion on "Assisting the development of small and medium enterprises" in this Council in 1999, I urged the Government to encourage the introduction of more internationally recognized accreditation service agencies into the market. However, little progress has been made since then. As we all know, locally manufactured products are no longer inexpensive; even products "Made by Hong Kong", that is, value-added products planned by Hong Kong businessmen also face fierce competition. Quality accreditation is therefore essential in terms of either coping with the needs of market competition or meeting the legislative requirements of importing countries. For example, each type of materials used in the textile industry has to undergo six or seven tests ranging from colour, shrinkage, stretch to environment-friendliness; and so on. And, before toys can be imported into the United States, the samples have to undergo more than 10 to 20 physical or mechanical tests, such as tests on inflammability, heavy metal and lead content, and so on; the average cost for each test ranges from over \$200 to more than \$500. Perhaps this is only a minimal sum to large enterprises, but as SMEs do not normally get large orders, testing fees do constitute a very large percentage of their total merchandise value. However, it is undeniable that the reputation of Hong Kong products must be built on good and reliable quality. So, on the one hand, the Government should strive to attract more internationally recognized quality accreditation agencies to Hong Kong, so as to enhance competition in the market. On the other hand, it may also encourage universities and tertiary institutions to make positive attempts in providing such services, so as to reduce accreditation fees and charges. This will induce SMEs to develop a culture of quality awareness for the benefit of enhanced competitiveness;

Thirdly, since SMEs have limited capitals and operate on a small scale, it is hard for them to attract talents, so it is all the more important for them to provide in-house training. I support the Financial Secretary's proposal on establishing a \$300 million training fund to help SMEs to enhance staff training in such fields as business administration, marketing and information technology (IT) application. However, in promoting IT application, the Government must face up to a very pragmatic problem, that is, the exorbitant prices of computer

softwares. A small trading company with a dozen or so employees may invariably have to spend \$60,000 to \$70,000 on purchasing the most basic word processing software; and as much as more than \$100,000 if the cost of hardwares is also taken into account. Normally, banks will only provide instalment loans on a small portion of this amount, and the interest rate will be as high as prime rate plus 3% or 4%. So, I hereby urge the Government to consider providing SMEs with loans and encouraging leading computer software companies to lower their prices and accept payments in instalments, whereby SMEs will be induced to use IT;

Fourthly, the Government must urge all franchised and semi-franchised companies to enhance their operational transparency, and prevent them from increasing their fees and charges every now and then. In fact, increases in fees and charges by power companies, public transportation system and tunnel companies, sustained high handling charges for piers and surcharges levied by mid-stream operators have added to the already high operating costs of SMEs. Given the fact that SMEs normally do not join forces with each other and may not afford the time or money to engage in bargaining, they are often forced to swallow the hard terms. Sometimes industrial actions may break out if compromises cannot be reached over charges, and business operations will be impeded as a result. I think the Government should conduct an overall review of the existing profit control schemes for franchised companies. For quasi-franchised companies which have enormous influence on operating costs, such as air freight transport, container terminals and mid-stream operations, the Government should encourage them to lower costs, and bring in more competition, so as to prevent them from throwing their weight around. Moreover, an emergency arbitration mechanism should also be set up to prevent the trade from resorting to industrial actions and hampering the operation of Hong Kong economy; and

Fifthly, Article 108 of the Basic Law provides that Hong Kong should pursue a low tax policy. I think the Government should also strive to maintain a simple tax system, in particular, it should not introduce a sales tax, progressive profits tax and capital gains tax. There are four main reasons for this: (A) a complicated tax system will deter enterprises, in particular SMEs and overseas investors from investing and setting up new businesses in Hong Kong because of the worry that they may fail to reap a profit; (B) a sales tax will add to the burden of the already dying retail industry, a progressive profits tax may penalize more lucrative enterprises, while the computation of capital gains tax is a very

cumbersome task and may easily lead to disputes; (C) as most SMEs do not have accountants, a complicated tax system will add to their operating costs; and (D) while a complicated tax system may not necessarily bring in more revenue for the Government, it will definitely create more loopholes for tax evasion, and the Government may lose out at the end of the day.

Apart from lowering operating costs, the Government should also focus on the fund shortage problem of SMEs by opening up more avenues of financing not requiring "bricks and mortar" as collateral. I did place great emphasis on this point in the wordings of the motion on "Assisting the development of small and medium enterprises" moved by me in 1999. Besides, I have always supported the idea that a Commercial Credit Reference Agency (CCRA) should be established as soon as possible to allow SMEs to acquire bank loans on the basis of their track records and business prospects. However, the CCRA is after all a distant source of water that cannot be relied upon to put out a fire nearby. I think the Government can consider to adopt the following proposals to ease the short- and medium-term financing difficulties of SMEs:

First of all, as the bad debt ratio for the Special Finance Scheme for SMEs is less than 3%, the Government can consider to suitably extend the repayment period, so that SMEs can have more flexibility in their deployment of funds;

Secondly, before the establishment of the CCRA, the Government can use part of the balance of the guarantee amount under the Special Finance Scheme for SMEs to establish a credit fund for SMEs; the detailed operations of the Fund can take reference from the Special Finance Scheme; and

Thirdly, the Hong Kong Export Credit Insurance Corporation (ECIC) can review its existing underwriting policy, including increasing its allocation of resources, strengthening its ties with the banks and chambers of commerce in developing countries, so as to widen its scope of underwriting. Moreover, the ECIC can also step up publicity on the fact that its insurance policies are now acceptable to banks for export financing purposes (that is, D/P), and that it can act as guarantor for guaranteed loans. The ECIC should also hold discussions with banks on streamlining the procedures of underwriting and granting loans, to provide SMEs with as much convenience as possible.

In an environment where competition is fierce, it is most essential that business opportunities and an extensive market are available. Given the fact

that China will soon be acceding to the World Trade Organization, the Government should take advantage of Hong Kong's geographical proximity to assist SMEs in opening up the mainland market. Therefore, I support the Financial Secretary's suggestion that the Hong Kong Trade Development Council should place more emphasis on assisting SMEs to seize business opportunities on the Mainland. I think our long-term goal should be to facilitate Hong Kong businessmen in establishing and developing their businesses smoothly in Guangdong Province, Hong Kong, Macao and even all over the country. However, in the past 20 years, Hong Kong enterprises that have set up operations in the Mainland (in particular, Guangdong Province) have often encountered problems in relation to trade policies and local law enforcement (such as goods are detained for no good reasons and local officers levying sundry charges of innumerable description). SMEs in particular find it hard to cope for their knowledge of China and human resources are very limited, and they feel that no redress can be sought. Some people are of the opinion that the Government of the Hong Kong Special Administrative Region (SAR) can help Hong Kong businessmen to resolve their difficulties through Hong Kong and mainland chambers of commerce. However, I think that this proposal has two setbacks:

Firstly, which chamber of commerce should undertake the responsibility of assisting Hong Kong businessmen? Do chambers of commerce have sufficient representativeness? This issue can easily lead to disputes; and

Secondly, chambers of commerce are after all non-government organizations which can neither represent the SAR Government nor officially offer assistance to Hong Kong businessmen encountering difficulties in relation to mainland government policies and law enforcement.

Under such circumstances, I have repeatedly urged the Government to set up official economic and trade offices in China (especially in Guangdong Province) to proactively gather complaints about the policies and laws of the Mainland and referring them to the relevant mainland authorities for action. Furthermore, these offices can also help strengthen communication and understanding between the Hong Kong and mainland Government. With the support of an official setup outside Hong Kong, Hong Kong businessmen, SMEs in particular, can have more confidence in doing and securing business on the Mainland. If the Guangdong economic and trade office of the SAR

Government proves a success in operation, I hope the authorities can further set up similar offices in other provinces and municipalities (such as Shanghai and Chongqing), to tie in with the trend of more and more Hong Kong businessmen making investments in the central and western part of China.

Madam President, in face of the downturn in the United States economy, some bankers have predicted recently that SMEs have not yet seen the worst of their times. The Government must stay vigilant and endeavour to help SMEs in various trades and industries to tide over their difficulties.

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

Mr HUI Cheung-ching moved the following motion: (Translation)

"That, as small and medium enterprises (SMEs) have yet to benefit from the recovery of the economy, this Council urges the Government to adopt measures and spare no effort to alleviate their difficulties; the measures should include:

- (a) in order to reduce the operating costs of SMEs, expeditiously and suitably relaxing the restrictions on the use of industrial premises, encouraging further introduction of internationally recognized quality certification services in the market, providing greater financial support in such areas as manpower training, marketing and the application of information technology, encouraging franchised companies to lower their fees and charges and to engage in healthy competition, as well as striving to maintain a simple tax system;
- (b) exploring additional means to ease the financing problem of SMEs, including using part of the balance of the guarantee amount under the Special Finance Scheme for SMEs to set up a credit fund for SMEs before the establishment of the Commercial Credit Reference Agency, examining the feasibility of relaxing the underwriting policy of the Hong Kong Export Credit Insurance Corporation and enhancing its guarantor function in SMEs' applications for bank loans; and

- (c) expeditiously establishing economic and trade offices in the Mainland, especially in Guangdong Province, for proactively gathering complaints by Hong Kong businessmen about the policies and laws of the Mainland, and referring them to the relevant mainland authorities for action."

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

PRESIDENT (in Cantonese): Mr Kenneth TING 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.

I now call upon Mr Kenneth TING to speak and move his amendment.

MR KENNETH TING (in Cantonese): Madam President, we support the greater part of the Honourable HUI Cheung-ching's motion. I have moved an amendment in respect of financing and upgrading the manpower resources of SMEs, so my speech will focus on these two areas.

Madam President, Mr HUI Cheung-ching has moved a motion again today to urge the Government to spare no effort to assist SMEs which have yet to benefit from the recovery of the economy. The motion proposes to reduce the operating costs of SEMs, to ease their financing problems and to establish official organizations to strengthen communication between Hong Kong and the Mainland. The Liberal Party very much agrees to all these proposals.

However, the Liberal Party thinks that in order to tide SMEs over, it is very important that they be afforded assistance in resolving their financing difficulties. As the Chief Executive mentioned in his policy address two years ago, this needs the banking sector to put in more emphasis on the track record and business prospects of the borrowing enterprises in granting loans, instead of following the conventional practice of taking property as the main form of collateral.

We have therefore moved an amendment to incorporate the Chief Executive's suggestion. I am glad to tell Members that some banks have agreed to the view and shown some positive response recently by doing away with the rigid rule of requiring that lending has to be done on using property as the only form of collateral. We still insist, however, that the Hong Kong Monetary Authority should take some positive measures, such as conducting more negotiations with banks to find out ways to fully implement the Chief Executive's suggestion. In addition, the Administration should give more support to SMEs, especially in the management of their accounts and the provision of company information so that banks will not encounter any difficulty in providing loans to SMEs due to a lack of complete company data.

Moreover, the Government must continue to freeze its fees and charges which have a bearing on the business environment. The freeze can help curb the increase in operating costs. I also recommend maintaining the low tax rates because a simple tax system alone is not sufficient to protect the interests of SMEs. A simple tax system must be accompanied by low tax rates before it can promote investment and business opportunities. I was glad to note that Mr Donald TSANG, incumbent Financial Secretary cum Chief Secretary for Administration designate, explicitly pointed out in his Budget speech that a progressive tax system will destroy the proven simple tax system. I hope his successor can fully appreciate the importance of maintaining low tax rates and endeavour to sustain them, so that new investors may be attracted to come to Hong Kong continuously.

Madam President, Hong Kong is developing into a knowledge-based economy. The introduction of knowledge and human capital will enhance economic growth and bring more job opportunities. However, owing to their resource limitations, SMEs often have difficulties in providing comprehensive and systematic training to their staff. Thus, they have to rely mainly on the market for supply of quality manpower resources. The Government may assist SEMs in upgrading the quality of their human capital via numerous channels. It may encourage talents to work for SMEs, enhance the provision of tailor-made manpower training programmes for SMEs and provide SMEs with tax concessions for on-the-job training.

In encouraging talents to work for SMEs, I think the Government may promote a "practicum programme" for students of tertiary institutions. Under the programme, students are arranged to take up work in SMEs related to the

disciplines of their study. The experience may count as a unit or towards credit points in the students' courses of study. To the students, this can give them the opportunity to gain practical work experience and hence enhance their edge. To the enterprises, this may attract students to take up relevant work after they have completed their studies and help SEMs to identify suitable prospective employees at an early stage.

Regarding manpower training programmes, the Government may design comprehensive courses tailor-made for entrepreneurs in SMEs and business starters. Although the Government has been holding discussions with the trades on tailor-made manpower training programmes, we hope the Government may hold further discussions on stepping up course design to assist SMEs in manpower training.

We think a most direct way to promote training is for the Government to provide incentives. For example, the Government may consider offering SEMs a tax concession of 150% on training expenses to encourage employers to conduct on-the-job training for their employees in order to enhance their skills and knowledge.

The Financial Secretary has decided to increase the maximum amount of deduction for self-education expenses under salaries tax from \$30,000 to \$40,000 to further encourage on-the-job lifelong learning. The Liberal Party considers this a step in the right direction. Nevertheless, I do not think this is sufficient. The best method is for the Government to employ one more incentive, which is the provision of tax deductions for enterprises on expenses incurred for provision of training.

Moreover, the Government has also decided to set aside \$300 million for the establishment of a training fund to subsidize SMEs' training initiatives. This will certainly gain the support of the Liberal Party. We hope the Government may expeditiously draw up a specific and practicable plan together with the SME Committee on such details as the scope of training, the eligibility criteria and the amount of subsidy to be provided. We must not allow the training fund to stay idle with only a handful of applicants.

Madam President, SMEs are one of the pillars of the economy of Hong Kong. They play an important role in determining how fast our economy can recover and how many job opportunities can be created. The Liberal Party

maintains that the Government must start with SMEs by providing them with suitable support which is specific to their difficulties if it wants to improve the economy.

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

Mr Kenneth TING moved the following amendment: (Translation)

"To delete "manpower training," after "providing greater financial support in such areas as"; to add "freezing Government fees and charges which have a bearing on the business environment," after "to engage in healthy competition,"; to add "low tax rates and" after "as well as striving to maintain"; to add "(b) assisting SMEs in upgrading the quality of their manpower resources, including stepping up its efforts in encouraging talents to work for SMEs, enhancing the provision of tailor-made manpower training programmes for SMEs and providing tax concessions for on-the-job training;" after "a simple tax system;"; to delete "(b)" and substitute with "(c)"; to delete "and" after "enhancing its guarantor function in SMEs' applications for bank loans;" and substitute with "(d) expeditiously implementing the Chief Executive's proposal made in his 1999 policy address that the banking sector needed to put more emphasis on the track record and business prospects of the borrowing enterprises in granting loans, instead of following the general practice of taking property as the main form of collateral; and"; and to delete "(c)" and substitute with "(e)"."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the amendment, moved by Mr Kenneth TING to Mr HUI Cheung-ching's motion, be passed.

MR TAM YIU-CHUNG (in Cantonese): Madam President, the Financial Secretary is determined to mix well with the populace and get to the hearts of the grassroots. Recently, he went to the market to buy groceries and drank tea and ate bread at a local cafe his wife. However, I do hope he can visit the place where most SMEs are, that is, factory buildings, and try to understand their difficulties.

Madam President, the 100-odd business owners housed in a Kwai Chung factory building under the management of the Housing Department (HD) told me recently that they were forced to remove due to a clearance project of the HD. Among the factory proprietors, some may have to close their businesses either because they cannot find suitable premises in the same district to continue or because they cannot cope with the astronomical expenses needed removal and restarting their businesses. Moreover, they said the *ex gratia* allowance offered by the HD was too small even to cover severance pay for their staff.

As the saying goes, "A slight move in one part may affect the situation as a whole." The situation of the SMEs is that they have limited capital; they need to struggle hard in an economic downturn. Now the Government wanted them to move to elsewhere without sufficient compensation or support. Thus, they have to abandon their operations due to various difficulties. Is their frustration understood well enough by outsiders? Earlier, a typical example could be found at Wah Kai Industrial Centre, which had to be demolished. A number of tenants there resisted the eviction. Among the 358 factory owners, 176, that is about half of them, regarded the government compensation insufficient to cover their losses and they therefore filed claims. Unfortunately, up to now, only 41 cases have been dealt with; the remaining 135 factory owners are still negotiating with the Government. In the past year, these SEM proprietors had to face debt-collection actions initiated by banks and deal with the removal and resumption of their businesses. They had no choice but acted as they did.

The Chief Executive mentioned three themes to assist SMEs in his policy address: "helping to start a new business", "helping to build a new business" and "helping to expand a new business". For SMEs now, I think the Government should focus more on "helping to build a new business". Very often, factory operators are almost forced to close their businesses due to land resumption or eviction from factory buildings. In the light of this, the Government should calculate compensation on the basis of costs needed for resumption of operation of a business. Let us compare the case of private residential premises, for which the current government policy calculates the amount of compensation on the basis of financial assistance needed by tenants to purchase premises of the same size in the same district. When this criterion is applied to tenants in factory buildings, the compensation should be such that it is sufficient to help them resume their operation. I hope that in future the policy for compensation

land resumption for factory buildings can be reviewed and the rationale behind the policy should be assisting SMEs to move in the interest of the public without forcing them to cease operation.

To resolve operation difficulties faced by SMEs, we need to adopt both practical measures, as depicted above, and comprehensive policy initiatives that can help them consolidate their potential. Such initiatives should include the provision of financial assistance to SMEs for staff training and the promotion of on-the-job training. In a knowledge-based economy, properties and machinery are not the most important factors affecting the development of a company. Marketing and business administration abilities, organizing power of the management and creativity of staff should be the key. Most SME owners and staff are aware that they can sharpen their competitive edge and that of their companies through training and lifelong learning. However, SMEs lack the capital and manpower to invest in and make improvements on their management skills and information technology. At present, only 10% of the companies in Hong Kong provide on-the-job training for their staff, but government assistance in this respect is minimal. Singapore, our competitor, on the other hand, set up a government skills development fund in as early as 1979 to finance its SMEs in staff training. The fund helps provide 500 000 training places annually. Moreover, Singapore reactivated an on-the-job training programme to encourage and assist the management of enterprises to design and promote on-the-job training for their staff.

It has been proposed in the Budget this year that the Government will set aside \$300 million to subsidize SMEs' training initiatives. No doubt, this is a good start. If each trainee receives an assistance of \$1,000, \$300 million can only cater to 300 000 places of on-the-job training, way below the 2 million staff employed by SMEs. Thus, there is an urgent need to strengthen the competitive power of SMEs by providing on-the-job training for their staff, by formulating a long-term policy and by ensuring stable financial resources for the purpose.

I so submit.

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

MR CHEUNG MAN-KWONG (in Cantonese): Mr Deputy, do you find your chair very comfortable?

Today, I speak in support of Mr HUI Cheung-ching's motion on behalf of the Democratic Party. The Democratic Party generally agrees with the three demands made in the original motion, and many of these points were already discussed at meetings of this Council before. I wish to focus on the third point today, that is, a lack of channels for complaints by Hong Kong businessmen who are unfairly treated on the Mainland.

The general public are concerned about this and they take this seriously. Since the reunification, 15 questions on this issue have been raised in this Council and the relevant panels and the House Committee have held a lot of discussions. The views of the public and Members are almost consistent and they think that the SAR Government affords Hong Kong people on the Mainland inadequate protection and request the Government to give Hong Kong people on the Mainland more support and assistance in order to protect their personal safety and due legal rights. However, the Government's responses have been disappointing, shirking responsibilities under the pretexts of "one country, two systems", "the well water must not interfere with the river water" and that we cannot interfere with the mainland judicial system. Still, a lot of Hong Kong businessmen are unfairly treated on the Mainland and subject to blackmailing, detention and assault illegally, or simply vapourized. No helpful doors have been opening to them.

Thanks to the repeated requests made by the public, a notification mechanism was finalized between Chinese and Hong Kong authorities. There is after all a faint ray of hope and candlelight in an endless night for Hong Kong businessmen who are still indefinitely detained on the Mainland. Yet, how can this faint ray of hope and candlelight solve the problem? The wish to hear news from relatives and friends or have direct contact in an alien environment and a cell of fear is but a humanitarian request. However, it is a luxury or even an impossible dream for many Hong Kong businessmen detained on the Mainland. "Distant water cannot put out a nearby fire" and Hong Kong businessmen on the Mainland do not have any channel through which they can lodge complains and make requests for assistance directly to the departments of the SAR Government on the Mainland. Their relatives and friends in Hong Kong can only approach the Immigration Department for help and ask it to refer the cases to the relevant mainland authorities for follow-up. The waste of time, the mechanism of rule by man and endless waiting are painfully torturing the aggrieved both mentally and physically.

Mr Deputy, after China's accession to the World Trade Organization and its development of the Great Northwest, Hong Kong will participate more actively in the economic and trade activities of China and more Hong Kong businessmen will travel to the Mainland. It can thus be envisaged that the number of disputes involving Hong Kong and China will continue to increase. Although Hong Kong is reunited with China, the political systems, social environment, culture, policies, laws and regulations of Hong Kong and China are not entirely the same. Since the Government emphasizes that Hong Kong is a Chinese city, so it holds that when Hong Kong businessmen are unfairly treated, they have to lodge complaints with the mainland authorities on their own. This is definitely not a satisfactory solution.

The Democratic Party's demand is very clear. The SAR Government should establish on the Mainland a comprehensive and specific mechanism of support for Hong Kong businessmen, make provisions for the handling and follow-up of complaints, legal advice and support, and facilitate visits by the relatives and friends of detainees. The Government should establish offices in places where more Hong Kong people work and live such as Guangzhou, Shanghai and Shenzhen, so as to better understand the difficulties encountered by Hong Kong businessmen, collect their views, handle and follow-up disputes as well as provide legal advice and assistance to Hong Kong businessmen on the Mainland. It will then be able to resolve economic, trade and business disputes, legal disputes and immigration problems between businessmen in Hong Kong and China.

The Government has declined to intervene in the disputes between Hong Kong business and their mainland counterparts as it thinks that Hong Kong businesses should make use of the mechanism in mainland provinces and municipalities to conduct consultation and make complaints as well as respect the spirit of "one country, two systems". I really do not understand why the establishment of an office on the Mainland to provide support to and assist Hong Kong businessmen in resolving disputes will damage "one country, two systems". Members have requested the Government to establish an office on the Mainland because they wish that the Government could protect Hong Kong businessmen on the Mainland so that they can enjoy due legal protection and rights. Moreover, there is no question of the SAR Government challenging the laws and regulations of the Mainland for it seeks only to protect Hong Kong businessmen and their rights under the laws of China, and to make suitable referrals and take follow-up actions according to the local laws and regulations. We will only know whether

this can be done in future, but there should at least be a channel of redress for Hong Kong businessmen. I hope that the Government will give Hong Kong people, Hong Kong businessmen on the Mainland and Hong Kong people who are still unreasonably detained on the Mainland a concrete reply.

Mr Deputy, lastly, I would like to respond briefly to Mr TING's amendment. In the past, the Democratic Party expressed its views during the debate over the resolution concerning government charges and indicated that it would not oppose increases in government fees and charges in a broad-brush manner. But it would carefully consider whether the increases would affect the people's livelihood. I do not intend to go into the details here. So we will abstain from voting on the amendment. The Democratic Party agrees with the Liberal Party that SMEs should be given more assistance. In particular, we should focus on assisting SMEs in improving staff quality, upgrading technologies and in information technology application. After the financial turmoil, Hong Kong is in the process of transforming into a knowledge-based economy, but there is not any obvious result yet. The technology bubble is transient and since the Government has taken measures to boost the property market, the property speculation bubble is poised to inflate again. If we do not wish to see Hong Kong turning into a city of bubbles, it is very important for the Government and the public to draw a lesson from our bitter experience and enhance our competitiveness and develop local enterprises in a pragmatic manner.

I so submit. Thank you, Mr Deputy.

MR TOMMY CHEUNG (in Cantonese): Mr Deputy, my colleague, Mr Kenneth TING, has analysed the difficulties faced by SMEs from a macro perspective, so I will focus my discussion on a component of SMEs — the catering trade. I wish the Government would appreciate and look squarely at the business difficulties encountered by the catering trade and assist it in overcoming them.

Mr Deputy, a week or so ago, Mr SUN Wing-chiu, a restaurant proprietor, set himself on fire outside the Legislative Council as a flesh-and-blood protest against the unreasonable trade effluent surcharge and the Government's irrational extortion of the catering trade. The incident touched the nerves of everybody in Hong Kong and the entire community was shocked.

I visited Mr SUN Wing-chiu at the hospital and he was still conscious when the doctors administered emergency treatment on him. He said very explicitly that the action had been taken in the interest of the whole trade rather than himself personally. I do not necessarily approve of trade participants protesting this way, but the Government must look squarely at the fact that the trade has been opposing the trade effluent surcharge for years. The catering trade has always submitted meekly, and remained silent no matter how many regulations are proposed by the Government and how harsh the licensing conditions are. So long as they can have meals and receive wages, they willingly submit to humiliation, oblivious to the adversities. Everybody knows clearly about the situation faced by proprietors in the catering trade as reflected by Mr SUN Wing-chiu's self-ignition.

Recently, several traditional old-time restaurants closed their branches one after another, and small and medium restaurants close down almost every day. Although there is a saying that "another cock will crow after a cock died", there are more dead cocks than crowing cocks now and only smaller cocks are crowing because the bigger ones are all dead. Government officials have been saying that economic recovery is underway, but the catering trade fails to feel it at all.

The trade effluent surcharge issue has haunted the catering trade for many years. Since 1995, operators in the catering industry have been paying the trade effluent surcharge in addition to the general sewage charges. In fact, over 80% of the trade effluent surcharge collected by the Government every year is borne by the catering trade, while the remaining 10% or so is shared among 29 other trades.

The catering trade does not oppose the "polluter pays" principle but the charges must be reasonable, economical and conducive to improving the environment. From 1993 to 1994, the Government calculated the average of over 20 water samples and adopted a chemical oxygen demand rating at 2 000 as the charging benchmark. However, there were thousands of restaurants in Hong Kong and the average derived from over 20 water samples was purely not scientific. Besides, it was unreasonable to adopt the average as the charging benchmark. Restaurants also needed to apply for environmental protection permits and those with chemical oxygen demand exceeding 2 000 were fined \$200,000 for the first offence, \$400,000 for the second offence and \$500,000 for the third offence. Daily fines were also imposed on licensees who might be sentenced to imprisonment.

The Government has said in a fine-sounding way that there is a channel for appeal but the expenses of appeal are heavy, \$20,000 to \$40,000 a year in general, even heavier than the effluent surcharge payable by restaurants. Therefore, over 80% of the restaurants are reluctant to appeal and thus forced to pay despite the fact that the Government is forcibly snatching money from them. How can we say it is fair when they have to pay even though they are not polluters and they cannot appeal? How can this polluter pays principle stand? The Government has collected trade effluent surcharge for six years and reaped hundreds of millions of dollars over the years. What has it done? Has the water quality been improved?

The copyright organizations, CASH and IFPI, collect royalties from the catering trade according to the law. The catering trade supports copyright protection, but since the two organizations have not set any charging standards, they can almost collect royalties arbitrarily. The charging mechanism lacks transparency and the allocation of the charges collected is not open; thus, another burden is put on the trade. My colleague, Mr Howard YOUNG of the Liberal Party, will dwell on this point in detail later.

The Government established the \$2.5 billion Special Finance Scheme for Small and Medium Enterprises in 1998 but the banks put in place a lot of obstacles, and still "property was taken as the main form of collateral". As far as I know, no small and medium restaurant managed to borrow money from the banks. Thus they have not benefited from the Scheme.

In respect of manpower training, I started requesting for efforts on training up talents for the catering trade since the 1980s. While the Government should be commended for establishing the Chinese Cuisine Training Institute last year for it was a good start, still this but is not enough. The Chinese Cuisine Training Institute only trains new recruits and offers no on-the-job training. Besides cooks, workers engaged in other work types in the catering trade also require value-added training, therefore, the Government should inject more resources to meet the needs of the trade.

In this year's Budget, the Financial Secretary proposes the admission of mainland professionals without a quota, however, he has overlooked the needs of the traditional service industry. I hope that the Government will consider extending the scope of the admission of mainland professionals to the catering trade. The Government can conduct a survey to assess the number of job openings for dim sum makers and cooks to determine whether the admission of mainland professionals is worthwhile for this trade. Recently, an investor in the catering trade has told me that he intends to establish a restaurant in Hong

Kong offering cuisines from the northeastern part of China and he intends to import such cooks and employ waiters and other workers locally. However, the project has been shelved because of rejection by the Government. Thus, we lose a chance to create job opportunities in Hong Kong.

The Government has resolutely implemented the Mandatory Provident Fund (MPF) Scheme during an economic downturn and refused to postpone its implementation. Although the catering trade supports the MPF Scheme, it does not think it is an appropriate time to implement it. A 5% MPF contribution not only puts a heavier burden on the trade but also draws \$2 billion contributions from the market. Since this will influence the consumer market, the business outlook of the catering trade this year is definitely not promising.

The Government has recently launched a consultation among restaurants on the categorization and hygiene manager schemes for licensed food premises, and the anti-smoking organizations are advocating a total prohibition of smoking in restaurants. The trade is worried that these measures will upset the business environment. I have decided to mobilize the trade to make an evaluation on the economic implications of a total prohibition of smoking in food establishments and I will make public the details a few days later. Regardless of the result of the evaluation, I hope the Government and the community will the issue carefully.

Mr Deputy, small and large restaurants have closed down, the proprietors are full of complaints, a person has protested by burning himself; thus the catering trade is on the verge of explosion because of all these grievances. Given this, how can we attract investors? The Government can no longer play an ostrich and deceive itself. On each occasion after an incident has occurred, the Government will often say that it is an "individual incident", "it only barely increases the costs" or the cost is equal to that of a barbecue pork bun. But the cumulative cost will actually be equal to that of an abalone.

Lastly, I sincerely hope that Mr SUN Wing-chiu will recover very soon and I am grateful to Members and officials who have signed on the card expressing our sympathy. Mr SUN only did the act because he was highly agitated after reading the remarks made by Mrs Lily YAM, Secretary for the Environment and Food, on sewage charges in the newspaper. The incident might not be fair to Mrs YAM, but I believe he was not pinpointing at her. I wish that the Government would bring order out of chaos and refine the sewage charges and the appeal mechanism.

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

MR DAVID CHU (in Cantonese): Mr Deputy, small and medium enterprises (SMEs) have had a hard time after the Asian financial turmoil. Mr HUI Cheung-ching has proposed a motion on behalf of the Hong Kong Progressive Alliance (HKPA) so that this Council can discuss in depth the policies and measures for supporting SMEs before the Small and Medium Enterprises Committee submits a proposal to the Chief Executive. This is fairly timely.

The most important government support for SMEs is the maintenance of a business environment that permits the operation of both large and small enterprises. It is not easy to create such a business environment. With an economic downturn, large enterprises have more capitals and talents and they can transfer their investments to overseas markets when necessary. However, there is limited room for SMEs. Unless they close down, they have to rely on their own and persevere.

As SMEs cannot be compared with large enterprises in terms of talents and capitals, the HKPA thinks that SMEs should pay more attention to product quality improvement and mode of operation in order to preserve room for survival and development. Given that it is impossible for business costs in Hong Kong to substantially reduce, the Government naturally needs to promote the application by SMEs for ISO certification to improve the quality of their products and services and enhance competitiveness. In particular, if SMEs intend to fight for a share of the e-trade market, quality certification is an important indicator for reference when overseas customers select trading partners. If more SMEs can obtain quality certification, it will definitely help foster the goodwill of the whole industry.

Apart from promoting quality certification, the application of IT is also an essential condition for market development by SMEs in Hong Kong. However, the application of IT is not yet popular among SMEs. There are three major reasons apart from a lack of talents. Firstly, many SMEs still think that computer technologies are out of their reach and they are very resistant to computer technologies; secondly, many IT salespersons do not quite understand the needs of SMEs and the software they designed cannot save costs or effectively assist in their business development; and thirdly, computer equipment (especially software) is too expensive and is hardly affordable by SMEs. At present, even though banks offer loans for the purchase of computer equipment, as Mr HUI Cheung-ching said earlier, the banks imposes high interest rates, prime rate plus 3% or even 4%, and the loan percentage is relatively low.

Therefore, it is not very helpful to SMEs. In view of this, the HKPA thinks that the Government should actively nurture the knowledge, application and acceptance of IT by SMEs, in particular, its various support organizations to offer more free courses on technology application and management. The authorities can also consider establishing loan schemes to encourage SMEs to purchase IT equipment. This will certainly help SMEs to reduce costs and enhance efficiency.

Mr Deputy, the Small and Medium Enterprises Committee is studying how it should use the \$2 billion balance of the Special Finance Scheme for SMEs. The HKPA hopes that the authorities will use part of the balance to encourage SMEs to attach importance to quality certification and the application of IT.

With these remarks, Mr Deputy, I support the original motion.

MR CHAN KAM-LAM (in Cantonese): Mr Deputy, the SMEs in Hong Kong have been operating in a very difficult business environment after the Asian financial turmoil. Although there was strong economic growth last year, it seemed unable to benefit SMEs. A survey conducted by the Democratic Alliance for Betterment of Hong Kong (DAB) at the end of last year indicated that the turnover of 67% of SMEs had not improved and the profits of over 80% of SMEs had not increased. The survey clearly showed that it was still difficult for SMEs to make profits.

The future development of SMEs will meet a lot of challenges. In terms of opportunities, the impending accession of China to the World Trade Organization (WTO) will bring enormous business opportunities for the commercial sector in Hong Kong. Our economy should scale new heights if the opportunities are grasped well. However, as we have an outward-looking economy, the external factors will have crucial effects on our economy. The Financial Secretary said the other day that the United States and Japan are the major trading partners of Hong Kong, and thus Hong Kong will inevitably be affected when they have problems. In fact, the United States economy is declining rapidly and if the situation persists, our export will become sluggish and our economic growth will slow down. Japan has not yet got rid of the effects of the economic downturn that has affected it since the beginning of the 1990s. Such unfavourable factors as these external factors and the yet-to-recover domestic consumption will continue to affect Hong Kong adversely.

Under these circumstances, the Government should vigorously promote reforms to facilitate the recovery of various industries and trades as soon as possible. SMEs have a significant share of our economic activities but as the Government used to adopt a laissez-faire policy, SMEs were left to develop freely and chart their own course. It only adopted measures to provide assistance to SMEs in recent years. However, the assistance helped SMEs very little. On the contrary, Taiwan among the four little dragons is one of the major opponents of Hong Kong but its economic structure is not very different from ours. Its economy is also mainly composed of SMEs but the Taiwanese Government has entirely different policies to support SMEs. It takes the initiative to assist SMEs and support their development in respect of financial management, scientific research, product development, market development and human resources training.

Perhaps some will ask, "When we visit the website of the Government, we find various schemes related to support for SMEs, why do we still criticize the Government for not giving SMEs sufficient support?" Undeniably, the Government has certain measures in respect of starting businesses, finance, information, human resources training, technology, quality support, environmental management, market development and infrastructure. We can hardly make any criticism if we merely look at the number of measures. But the problem is that the substantive and useful support provided by these measures are very limited. Taking financial support as an example, if SMEs have cash flow problems, the Government does not have any measures to give them assistance. The Government implemented the Special Finance Scheme for SMEs in 1998 to alleviate the problem of credit crunch faced by SMEs. However, the Government has stopped accepting new applications for the Scheme since 8 April 2000.

Similarly, the support provided in respect of human resources training fails to keep pace with the times because most of the training courses currently provided by the Government are only basic training courses. However, IT is developing at a tremendous pace and there are significant changes in the business mode and management methods. In this year's Budget, the Government has stated that it will allocate \$300 million to subsidize SMEs in staff training. We should welcome this proposal.

To benefit all SMEs, the DAB suggests that the expenses made by SMEs on scientific research and staff training should be given 1.5 times tax deduction.

Mr Deputy, the DAB made proposals to assist the development of SMEs for many times in the past. The Government should formulate a comprehensive policy to assist SMEs and reorganize the institutional framework. It should establish a small and medium enterprises office, step up the co-ordination of support services provided by various organizations, assist enterprises in implementing electronic commerce (e-commerce) and customs declaration by electronic means, give advice on the Mandatory Provident Fund Scheme, organize workshops to enhance staff's knowledge of e-commerce, produce publicity programmes on computerization and subsidize SMEs in overseas publicity.

Financially, the Government should set up a long-term credit guarantee fund so that SMEs will get long-term credit support services in meeting the challenges brought by international enterprises in the new economy. The Government should also set up a venture fund to provide venture loans to business starters and establish a youth venture city to provide young proprietors with premises to start their businesses.

With China's imminent accession to the WTO, the Government should actively assist Hong Kong businessmen in their pursuit of business opportunities. The DAB suggests that the Government should negotiate with the Mainland and establish a consultative mechanism. It should first consult Hong Kong businessmen on the Mainland before the implementation of significant reforms in the economic and trade policies as well as the legal system of the Mainland in order to promote mutual understanding between Hong Kong and China of the commercial and trade policies.

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

MR ALBERT HO (in Cantonese): Mr Deputy, I will discuss point (a) of the motion, that is, requesting the Government to adopt measures to encourage franchised firms to engage in healthy competition. I would like to illustrate the problem of monopolization in our market by citing the controversy caused by the mid-stream operators association as an example.

There are signs that the shipping industry in Hong Kong seems to have transformed into a market controlled and distorted by the trade association or some major trade associations. Let me start with the container terminals. There are only four container terminal firms in Hong Kong, and the two large terminal firms controlled by Hutchison Whampoa, China Merchants and Swire are market leaders. The four firms form the container terminal association and there are really great economic incentives for the association to engage in collaborative price fixing. On the face of it, the 14 mid-stream operation companies in Hong Kong are competing against the river trade terminal in Tuen Mun and the terminal in Shenzhen and it seems that there is sufficient competition in container terminal operation. However, nine of the 14 mid-stream operation companies have formed a mid-stream operators association, and of these nine companies, two are controlled by Hutchison Whampoa and two other by Swire and China Merchants. Hutchison Whampoa also maintains a controlling stake in river trade terminals and terminals on the Mainland. In fact, the freight transportation industry in Hong Kong is controlled by a few large consortia and people really wonder if there is adequate competition.

Mr Deputy, shipping firms certainly suffer from the monopolization of container terminals. Yet, around 70% of shipping firms have formed the Hong Kong Liner Shipping Association. In order to transfer the charges, they collect the container terminal handling fees from the shippers direct though the Association has issued guidelines on charges. As a result, container terminal handling fees in Hong Kong are the highest in the world and shippers, mostly SMEs, pour out endless grievances. Shippers are certainly not to be outdone, thus, over 70 associations and organizations have formed the Hong Kong Shippers Council to look for counter-measures together. Recently, the Mid-stream Operators Association also intended to impose a surcharge on the shippers' association and the shipping firms. Yet, the two associations were unwilling to yield. Finally, the Mid-stream Operator Association wielded the axe on container drivers who are the most vulnerable.

Mr Deputy, when large associations wield the axe on small associations, and the small associations on smaller ones, the most vulnerable group will suffer ultimately. Container drivers in the container industry will invariably become the pressurized vulnerable group. In fact, the problem of collaborative price fixing by franchised companies and trade associations in Hong Kong has become very serious. The Competition Policy Advisory Group led by the Financial Secretary has cited over 20 examples of trades and industries that have issued

guidelines on charges. They include the fuel, electricity, gas supply and telecommunications industries, the Newspaper Society of Hong Kong, the Law Society of Hong Kong, the Hong Kong Association of Banks and the Hong Kong Institute of Architects. Although Members have asked questions on this subject, the Government has evaded them under the pretext that there is no proof of monopolization and it has no intention to interfere with market charges. For instance, when asked in February this year whether there was monopolization by the Mid-stream Operation Association or in the mid-stream operation industry, the Secretary for Economic Services replied that "the question was too profound and too broad and there was no information to prove whether there was an element of monopolization, and the Government would not regulate commercial charges".

The Secretary said that the question was too profound and too broad, did she mean to say that the Government lacked sufficient professional knowledge to understand these issues? Has the Government conducted comprehensive and in-depth studies? If yes, can it make public the methods and results of the studies? She said that there was a lack of information to prove the matter, did she mean that insufficient proof was found after investigation or had difficulties been encountered even with the collection of information? The difficulty lies in the lack of the right to requesting information. The Economic Services Bureau, the Competition Policy Advisory Group and the Consumer Council do not have the right to request further information from the relevant firms, and most crucially, there is no fair competition law in Hong Kong. At present, a lot of countries have fair competition laws that successfully prevent monopolization. For instance, the two major auctioneers, Sotheby's and Christie's, recently plotted a collaboration to secretly control the auction prices for more commissions. They contravened the anti-trust legislation of the United States and were forced to make enormous compensation to their clients.

Mr Deputy, the Democratic Party thinks that Hong Kong should also have a fair competition law to ensure that our business environment will allow healthy competition and that SMEs will not be deprived of room for survival as a result of the monopolization by consortia. If the Government still thinks that monopolization in Hong Kong is not very serious and is unwilling to conduct a study or legislate, I hope that the Competition Policy Advisory Group will further conduct a careful study and make a decision to legislate rather than making light of the problem. I so submit. Thank you, Mr Deputy.

MR AMBROSE LAU (in Cantonese): Mr Deputy, although the Government has recently been more concerned about the survival and development of SMEs and have implemented quite a few support measures, it is doubtful if the measures can sufficiently assist SMEs in tiding over their difficulties. Evidently, SMEs still have financing difficulties and lack the necessary resources to develop the mainland market.

Financing has always been a problem for SMEs during the venture, establishment and development stages. SMEs have to bear increasing financial pressure in the course of value-added transformation to cope with intensifying market competition and in learning about the application of IT and acquiring the relevant equipment. Although the Government has introduced many new financing measures, including the research grant scheme for SMEs, the applied research fund and the patent application financing scheme under the Innovation and Technology Commission, and the technology venture loan and financing services under the Hong Kong Industrial Technology Centre Corporation. The targets are mainly technology enterprises and the scope of access is relatively narrow. The Special Finance Scheme for SMEs established in 1998 can be described as the only way in which the Government can extensively assist SMEs outside the technology industry. Statistics in October last year showed that over 9 900 SMEs benefitted from the Scheme, involving a total loan amount of around \$9 billion. Unfortunately, the vetting of applications under this Scheme has been suspended earlier on.

According to the Government, with the subsidence of the Asian financial turmoil, banks gradually have plentiful capital and quite a few banks are thinking of ways to get a share of the market for loans to SMEs. Therefore, it is not essential to continue to provide loan guarantee to SMEs. The problem is that if it is easier to borrow loans from banks in Hong Kong, more and more Hong Kong businessmen will not be turning to mainland banks for Renminbi loans. A more serious problem is that banks still lack an efficient mechanism and standards for evaluating SMEs and the financial management by SMEs generally fails to meet the requirements of banks.

Business opportunities are certainly most important to SMEs. Without business opportunities, a large number of loans will still be useless. China's impending accession to the WTO is a challenge and an opportunity for SMEs in Hong Kong. The Hong Kong Progressive Alliance (HKPA) welcomes the pledge made by the Financial Secretary to assist SMEs in grasping the business

opportunities arising from China's accession to the WTO, and to consider the establishment of an official economic and trade office in Guangdong Province. At present, the biggest difficulty encountered by Hong Kong businessmen on the Mainland is that once they encounter investment problems involving policies or unfair treatment, they often do not know to which departments or officials they should reflect the situation. The standards of law enforcement also vary sometimes between departments or officials. SMEs have limited information and human resources and it is even harder for larger enterprises to adapt to the business environment on the Mainland. The HKPA hopes that, after the establishment of an economic and trade office, in addition to giving Hong Kong businessmen more assistance in developing business opportunities, the Government should endeavour to refer complaints lodged by Hong Kong businessmen in respect of the economic and trade policies and local laws and regulations of the Mainland to their mainland counterparts for handling. It may be difficult for the office to immediately ameliorate the problems faced by Hong Kong businessmen on the Mainland, but it can promote communication and understanding between the Hong Kong Government and the mainland Government. Hong Kong businessmen will then feel the concern of the SAR Government and they will be more at ease when developing the mainland market.

With these remarks, Mr Deputy, I support the motion.

MR LAU PING-CHEUNG (in Cantonese): Mr Deputy, I rise to speak in support of Mr HUI Cheung-ching and Mr Kenneth TING and I urge the Government to take measures to alleviate the operational difficulties of SMEs and consider the problem from the angle of such professional sectors as construction, surveying and town planning.

I believe that, similar to other professional sectors, the sector I represent is mostly composed of SMEs. As a result of the impact by the financial turmoil, a lot of SMEs made efforts to cut expenses and painfully struggled for survival amid market shrinkage and intense competition.

Regarding what the Government can and should do to assist SMEs, I wish to focus on human resources training and marketing. In respect of human resources training, everybody knows that SMEs have always been a hotbed for

human resources training, but being a hotbed does not mean that it is a greenhouse that can shelter professionals from rain and storm. On the contrary, as SMEs operate on a smaller scale, they have to handle most work on their own, thus providing training in all directions. Professionals who stepped out from SMEs are more or less the same as monks of the Shaolin Temple who survived after the onslaught of armed wooden men.

In the financial turmoil, SMEs fought for business opportunities that rarely came by in the market by all means and the conditions of business have become harsher and harsher because of adverse competition. As the biggest user in Hong Kong, the Government should look after the local professionals. I wish to emphasize that I do not intend to ask the Government to be generous and liberally use public money to pay for public services. The problem is that the Government has acted like private companies in granting government contracts at harsh and unreasonable prices. I suppose Members will reckon that I am going to bring up the "one dollar contract" incident again.

It is true that the "one dollar contract" incident is the tactic used by large companies or multinational companies to defeat competitors with capital. Large companies or multinational companies take advantage of the economic slump to bid for government contracts at unreasonable prices with the objective of causing SMEs to close down and finally smother competition. What can we do with one dollar? The cheapest postage is \$1.2 or \$1.3. Even if costs are not included, SMEs will lose money when they send the completed consultant reports to the Government by post. Has the Government considered why people are still willing to do so?

I wish to cite the competition among supermarkets as an example. When competition was most intense, several large supermarkets provided delivery services to patrons who made purchases over \$150. As far as I know, supermarkets briefed out the delivery service at \$15 each. Later, when another famous telephone shopping company closed down, one of the large supermarkets increased the minimum requirement for free delivery service to \$400 per purchase. This example illustrates that if the Government grants contracts to the bidder with the lowest bidding price in a shortsighted manner, consortia will ultimately be benefitted after SMEs have closed down one after another. The eventual monopolization of the market will finally work against the public coffers.

Concerning marketing, the Government should understand that it is the target to which SMEs in Hong Kong eagerly wish to promote their products and services. When the Chief Executive and the Financial Secretary encourage everybody to look towards China in the north, to develop business opportunities, we should also pay attention to our root, our home. While the Government encourages us to export to the Mainland various professional services, it fails to look after locally trained professionals. It looks at if it is encouraging us to temper ourselves in the outside world and allow multinational companies to enter the local market. That is extremely ridiculous. Of course, I hope that it is a wrong impression, but it is not at all unfounded.

In the past, the professional sector proposed to the Government time and again that those multinational companies should partner with local companies when they bid for government service contracts. Then, the local market could still be opened up, overseas companies could freely bid for government contracts in Hong Kong, and we could achieve the exchange and transfer of technologies and knowledge as well as support and assist local SMEs. Unfortunately, the Government has so far not accepted our proposals. I wish to stress that this is not local protectionism. Firstly, overseas companies can still enter the local market freely and bid for contracts, and secondly, this practice is not unique to Hong Kong. If local professionals intend to practise in other overseas countries or places, they will have to overcome a lot of barriers. They must find industry partners locally in those countries or places, and they can even not go into independent practice. On the contrary, overseas professional companies can freely bid for government contracts in Hong Kong. Has the Government been excessively generous?

The Government should indeed learn a lesson from the incident of the new airport terminal building. When the Government granted the contract on the new airport terminal building to an architects' firm based in Britain, local professionals had hoped that the Government would add a clause requesting the successful bidder to partner with a local company so that the local company could participate in the project. At last, the Government did not accept the proposal of the industry and local companies had limited participation in the project only. When I promoted our professional experience in the airport in China, I was queried by the mainland counterparts and they even teased that the airport in Hong Kong was not designed by Hong Kong people and the Tsing Ma Bridge was also not built by Hong Kong people only. They were only foreign products purchased by Hong Kong people. How could we boast any

substantive experience and ability, needless to say the export of professional services?

Recently, the Government has organized a design competition for the development of West Kowloon. I have requested verbally and also made a written request to the Secretary for Planning and Lands that the Government should state in the tender that multinational companies to be screened must be in partnership with local companies. I still think that my request is not excessive. First of all, we have not rejected the participation of any multinational companies and they can choose their partners freely. This is in compliance with the provisions of the WTO. Secondly, as the local development project has to meet the needs of Hong Kong people, local companies must participate in the project and the input of local ideas is very important, reasonable and justified. I am still waiting for a positive response from the Government.

With these remarks, Mr Deputy, I support Mr HUI's motion and Mr TING's amendment.

MISS CHOY SO-YUK (in Cantonese): Mr Deputy, SMEs are the backbone of the Hong Kong economy. At present, there are some 300 000 SMEs in Hong Kong, accounting for 98% of all local enterprises and employing about 60% of the workforce in Hong Kong. In view of the tremendous contribution made by SMEs to the economy of Hong Kong, the Government has set up the Small and Medium Enterprises Committee to advise the Chief Executive on the long-term development of SMEs and recommend support measures for them. Five working groups have been set up under the SME Committee to examine the challenges faced by SMEs in five areas, namely, SME financing, human resources, application of IT, improvement of the business environment and market development. I support the work of the SME Committee in these five areas for they are pivotal to promoting the development of SMEs. Yet, I think there are still some areas of work that are equally important but are not included in these five areas. I hope that the SME Committee will seriously consider incorporating them into its ambit.

Firstly, the SME Committee should be concerned about the many problems encountered by local manufacturers and investors in the Mainland and should urge the Government to put in place an effective mechanism to help Hong Kong businessmen. Assistance for Hong Kong businessmen has all along been

provided by trade associations and non-government organizations only, for government officials of the Hong Kong Special Administrative Region have often refused to give assistance to local businessmen on the pretext of "one country, two systems" and undesirability of government intervention in private business disputes. I greatly appreciate the efforts and diligence of these trade associations and non-government organizations. But the problem is these industrial and business associations or non-government organizations have limited resources and capability, so they cannot possibly address all the needs of Hong Kong businessmen. Besides, there are many problems at the policy level that can be resolved only by the Government taking them up with the relevant mainland authorities, such as non-compliance with the law, poor law and order condition, constant changes in rules and regulations, cumbersome taxation and formalities, and so on. Therefore, the Government must desist from its passive and bureaucratic attitude, and set up a mechanism in the Mainland to effectively provide assistance for Hong Kong businessmen. In this connection, the SME Committee can conduct investigations and studies to understand the problems and needs of local businessmen and then advise the Government on feasible measures to assist Hong Kong businessmen in the Mainland effectively.

I think the second area to which the SME Committee can pay attention is to find ways to provide suitable assistance for the diminishing sunset industries or trades, for example, the heavily polluting industries (such as the electroplating and dyeing industries) and some labour-intensive elementary industries (such as plastic manufacturing and handicraft manufacturing). As Hong Kong is undergoing a third round of economic transformation, many traditional industries are set to shrink further and will even die out. In view of this, the Government should not let these industries stew in their own juice. They have made tremendous contribution to Hong Kong and are employing many grass-roots people. These traditional industries are mostly SMEs with limited capital. The proprietors are mostly old at age, so it is very difficult for them to upgrade their level of skills to meet the present-day needs. But if the Government sits idly by as these industries head for extinction, not only is it unreasonable and unsympathetic, but will also deprive some people of their means to make a living. Further, if nothing is done to stop those handicraft or traditional products manufacturing industries from winding up, many valuable products and craftsmanship will be lost for good, and this would be very regrettable indeed. In my opinion, one possible way to assist the handicraft manufacturing sector is to link it with tourism so as to help it expand its market, and this will also benefit the tourism industry. To sum up, the SME Committee can conduct a

comprehensive and detailed study of the sunset industries and foster communication with them, and propose feasible measures to the Government to facilitate the restructuring of these industries. For those industries that really cannot perservere any longer, the Government should consider how best suitable assistance can be given to them when they close down.

The third area that the SME Committee should pay attention to is that it should urge the Government to fully consider the interest of SMEs when implementing policies or enacting laws. A notable example is the redevelopment of old districts, such as the Wah Kai incident. At present, many small manufacturers still run their business in industrial buildings in old districts. When the Government has to pull down these buildings for redevelopment, the living of these manufacturers will be affected immediately. These manufacturers have all along been operating with lots of difficulties. If the Government failed to provide them with adequate and reasonable compensation, they cannot possibly relocate and resume their business. In redeveloping old districts, the Government must consider the livelihood of the affected operators of small businesses and provide them with suitable assistance. Apart from redevelopment, another example is sewage charges. Environmental protection is a broad principle supported by the community. But under the existing charging mechanism of sewage charges, there are still unreasonable and unfair arrangements making many SMEs lament in great pain. Therefore, the SME Committee has to examine all the flaws in the existing policies or laws and propose strategic improvement measures to the Government.

Mr Deputy, there are in fact many issues that are closely linked with SMEs and the long-term development of Hong Kong, and the Government cannot afford to ignore them. The SME Committee should propose initiatives which, in its view, can be taken by the Government in respect of these issues and call on the Government to implement them.

With these remarks, Mr Deputy, I support the motion.

MR BERNARD CHAN: Mr Deputy, it seems that more and more members of the community, and Members of this Council, have a strong belief in government intervention. They obviously believe that the Government is better than the free market at allocating resources. This belief is reflected in this motion and the amendment.

The motion asks the Government to provide financial support in such areas as training, marketing and information technology for small and medium enterprises (SMEs).

This means a subsidy. And by definition, a subsidy is a tax on somebody else. I have to ask, why should large companies, private individuals and other taxpayers have to subsidize the marketing and other activities of SMEs?

The amendment goes even further. It asks the Government to freeze charges and fees. Again, this is a subsidy. The revenue will then still have to be paid, but by someone else. And it goes against the "user pays" principle. The amendment asks the Government to help SMEs to encourage talents to work for SMEs, provide them with more training, and to give tax concessions for training.

I am not sure how the Government is supposed to "encourage" people to work for smaller companies. But it sounds like it involves yet more subsidies, as do the requests for help with training.

Smaller companies have to compete in the labour market with everyone else. They should not expect an artificial advantage over other organizations. And where training is concerned, surely it will benefit the companies themselves. They should not expect other people to pay for it.

Finally, the amendment repeats the Chief Executive's remark in the 1999 policy address about banks putting more emphasis on past performance and future prospects, rather than on collaterals, when lending to smaller companies.

Banks made it clear at that time that they face a major problem in lending on the strength of past or anticipated business performance. In order to make such loans, they must review comprehensive, high-quality accounts and other information. And in Hong Kong, such information is not always available. In the absence of such information, such loans are risky. And banks would be failing in their responsibilities to their shareholders if they were to make such loans.

Of course, banks are always willing to do business with companies of any size. But they have a duty to make sure that it is good and prudent business.

Mr Deputy, I am sure that we all want to see the establishment and development of new companies. And we all want to see them grow and succeed.

Already, the Government provides a variety of subsidies and loans to smaller companies. And it provided a significant amount of assistance when the recession was at its worst. But we must bear in mind that the overwhelming majority of Hong Kong companies fall into the category of small and medium sized. If they are all going to qualify for higher and higher subsidies, who will have to pay for those subsidies, and why should they have to?

We are in a period of continuous economic transition. Globalization and China's reforms are providing a mixture of opportunities and challenges. Some companies will benefit. But some will suffer. Some may close down, or move out of Hong Kong.

The Government should not try to stop that process. It should sit back and let the free market allocate resources as it sees fit. Otherwise, our SMEs will turn from lean, entrepreneurial businesses into burdens propped up by the community as a whole.

If anything, we need less government intervention, but not more. Thank you.

DR RAYMOND HO: Mr Deputy, as I recall, this is not the first motion debate on small and medium enterprises (SMEs) in this Chamber in the past couple of years. The past debates have presumably served their purposes and were able to convince our Government of the importance of SMEs to our economy. As rightly pointed out by the Chief Executive in his policy address of last year, SMEs have always been a pillar of the Hong Kong economy. At present, there are over 290 000 SMEs in Hong Kong, accounting for more than 98% of all local enterprises. They employ more than 1.39 million people, which is about 60% of private sector employees. Mr TUNG went on to say that over the past few years, the Government of the Special Administrative Region had been actively supporting the SMEs. If so, one may ask if the support given is sufficient.

Indeed, the Government has given more support to SMEs in Hong Kong in the last few years. In 1998, a \$2.5 billion Special Finance Scheme for SMEs was launched to overcome their liquidity problems. And in 1999, a Small and Medium Enterprises Office (SMEO) was set up in the then Industry Department, and the SMEO also provides one-stop information through a SME Information Centre launched in the same year. At present, the Small and Medium Enterprises Committee is seeking views and proposals from the public on support measures to be taken by the Government. I understand that the Administration has also made a number of other initiatives. But do I think that the Government has done enough to support local SMEs? This is definitely not. As we can see, too many of them are still struggling to keep their heads above water, although they have been told that Hong Kong is already on the road of recovery.

I understand that the Government has been a proponent of free market economy. But we are not talking here about giving direct subsidies to SMEs. What we are asking for is a better support and business environment conducive to the development of SMEs. To achieve this goal, it is very crucial for us to maintain low tax rate and a simple tax system. The Government must refrain from deviating from these good practices, however tempting it is, in its search for more revenue. Moreover, the cash-hungry Government should not rush to raise government fees and charges at a slight hint of economic recovery. Any such increases will have a dampening effect on the revival of SMEs.

On the other hand, the Government could also play an important role in assisting SMEs in upgrading the quality of manpower resources. Last week, we learnt from the Financial Secretary that the Government has decided to set aside \$300 million for the establishment of a training fund to subsidize SMEs' training initiatives. Indeed, it was a very good gesture. However, the Government ought to look at other possible measures including tax concessions for on-the-job training. The competitiveness of SMEs has much to do with the availability of quality manpower resources.

With regard to the difficulties encountered by SMEs in securing finance, the Government understands quite well what exactly the problem is. Local banks have relied too much on taking property as collateral and are unwilling to lend on track record and business prospects of the borrowing enterprises. The

Chief Executive acknowledged the problem in his 1999 policy address but no solution has been offered so far. We all know that it is no easy task as loan granting involves commercial decisions of the banks, and the Government's direct interference may not be an appropriate solution. But I believe that the Chief Executive should have some interesting ideas in his mind when he made the point. I hope that he can put them into practice. If not, he may consider the proposal on using part of the balance of the guarantee amount under the Special Finance Scheme for SMEs to set up a credit fund for SMEs before the establishment of the Commercial Credit Reference Agency. However, it is only an expedient but not a long-term solution.

Last but not least, the Government should step up more efforts in helping local SMEs in opening new markets. Of course, one of the main focuses should be on the Mainland given its impending accession to the World Trade Organization. Besides setting up an economic and trade office in Guangdong as conceived in the 2001-02 Budget, the Government should consider opening more similar offices in other provinces which offer much potential to local SMEs in Hong Kong. On the other hand, the Hong Kong Trade Development Council could assume a more prominent role in opening up markets for SMEs in Hong Kong.

Mr Deputy, if Hong Kong is to have a vigorous economic recovery, the Government has to do more to ensure a healthy development of SMEs. I so submit. Thank you.

MR CHAN KWOK-KEUNG (in Cantonese): Mr Deputy, the labour force in Hong Kong is growing persistently, with over 75 000 workers having joined the existing labour force from January last year to January this. According to the projection made by the Census and Statistics Department, the total population will increase to 8.2 million during 1996 to 2016 and if the labour participation rate remains unchanged, the labour force will increase drastically to 880 000. The above estimate is very likely an underestimate, as the labour force has increased by 260 000 people from 1996 to 1998.

Other than local young graduates who enter the job market, the additional labour force also consists of a majority of new arrivals from the Mainland.

Since tens of thousands of mainlanders are settling in Hong Kong each year, the labour force will thereby increase correspondingly.

SMEs can absorb most of the labour force. Ever since 1993, two thirds of the newly created employment opportunities in the United States came from SMEs. Over 98% of enterprises in Hong Kong are SMEs, and the number of their employees account for over 60% of the total number of employees working for private establishments. Moreover, a lot of people will start up their own business with limited capital to make a living on their own. This is also a way to ameliorate the unemployment problem. The Self-employment Business Start-up Fund of the Employees Retraining Board is the latest measure to help the unemployed to start up their own small business. As a result, more and more SMEs can be launched and developed in a steady way. They have become increasingly important in terms of absorbing the excess labour force and ameliorating the unemployment problem.

After the devastation of the financial turmoil, SMEs have to face increasing difficulties, particularly in respect of financing. The major reason for this is the falling of property price. That is, banks would often lower the price of the property which serves as the collateral on top of shortening the loan period. The loan ratio for new loan requests is often reduced. Moreover, the rapid development of IT, the need to link up with the global market and the application of IT have brought tremendous challenges to SMEs. With the imminent accession of China to the WTO, foreign countries may soon bypass Hong Kong when making investment in China; therefore, SMEs are facing a more critical crisis.

SMEs are invariably unable to compete with large enterprises because of limitations in terms of capital and human resources. Mini-size supermarkets are good paradigms to illustrate that they are no match for the market invasion tactic of mega supermarkets, as these mini-size supermarkets close down one after another. We consider support to SMEs indispensable.

This Monday, the Panel on Commerce and Industry discussed the progress of work of the Small and Medium Enterprises Committee (SME Committee). The SME Committee has observed that SMEs are facing numerous difficulties in such areas as the application of IT, financing and

training of talents. However, as to the issue of how SMEs should be assisted, the attitude of the SME Committee is rather conservative. Although many SMEs have criticized the limited effectiveness of the existing loan fund, the SME Committee keeps on adhering to draw on the balance of the original loan fund.

Another issue of grave concern to us is the affirmation of the SME Committee of not providing support to individual industry. On the contrary, we consider individual industry should be given specific government support and incentive to promote its development owing to its uniqueness or benefits to society. The most obvious example is the waste recycling industry.

Nowadays, the cost for waste treatment is exorbitant in Hong Kong. Moreover, there are fewer available landfill sites. The waste recycling industry may aptly alleviate the pressure of saturation at various landfills. Besides, the industry is probably a way out for the ever-growing low-skilled labour force.

In 1999, the policy address proposed to reduce municipal waste and increase the recycling rate. Yet, the Government refuses to provide support in terms of land, tax and loans. With a lack of incentive and the operational difficulties, how can waste be recycled and reduced? It is needless to mention the creation of employment.

SMEs are the mainstay of Hong Kong economy; they are also the job providers for most people. The Hong Kong Federation of Trade Unions suggests that in respect of financing, we should provide guarantee, interest subsidy and interest-free support to SEMs; we should also grant priority to industries with greater capability of creating employment opportunities and encourage and urge banks to increase their lending to SMEs, so that the operational difficulties of SMEs can be alleviated.

With these remarks, Mr Deputy, I support the motion.

MR NG LEUNG-SING (in Cantonese): Mr Deputy, I wish to express my views on the financing difficulties of SMEs as mentioned in this motion under debate today. The SMEs are very much distressed by the financing problem. Doubtless all sectors in the community must positively face this problem and find

solutions to it. However, we must first obtain an in-depth and comprehensive understanding of the factors contributing to this problem.

For a long time, the banking sector in Hong Kong has upheld the principle of sound operation. The banking sector has maintained the same principle whether in times of economic prosperity or economic hardships. This principle is reflected in the lending policy, of which an important consideration is prudence and safety. This practice is adopted not only in the interest of banks, but also to meet an important requirement under the regulatory system of banks. It is also an important guarantee of maintaining the security of the financial system. There is no denying that over the years, with the support from banks, many SMEs have been able to grow continuously into large enterprises. After the severe impact of the Asian financial turmoil, the asset quality of banks, albeit having deteriorated, can still be maintained at a fairly good standard, enabling the financial system to survive the crisis and safeguarding the interest of depositors. This has ensured the stability of the financial centre and created a basic condition for economic recovery. Although the crisis is over now, we must not forget this valuable experience. If banks have to deviate from their usual practice in lending, does it mean that the principle of sound operation is already outdated? If so, is it also necessary to relax the stringent requirements in respect of the regulation of banks? Is it in the overall interest of the Hong Kong economy? The call for certain government intervention to facilitate this change and thus affect the free commercial operation of banks is all the more unjustified in the context of the free market principle.

A fact before members of the public is that insofar as the development of the banking industry is concerned, competition has remained fierce in the loan market with the interest rate for mortgage loans being lowered continually. Could it not be the hope of the banking industry to find new outlets for capital? Could it not be their hope to do more business in respect of lending to SMEs and make returns from their loans? However, some SMEs often lack complete and clear financial records and the relevant information. If banks are asked to consider the track record and business prospects of SMEs, these financial records are naturally the most essential proof. In fact, according to some preliminary studies made by the SME Committee, the lack of financial records is an important factor contributing to the financing difficulties faced by some SMEs. If banks cannot see the past records of an enterprise, how can they evaluate its business prospects? Banks must understand more about the specific business of some industries and enterprises as well as their development prospects mainly

because the capital of banks come from depositors, which is different from risk-bearing investment capital. So, it is impossible for banks not to have regard for the principle of safety and soundness in their lending business and overall operation. Moreover, the regulatory system and guidelines do not allow banks to adopt an overly arbitrary and lax approach.

In my view, the banking sector and the SMEs are business partners and they should work to foster communication, understanding and co-operation between each other. The Government can proactively facilitate their work to this end, particularly by helping SMEs to improve the standard of their keeping of financial records. The establishment of a Commercial Credit Reference Agency may serve as a channel through which banks can acquire an understanding of SMEs. But no matter what channel it is, certainly there will be some specific technical problems that need to be discussed in detail, studied and resolved.

Mr Deputy, I so submit.

DR DAVID LI: Mr Deputy, the original motion moved by the Honourable HUI Cheung-ching makes a number of constructive proposals to assist small and medium enterprises (SMEs). But I am taken aback by the amendment put forward by the Honourable Kenneth TING. The Liberal Party is yet again calling for the Government to tell banks what to do.

It is easy to ask for handouts. Some may even think that it is good politics. But, ask yourselves, what has happened to our spirit of enterprises? Is the Government the source of our past and future prosperity? Do we in Hong Kong want a big government leading the way?

It is entirely fair to ask the Government to set minimum standards, to provide structures and to facilitate business. We tread a dangerous path, however, when we demand the Government to intervene in or to influence the prudent business decisions of one sector of our community.

Let all of us support the Working Group on Small and Medium Enterprises Financing, under the Small and Medium Enterprises Committee. Led by Mr CHAN Tze-ching, the Working Group is looking at ways to:

- (a) bridge the demand and supply gap in SME financing; and
- (b) help SMEs gain access to more channels for raising capital and meeting their financial needs.

The Working Group is now holding meetings with the financial sector to determine the barriers to SME financing, and explore possible measures to be taken by the Government, the financial sector and SMEs themselves to address the problems.

Banks want to lend to SMEs. It is good business. In general, loan margins are higher. But the downside is that defaults are also higher.

In some cases, this may be due to the inexperience of bank staff. We need more people who fully understand the market environment, and can evaluate the soundness of a business plan. The Financial Secretary has proposed that more financial service professionals from the Mainland be allowed to work here. This policy will help the banking industry upgrade the services it offers to SMEs.

Accounting standards are also to blame. These vary widely from company to company, especially within the sector of SMEs. I believe that it is entirely proper for the Government to offer opportunities to SMEs to improve their standards of management and accounting. With higher standards, lenders will have a more accurate picture of a company's prospects.

The Commercial Credit Reference Agency may also have a role to play, and the Government is now consulting the community on the merits and structure of such a plan.

In short, positive suggestions have been made to the Government, and the Government is working to implement these suggestions. I look forward to additional positive measures in the future.

I will be voting against the amendment but for Mr HUI Cheung-ching's original motion. Thank you.

THE PRESIDENT resumed the Chair.

MR HOWARD YOUNG (in Cantonese): Madam President, SMEs are the mainstay of Hong Kong economy and they account for 98% of the total number of enterprises in Hong Kong. Companies engaging in the tourism business in Hong Kong are mostly SMEs, making up over 80% of travel agencies, airlines and hotels. We are glad that the Financial Secretary has acknowledged the importance of the tourism industry and SMEs in his Budget speech announced last Wednesday, and made corresponding measures.

At the present stage, besides freezing all government fees and charges that will affect the business environment and maintaining tax rates at a low level, the Government should create a favourable business environment. In particular, it should watch closely whether the implementation of policies would add to the burden of business operators. For example, the Government has enacted the Copyright Ordinance to protect intellectual property rights, thus allowing copyright owners to collect royalties from relevant parties in exchange for the use of their copyright works. Currently, the Composers and Authors Society of Hong Kong Limited (CASH) and International Federation of the Phonographic Industry (IFPI) are responsible for the collection of royalty charges on copyright musical works. Their targets are usually industries which need to put music on air, such as the catering industry, retailing industry, shopping malls and hotels. The amount of royalty charges vary from several thousand dollars payable by SMEs to over a hundred thousand dollars by large enterprises. A manager of a hotel once told me that the average royalty the hotel had to pay for broadcasting music each year was something over \$100,000, which was 10 times higher than the case in the United States. The royalty charges have already become a heavy burden to a sizeable establishment (such as a hotel), let alone some SMEs of smaller scale.

In fact, the economy has yet recovered in full. All SMEs have to maintain their competitiveness, control costs but they cannot increase prices arbitrarily. On the other hand, they have to pay innumerable fees and charges such as licence fees, sewage charges or even some other additional charges like royalties on copyright musical works. All this has undoubtedly increased the pressure and difficulty for business. However, the Government often uses free economy as an excuse and let copyright owners determine all charges at will, without imposing any regulation on such charges. At present, the charging mechanism of the two musical work royalty collecting organizations lacks transparency, and the charging criteria are inconsistent, so some people even suspect they are charging excessive royalties. Although the relevant Ordinance

has provided for a mechanism whereby the Copyright Tribunal would deal with disputes over royalty charges, it is confined only to disputes on the amount of charges while there is no provision on transparency and consistency.

As a result, I suggest that prior to implementing its policies, the Government should assess the impact on SMEs and extensively consult the industry being affected. With regard to the issue of the royalty charges on copyright musical works, the Government should review the existing charging system in the light of fairness and openness. By doing so, the interests of copyright users and the public can be protected, and the burden of business operators under the partially recovered economy alleviated.

MR HOWARD YOUNG: Madam President, since I have some time left, I would like to take this opportunity to respond to some of the remarks which Dr the Honourable David LI has just made, and which I was unable to do so thoroughly because of my sore throat when he made similar remarks a few weeks ago, accusing the Liberal Party of asking the Government to tell banks how to do business. He said he was taken aback. I would like to emphasize that the Government, including the Hong Kong Monetary Authority, has been traditionally telling banks how to do business, and how to deal with the mortgage limits, the percentages, and so on and so forth. I think the Honourable Kenneth TING in his amendment is really calling for fairer and more rational treatment of these small and medium enterprises by the banks. We were discussing different mortgage rates between old and new properties a few weeks ago, and today, we are talking about the different treatment which banks show towards people with property as leverage and people who just have their business plans. And I do not understand why Dr David LI said that he was taken aback by the amendment.

I have looked carefully at Mr Kenneth TING's amendment, and now I quote from his amendment, "(d) expeditiously implementing the Chief Executive's proposal made in his 1999 policy address that the banking sector needed to put more emphasis on the track record and business prospects of the borrowing enterprises in granting loans" This was not invented by Mr TING himself. He was saying what the Chief Executive had said in his policy speech. I am really surprised. I think either Dr David LI has not read the amendment or does not understand it, or has just read his speech written by someone who does not totally understand it. I fail to see why he could have been taken aback by Mr TING's amendment and not taken aback by the Chief Executive's policy address. And if I can correctly recall, when we voted on the

1999 policy address, Dr David LI voted for it, he said nothing about it then and had no reservations on that point whatsoever.

Regarding the position of the banks, I did notice today also from another Member in the related industry who made his speech in English as well, which forced me to reply in the same language, that they were adopting a very defensive attitude. I think they are feeling that all fingers are pointing towards their sector and that they should really do more to help and revive our economy.

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

MR HENRY WU (in Cantonese): Madam President, I very much support the topic of today's motion, especially when SMEs account for 98% of the total number of enterprises in Hong Kong, creating almost 1.4 million employment opportunities. They are indeed one of the underpinnings of Hong Kong economy.

However, I have had a question in mind for a long time: Should SMEs within the financial services sector be covered by the Government's policies or measures of supporting SMEs in general? I asked the Secretary for Commerce and Industry this question during the meeting of the Panel on Commerce and Industry this Monday. The Secretary answered that it was the purview of the Financial Services Bureau. I would like to point out that the reply by the Secretary more or less reflects the mind-set of the Government when it deals with or draws up the agenda of helping SMEs, that it is very likely that the Government wishes to cast the financial services sector away.

In fact, the definition of SMEs drawn up by the Government refers to manufacturing companies with less than 100 employees or non-manufacturing companies with less than 50 employees. According to this definition and the data of the Census and Statistics Department, as at March last year, there were 964 SMEs under the industry group of stock, commodity and bullion brokers, exchanges and services; 3 791 SMEs under the group of finance and investment companies; and 1 438 SMEs under the group of financial institutions such as money exchange and exchange brokers.

Although these figures seem insignificant in comparison with over 300 000 SMEs in Hong Kong, the most important thing is that owing to the characteristics of these three industry groups of financial services, these 6 193 SMEs in fact account for 97% of the total 6 371 SMEs under their respective industry groups and generate 33 829 employment opportunities. Thus it can be seen that in order to maintain the competitiveness of the aforementioned industries and promote their development, we should look after the needs of SMEs in the industry.

Madam President, it is disappointing that the Hong Kong Government seldom addresses the business problems of SMEs of the industry in its policies. For example, the Government, I repeat, the Government, supported the decision of abolishing the minimum stock brokerage commissions rate in a high profile prior to launching a full consultation within the industry, and made it a prerequisite for the reduction of stamp duty on stock transactions. The Financial Secretary openly expressed in last year's Budget speech that "I look forward to receiving some good news on lowered brokerage commissions. This will certainly help me look more sympathetically at any subsequent request from the industry for future reductions in stamp duty on stock transactions". In this year's Budget speech, in conjunction with the reduction of stamp duty on stock transactions, the Financial Secretary reiterated that he was pleased to learn that the Stock Exchange of Hong Kong had decided to abolish the minimum brokerage commission rate. Why do the authorities have to link the global trend of lifting the levy of stamp duty on stock transactions with the abolition of minimum brokerage commission rate when such a policy is implemented in Hong Kong?

If a total abolition of the minimum brokerage commission rate is implemented by 1 April next year, by then, it will surely cause severe impact on the survival of the existing brokerage industry, especially those small and medium brokerage firms who mainly serve retail clients. Actually, from clauses of the Securities and Futures Bill which is under the scrutiny of this Council, we can apprehend that some clauses may create an unfair competitive environment to the securities industry in which banks will be afforded an umbrella of "exemptions" so that they can snatch the business of retail clients unchecked. Besides, as banks have their own enormous network of branches, if the relevant Bill is not properly amended, I am sure that the vitality of the brokerage industry will dwindle further, and the market will eventually be monopolized by large banks. In respect of service providers, the choices for

investors will also be significantly reduced. Mr Tommy CHEUNG said earlier "crowing cocks are smaller because the bigger cocks are dead", but had clauses of the Securities and Futures Bill been passed without amendment, I envisage the situation will arise in which "crowing cocks are weird because smaller cocks are dead and bigger cocks wounded". Furthermore, as the Honourable TAM Yiu-chung said earlier that he wished the Financial Secretary would visit some small and medium factories, I also wish that he would also drop by small and medium security firms, in order to figure out their business difficulties.

Madam President, these are some of my views on the Government's support to SMEs. As to today's motion and amendment, I agree that Hong Kong should maintain a simple tax regime with low tax rates. We can also consider offering tax concession to employers who provide on-the-job training to their employees; we can also consider setting up economic and trade offices in the Mainland as soon as possible, so as to further assist SMEs. Of course, the financial services industry should also be included so that they can seize the business opportunities brought about by China's accession to WTO, too.

With regard to using part of the balance of the guarantee amount under the Special Finance Scheme for SMEs to set up a credit fund for SMEs, since the entire fund has been used up, it will take a while before the capital is withdrawn from circulation. However, in view of the good response in applications terms, will the Government consider to increase the amount so that more SMEs will be benefited?

Moreover, concerning the freezing of government fees and charges that have impact on the business environment, I think it really depends on each individual case and the current level of charges, therefore, it is hard to draw a general conclusion.

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

MRS SOPHIE LEUNG (in Cantonese): Madam President, originally I did not intend to speak. However, having listened to the dissimilar views from friends of the banking sector on the amendment proposed by Mr Kenneth TING this evening, I wish to make a few comments. I have been a voluntary worker in the Chi Lin Nunnery for 10 years. Therefore, perhaps I have learnt some doctrines of the Buddhist sutra, such as the lesson of "three thousand worlds in one

thought" of Master Chih-I (the wise), which teaches us to look at everything from a broader perspective, not just looking at things superficially. In fact, the Liberal Party is looking at the entire economy of Hong Kong from the perspective of a "good-intentioned person". I believe many wise persons in this Chamber are working in the banking industry, therefore, I hope we are able to exchange views on the issue.

We have to recognize that the entire economy structure or the economic system of Hong Kong has gone through several "paradigm shifts" in the past 20 years. Madam President, I have to explain this issue in two different languages. Unfortunately, the community at large, including government officials and the business sector, has not seen or made use of these opportunities at all to facilitate adjustment of the entire economic system or changes of individual industry from within. There is no denying of this. Perhaps we should wait until some scholars wake up gradually and do the historical textual criticism. Despite the many paradigm shifts that had taken place, we were unable to seize the opportunities to regenerate our economic system or make corresponding changes. As a result of the financial turmoil, the vivosphere of all sectors in Hong Kong has shrunk considerably nowadays. Naturally, the banking sector is no exception. Our profit margins have also been slashed to the extent that they cannot be reduced any further. If this Council or the business sector still expects the heyday of the '80s will return, it is simply dreaming. I think that all trades and professions have the same problem.

Being a person who cares about the overall economic development of Hong Kong, I can tell everybody, especially friends in the banking sector, that we have the best intentions. For example, I once visited the Hong Kong Monetary Authority (HKMA) together with a group of young people in 1998 to discuss certain financial issues with the officials, including whether we should introduce a comprehensive electronic banking system as soon as possible; whether we should adopt the net banking idea, which was burgeoning in the United States at that time, in order to stimulate the banking sector, so that it could co-ordinate the entire banking system within Asia; whether we should adhere to our protectionist system and not to make any reform, as we fear that others may intrude our market on the one hand and lest that we would intrude the market of others on the other hand, and thereby we should preserve that kind of gentlemen's agreement perpetually. I hope every one of us can have foresight, so that we can stimulate the thinking of the HKMA or the Government, and to make them ponder over how to meet every paradigm shift. I feel it is the only proper course.

I would like to reiterate that due to such paradigm shifts, the industrial sector is so dismal that nobody pays attention to it any longer. At the same time, all that remains of industry in Hong Kong are those SMEs toiling for survival. Today, over 90% of the companies in Hong Kong are SMEs; accordingly, we cannot but do everything possible for them. They still have the productivity and they are self-made people. What should we do? We should not deny the existence of these SMEs. What should we do?

Concerning the fourth point proposed by Mr Kenneth TING, Mr Howard YOUNG has explained earlier that we are just bringing up certain suggestions made in the policy address. However, we have no intention to force the banking industry to do anything. I feel that we should do something together. The Honourable NG Leung-sing has also mentioned earlier that banks should not adhere to the "bricks and mortar" lending policy. However, SMEs do not have much of track records to support their loan applications. Given this, we should therefore make the change together! Let us do it! As the banking sector is guarding the first pass, we hope they can take the lead by putting business performance before all loan approval criteria. This is something we should do together.

I believe if we can work together dispassionately, we can avert the entire situation. We do not have many industries left here in Hong Kong and we do not have many opportunities to gain new capitals. No matter the real estate sector or other sectors, their vitality is fed mainly on the influx of new capital into Hong Kong. It is the only way for their survival. At present, the tourism industry is quite bleak, despite the many initiatives that have been taken forward by Mrs Selina CHOW. To what extent can achievement be made anyway? From the figures in relation to the tourism industry, we can also see that tourists are spending less in Hong Kong. How much is left anyway? As to the suggestion of attracting foreign firms to come and make investments here, they come quickly, and they also walk away quickly. We should understand this particular point. What industry do we have in Hong Kong that can attract new capital, so that we can maintain the entire economic system, the prosperous development of the entire banking industry, or even push our banking industry into the leading position in Asia to rule the roost? These are precisely questions that we must consider.

I hope the banking sector will understand that the Liberal Party is very much concerned about the development of the economy of Hong Kong and it has

racked its brains for it. I think we should sit down calmly for discussions on to work out a win-win situation, this is just the correct way. We do not have a single intention to attack the banking sector. We admit that they have made enormous contribution for Hong Kong. I just hope everybody will understand that all of us have been victimized by this kind of paradigm shift. We should think about how we can break away from the situation, and should not let people who know nothing of their own words make unfounded allegations. We should really put in hard efforts for the economic development of Hong Kong.

MRS SELINA CHOW (in Cantonese): Madam President, this year, Hong Kong is stepping on the road of economic recovery, and everybody expects every sector will brace up again and stride out a step further. However, uncertain changes have emerged externally in recent months, causing some fluctuations in the local financial market and creating certain uncertainties for the local economy. Although owners of local SMEs are not yet caught under "a leaking roof in midnight downpour", as business has not been improved that much, it seems that the storm is gathering for an unleash again. The Government has set up the new term of the Small and Medium Enterprises Committee (SME Committee) to study how it can help SMEs out and has even allocated \$300 million as training fund. In any case, these moves are positive and significant.

However, in terms of the direction of its studies, the SME Committee has failed to address the needs of different trades. Eventually, it is very likely that the scheme will turn into "help of no use". As we all know, the scale of operation of SMEs is small but the varieties of trades are quite diversified. For instance, the retail and wholesale sector alone is comprised of 38 different trades. Therefore, the projects for SMEs hinge on proactive actions by the government.

Several days ago, members of the Panel on Commerce and Industry, members of the SME Committee and the Secretary (he is now not in this Chamber) held in-depth discussions on the plan of the SME Committee. Actually, the direction and projects of the plan are of not much different from the SME Committee's predecessor, which had pinpointed some problems of local SMEs, such as financing, manpower, training, and so on. Unfortunately, the Secretary emphasized again and again that because of the resource constraints and the fear that the Government would be criticized for favouritism, the SME Committee could only offer some general support. I do not mean to "throw cold water" on the plan, but in recent years, I have paid much attention to the

difficulties of SMEs because most members of my constituency are in fact SME owners. Therefore, I have a profound understanding of their situation. If the SME Committee does not take the initiative, we cannot rely on SMEs to take the initiative and ask for help by themselves. During the recent consultation exercise conducted by the SME Committee, only 50 organizations participated. After all, how many do they account for the 300 000 SMEs? How many SMEs could they represent? How many SMEs would identify with their views? These are questions that the SME Committee and I should ask. I have to emphasize that I am not singing a different tune against the SME Committee, on the contrary, I loath to see the Government using public funds to work for a goal, but ending up in making all attempts futile. Is that worthwhile at all?

From the perspective of SMEs, focused studies are indeed necessary. As individual trades have their own characteristics, goals cannot be achieved simply by formulating general policies, injecting capital, allocating funds, acquiring additional equipment, or even increasing training courses. Let us take the food supply trade as an example, which is one of the trades in frequent contact with the public. Before the outbreak of the avian flu, chickens imported into Hong Kong were mainly classified by port of origin, species and grades. Their prices were determined through tripartite negotiations among local buyers, mainland farms and import agencies. However, after the avian flu, local buyers no longer enjoy the right to select chickens by their port of origin, species and grades. As a result, local buyers' bargaining power has been cast away, and they have to operate with great difficulties. Furthermore, some people have seized the opportunity to monopolize the chicken trading business. Likewise, the fish wholesale business is deteriorating steadily. Supplies handled by local wholesaler are decreasing incessantly as more and more fishermen have started to trade them outside Hong Kong waters in order to bypass the local wholesaling procedure. However, we should know that not only fish merchants are suffering losses, fish markets operated by the Government are also suffering. Why are the relevant departments so reluctant to speak for these SMEs? They are even turning a blind eye to the situation and trying to evade the issue.

The abovementioned problems have nothing to do with financing difficulties, nor the shortage of IT manpower. They have the least relation with things like enormous potentials or bright prospects. Being part of SMEs in Hong Kong, the industry is closely linked with the daily life of the public. May I ask whether it is possible that these problems also exist in other industries? Under the existing policy, to what extent can the SME Committee or the authorities help them?

In recent years, the Government always encourages innovative businesses, in which a lot of investors are SMEs, such as music and film production companies or publication companies. Their existing strong competitors are not only local copyright piracy merchants, but also huge piracy markets in other countries where regulation simply does not exist. How can the Government help these SMEs?

Many SMEs are short of industry talents and the inability to train up the required talents is another problem troubling them. However, the problem lies not in the shortage of manpower but rather in the shortage of suitable candidates in the market. As a result, training is really crucial. At the same time, a comprehensive training system should be put in place, targeting the grassroots and the management level. Besides, it should also take the SEMs' need for multi-function employees and the upgrading of service level into consideration.

On the other hand, a lot of industries do not have access to similar training courses, and even if some of them do, they are just a minority. Let us take the retail industry as an example. There are tens of thousands of retail shops in Hong Kong, most of them being SMEs of various trades and of different characteristics. However, the Vocational Training Council only provides some 40 training courses for the retail industry, while there are about 100 training courses for the financial service industry which almost doubles that of the retailing industry. The major purposes of training talents for the retail industry are nothing more than enhancing the service level in Hong Kong and "to attract local people to spend their money in Hong Kong". At the same time, the retail industry attracted a spending of over \$30 billion from foreign visitors last year, and managed to make visitor indulge in pleasure and forget their homes. This has affirmed Hong Kong's exquisite reputation of "shopping paradise" is really a well-deserved reputation. However, the mere provision of training cannot serve the job-matching purpose and cannot help SMEs to resolve the manpower problem. This is a problem that the SME Committee should really address and at which it should direct its efforts.

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

(No Member responded)

PRESIDENT (in Cantonese): Mr HUI Cheung-ching, you may now speak on Mr Kenneth TING's amendment. You have up to five minutes to speak.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, I am glad that 19 colleagues have spoken on my motion. The Legislative Council encompasses the voices of all sectors, and these voices will serve as good reference for the SME Committee in the formulation of proposals to support SMEs.

Certain contents of the amendment of Mr Kenneth TING are somewhat repetitive. For example, this Council passed the motion of "Opposing the surge of fees and charges" only on 29 November last year, and in the past three months, we have also discussed and succeeded in freezing a number of government fees and charges. Therefore, is it necessary to debate yet again the issue of freezing proposed fee increases within such a short period of time?

Certainly, we must implement numerous measures to alleviate the difficulties of SMEs. The Government should have known, accepted or even implemented these measures. In fact, I have proposed three major measures in today's motion and urged the Government to adopt them in order to speed up the revival of SMEs. If we support the amendment, it will dilute the significance of the three proposed measures which are important. Should this be the case, then we would fail to urge the Government to concentrate on the issue and deal with the relevant problems expeditiously.

With these remarks, the Hong Kong Progressive Alliance will abstain from voting on the amendment of Mr Kenneth TING. Thank you, Madam President.

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Madam President, just now I was a bit disappointed to see you walk into this Chamber. Not that I do not wish to see you. Just that for a long time I have not been able to stand here and address the Chair as "Mr President". (*Laughter*) As the Honourable Fred LI has ceased to take the Chair now, I lost the chance to bow to him. (*Laughter*)

Madam President, I would like to thank the Honourable HUI Cheung-ching for moving this motion. Perhaps I really must say that I am "deeply grateful" for what he has done.

PRESIDENT (in Cantonese): Secretary, please hold on. Just to let you know that I have always been very lenient towards requests from government officials for rising to speak more than once. So, when the meeting is chaired by a Mr President any time in future, you may request for speaking, even for many times more. *(Laughter)*

Secretary, please go on with your speech.

SECRETARY FOR COMMERCE AND INDUSTRY (in Cantonese): Yes. Indeed, I am very grateful to Mr HUI Cheung-ching for moving this motion, as it gives the Government a valuable opportunity to listen to Members' views and suggestions on this important subject.

The day before yesterday — it should be two days ago, the Legislative Council Panel on Commerce and Industry discussed various issues relating to small and medium enterprises (SMEs). In response to Members, I said with heartfelt sentiments that if officials responsible for policies on SMEs are held responsible for everything that may affect the SMEs, then the Secretary for Commerce and Industry will become the Chief Executive and will be required to attend to everything Hong Kong. Why? In fact, almost all government policies — or even all of them, and everything that we may come across in Hong Kong or everything that happens here, can bear a relation with or impact on SMEs. The speeches made by Members in this debate are precisely proof of this point. For instance, issues raised by Members included sewage charges, mid-stream operation, problems with the professional contracts awarded by the Government, the competition policy, copyright legislation; and there are problems concerning the financial sector as mentioned by Mr Henry WU, and so on. Now, let us loosen up a bit. Speaking of "中流作業" (mid-stream operation), earlier on a Member spoke of "中流砥柱" (a pillar in midstream). So, tonight, among the three brothers of the "中流" family, only "鐘樓駝俠"

(the Hunchback of Notre Dame) has not shown up.^{Note} In fact, there are numerous things that may affect SMEs, and all types of government policies may also have a bearing on SMEs. This proves that the ambit of the Small and Medium Enterprises Committee (SME Committee) definitely cannot cover everything that may affect SMEs, and that the recommendations to be made by the SME Committee in future cannot possibly fully address the many problems faced by different trades and industries.

Today, Members have spoken on a diversity of policy areas, and commented and made suggestions on them. For the reason that I have just explained, and due to the time constraint and my limited capability — that is why I cannot take up the office of the Chief Executive; nor am I qualified to be the Chief Executive — I cannot respond to each of them. However, I will refer Members' suggestions to the SME Committee. I will also refer their suggestions and comments to the relevant Policy Bureaux for reference. While I cannot respond to each one of them, I feel obliged to respond to what the Honourable Henry WU said earlier for he had again misquoted my words. At the meeting of the Panel on Commerce and Industry two days ago, he misquoted my previous remarks for the first time. Today, he misquoted me yet again, so I must make a correction here. I did not say that the enterprises to be examined by the SME Committee would not include those in the financial service sector. The financial service sector will certainly be included. Enterprises in all trades and industries will be included provided that the number of their employees meets the relevant requirement of SMEs. What I said two days ago was that it was impossible for the Government to introduce tailor-made proposals or support services for each and every industry specifically within the ambit of the SME Committee, and I have just explained the reasons for this.

Back to the motion, I will now read out my speech. Madam President, it will take about 20 minutes.

Madam President, the SMEs in Hong Kong are known for their flexibility, perseverance and diligence, and strong adaptability, which provide an important impetus to the economic prosperity of Hong Kong. To support the development of SMEs is an important component of the industrial and commercial policies of the Government. With the globalization of the world economy, our country's accession to the World Trade Organization (WTO) and the development of Hong

^{Note} The first two words in "中流作業", "中流砥柱" and "鐘樓駝俠" are homophones in Cantonese.

Kong towards a knowledge-based new economy, SMEs are set to face unprecedented opportunities and challenges. Therefore, in last year's policy address, the Chief Executive particularly mentioned that he would expect the new term of the SME Committee to explore feasible proposals to support SMEs under the themes of "helping SMEs to start, build and expand" their businesses, and to put forward to him practical recommendations within six months.

The SME Committee has set up five working groups to conduct extensive consultation and in-depth studies in the areas of financing, business environment, human resources, technology application and market access. The various points mentioned in Mr HUI Cheung-ching's motion and Mr Kenneth TING's amendment today are already under discussion by the SME Committee.

Meanwhile, the SME Committee has just launched a three-week public consultation exercise this month. The Chairman of the SME Committee and the convenors of working groups attended the meeting of the Legislative Council Panel on Commerce and Industry two days ago to listen to the views of Members. Certainly, the SME Committee will seriously consider these views as well as the points raised by Members today. As the SME Committee will submit a report and make recommendations to the Chief Executive only in June, it is indeed inappropriate for me to draw conclusions on the proposals or measures suggested by Members today. However, I will briefly explain the existing policies and measures with reference to these suggestions, so that Honourable Members and members from all sectors in the community can continue to put forth valuable views to the SME Committee.

Mr HUI Cheung-ching considered that as there are now many vacant units in factory buildings, the authorities should consider lifting the restrictions on the use of factory buildings to alleviate the rental burden on SMEs. At present, offices in industrial buildings within industrial zones are subject to certain restrictions in respect of the floor area ratio. However, the Planning Department has noticed that following an economic restructuring in Hong Kong, the division between industrial use and commercial use has become increasingly blurred in that many enterprises have used their factories as offices or warehouses. In view of this, the Planning Department has decided to introduce, through rezoning of land, a new category of land use called the "business zone" in short, and gradually implemented it since early this year. In a "business zone", units in buildings can be used as general offices or for commercial purposes. In future, offices set up by SMEs in industrial buildings and

industrial-office buildings located in "business zones" will no longer be subject to restrictions in respect of the floor area ratio. This will greatly reduce the costs of office rental borne by SMEs.

About encouraging the introduction of internationally recognized quality certification services into the market, there are in fact 14 commercial accreditation agencies in Hong Kong, all of which are recognized by one or more overseas authorized institutions and internationally. The Government of the Special Administrative Region (SAR) upholds the long-held free market principle. We welcome other accreditation agencies to come to Hong Kong to provide accreditation services and are most willing to continue providing them with assistance.

It is a key policy objective of the Government to upgrade the human capital of Hong Kong. Apart from the eight tertiary institutions making vigorous efforts to nurture talents, different government departments and industrial support organizations also provide a wide range of professional skills and management training for different trades and industries, many of which are specifically provided for SMEs. Examples are the SME Centre of the Hong Kong Productivity Council; the SME training programmes of the Hong Kong Trade Development Council (TDC); the Business Start-up Centre, the Management Development Centre of Hong Kong and courses under the New Technology Training Scheme of the Vocational Training Council; and also the pilot Mentorship Programme for SMEs run by the Trade and Industry Department.

To demonstrate the determination of the Government to upgrade the quality of manpower for SMEs, the Financial Secretary, in the Budget that has just been released, announced the provision of an additional \$300 million for the establishment of a training fund to be administered by the Trade and Industry Department to subsidize SME's training initiatives, and the SME Committee will be invited to make recommendations on the details involved.

In respect of market access, the Government has asked the TDC to provide full support for SMEs. Apart from providing market intelligence, matching and inquiry services, and organizing different types of exhibitions locally and overseas, the TDC also launched a trade portal, "tdctrade.com", not long ago to assist SMEs to promote and purchase products on the web, enabling SMEs to fully grasp the new business opportunities. To tie in with China's accession to

the WTO and the development of Northwestern China, the Financial Secretary further announced in the Budget that the TDC had been asked to enhance the support for SMEs. The TDC will set up a China Business Advisory Unit shortly to provide SMEs with more useful services to facilitate their access to the mainland market, including individual consultation services and more in-depth and detailed market analysis.

We agree with Members that efforts should be stepped up to assist and encourage the application of IT in SMEs and the participation of SMEs in e-commerce. In fact, the Government has ploughed in massive resources in this regard. For example, the SME Information Centre of the Trade and Industry Department has set up a Virtual SME Information Centre and a Business Licence Information Service website on the Internet to cultivate among SMEs a habit to access information through the Internet and e-commerce. Six centres have been set up in the DigiHall 21 of the Hong Kong Productivity Council to provide SMEs with the latest IT solutions and assist them to grasp on-line purchasing and delivery techniques. The Information Technology and Broadcasting Bureau has been co-operating with different support agencies to provide support for SMEs. In addition to seminars and workshops, many kinds of information guides are compiled to provide up-to-date information for SMEs and to provide them with practical e-commerce support services at reasonable costs. The SME Committee is now studying what further measures can be taken to assist more SMEs to improve their competitiveness through IT application.

Members called on the support organizations to lower their fees and charges. In fact, these organizations have taken account of the affordability of SMEs in the delivery of support services. At present, many of such organizations already charge their fees on a non-profit-making basis, and some services are provided below cost and some are even provided free of charge. For example, the TDC provides free inquiry service, business and trade information, and local trade-matching service for SMEs, whereas the Hong Kong Productivity Council provides SMEs with free professional advice and has set up free websites for them.

Further, in view of the impact of the Asian financial turmoil and the surging operating costs of SMEs, these support organizations have, over the past couple of years, continuously and actively reduced the fees and charges for their services by controlling the costs. The TDC, for example, has frozen its charges for various services and promotional activities for three years in a row, and has

successfully secured fee reductions from organizers of overseas exhibitions for Hong Kong traders in 34 overseas exhibitions in the past three years, with an average concession rate of 18.3%. The TDC also has plans to lower the entry fees for local exhibitions by 3% to 25% from 1 April this year onwards. The relevant franchised companies will continue to review the existing services and fees to ensure the provision of quality and yet inexpensive services for SMEs.

In respect of government fees and charges, I believe Members do appreciate that it is a well-established financial management policy of the SAR Government to adjust its fees and charges in a timely manner, with a view to ensuring that the Government has sufficient and stable recurrent revenue to meet the expenditure on public services and to achieve fiscal balance. The fair principle of "user pays" is also widely accepted by the community. A majority of government fees and charges was frozen in the past three years as a special relief measure to ease the burden of the people in times of an economic downturn. As the economy is recovering steadily, the Government has stated clearly that the fee moratorium will be lifted gradually. In the meantime, the Government has, in the past few months, revised in batches some fees and charges that do not have a direct impact on the people's livelihood and the majority of businesses. As regards fees relating to business operation, such as water and sewage charges, the Government will, as far as I know, continue to freeze them until revision is deemed appropriate in due course. The Government does not have a predetermined timetable on lifting the fee moratorium. Instead, a decision will be made only after considering the overall economic environment and the people's livelihood in Hong Kong.

Members have again mentioned the tax system. On this point, Members can rest assured for the Financial Secretary has expressly stated that the Government will certainly maintain a simple and predictable tax regime with low tax rates.

Concern was also expressed over the financing difficulties of SMEs, and I fully appreciate this. It is suggested that we should reintroduce the Special Finance Scheme for SMEs, or even set up a credit fund, whereby low-interest loans can be directly granted to SMEs by the SAR Government. In this connection, I would like to reiterate the position of the Government.

The Special Finance Scheme for SMEs is a special measure introduced in the wake of the Asian financial turmoil to ease the short-term credit crunch faced

by SMEs. We have repeatedly stated to the Legislative Council and the public that the justifications for the Special Finance Scheme for SMEs will no longer hold when there are obvious signs of an economic recovery. It is for this very reason that the Scheme was terminated in April last year, and this decision was generally understood by the public and the industrial and commercial sector.

On the proposal to grant low-interest loans directly by the Government, we have all along stated that it violates the market-led principle and will result in the Government directly competing with financial institutions. This is bound to bring more harm than good to the economic development of Hong Kong. Further, this will easily develop among business enterprises a mindset to permanently rely on the Government and consequently undermine the dynamism and enthusiasm of enterprises, which runs counter to our objective to enhance the long-term competitiveness of SMEs.

About changing the lending culture of banks, the Hong Kong Monetary Authority (HKMA) has always encouraged banks to give more weight to the business prospects and repayment capability of an enterprise, rather than focusing solely on the values of collateral in handling loan applications. Of course, whether or not a loan will be granted is purely a commercial decision of banks. The banking sector is generally of the view that with greater transparency in the finance and credit status of SMEs, banks can fully grasp accurate information for assessing the credit worthiness, financial strength, track records and business prospects of enterprises, and this is believed to be conducive to reducing banks' reliance on property as collateral. In this connection, the HKMA is actively studying the establishment of a Commercial Credit Reference Agency to improve the transparency of the credit status of SMEs, thereby facilitating the more effective vetting of loan applications by banks. Results of consultation show that the banking sector generally considers that with the Commercial Credit Reference Agency, they will, to a certain extent, be more willing to grant loans to SMEs and reduce their reliance on collateral.

At present, the Hong Kong economy has obviously turned the corner. Interest rates are coming down, and many banks and lending institutions have said that more emphasis will be placed on loans to SMEs. I believe this will be helpful to SMEs in obtaining finance. However, the Government and the SME Committee agree that it is necessary to address this important issue squarely. Therefore, the working group on financing under the SME Committee has consulted banks, financial institutions, trade associations and various

professional bodies in order to understand the capital requirement of SMEs together with their actual difficulties in financing, so that in-depth studies can be conducted on feasible options to provide support for SMEs.

Besides, Members called on the authorities to examine the feasibility of relaxing the underwriting policy of the Hong Kong Export Credit Insurance Corporation (ECIC). We are most willing to look into this proposal. But I must point out that being a public body tasked to promote the export trade in Hong Kong, the ECIC must operate on professionalism and according to the principle of prudent risk management, so that through its role as an insurer, exporters can put their minds at rest when dealing with overseas buyers. Therefore, when considering any proposed relaxation, we must ensure that we will not depart from the principle of prudent risk management, in order to save exporters and taxpayers from sustaining unnecessary losses.

At present, the ECIC has actively performed its guarantor function in assisting SMEs to secure export finance from banks. The ECIC policies have all along been considered by most banks as a form of secondary collateral for export finance. At present, over 60% of the insured business use ECIC policies as collateral for export finance. Last year, in conjunction with a number of financial institutions, the ECIC introduced the ECIC Supported Export Finance scheme for SMEs, which provides a new channel for exporters to obtain finance. As at the end of February 2001, there are 47 participant financial institutions and the insured export business amounts to HK\$250 million. Recently, the ECIC has stepped up publicity of its policies for securing export finance from banks, so that more small and medium exporters can obtain finance through this channel. The results have been quite remarkable, showing increasing co-operation between the ECIC and the financial sector. I understand that the SME Committee will make continuous efforts to study proposals on how the ECIC can further provide support for the SMEs in their application for bank loans.

Finally, Members called on the authorities to expeditiously establish an economic and trade office in the Guangdong Province. As the Financial Secretary has said in the Budget, we are actively considering this matter. To ensure that this economic and trade office can play its role effectively, we must give careful consideration to all aspects and seek the consent and the utmost support from the Central Government and local authorities. The relevant studies and discussion will take time, and I believe Members certainly understand that. However, Members can rest assured that even without this

economic and trade office, we will continue to foster communication between the SAR and commercial and trade organizations in the Mainland. We will continue to proactively reflect the concerns of the industrial and commercial sector to the relevant mainland authorities through the existing liaison channels, including the Mainland/Hong Kong Special Administrative Region Joint Commission on Commerce and Trade (which is an official body), with a view to providing support for local enterprises in developing their business in the Mainland.

Just now I mentioned that the SME Committee is forging ahead with studies of various options of support for SMEs and consultation with the relevant industries and the public in order to draw on collective wisdom. I wish to thank Honourable Members again for their valuable opinions. I firmly believe Members' input will stimulate thinking and enrich discussion. This will facilitate the SME Committee to submit practicable proposals to the Chief Executive after careful consideration and eventually achieve our common goal, that is, to build up the strengths of SMEs in Hong Kong for flourishing development.

Finally, I wish to thank Mr HUI Cheung-ching again for moving this motion so that I can listen to a wonderful debate. Madam President, it really comes from the heart. (Laughter) I greatly appreciate the speeches of all Members, particularly that of Mr Bernard CHAN, for I agree with all of his comments. As for Dr the Honourable David LI's speech, it would have been commendable were it not for his superfluous criticisms against the Liberal Party. That is something I certainly dare not do. Madam President, I dare not stand here and criticize the Liberal Party, but I am grateful to Dr LI for he had stimulated the Honourable Mrs Sophie LEUNG so that we have had the benefit of that marvellous impromptu speech by Mrs LEUNG. Thank you, Madam President.

MR HENRY WU (in Cantonese): Madam President, I would like to clarify the part of my speech which has been misunderstood by the Secretary.

PRESIDENT (in Cantonese): Mr WU, you may clarify the part of your speech that has been misunderstood.

MR HENRY WU (in Cantonese): Thank you, Madam President.

Actually, I did not mention the Small and Medium Enterprises Committee in my speech earlier. Nevertheless, I would like to thank the Secretary for saying that the Committee would cover the financial service industry. Madam President, the Secretary said I had misunderstood the speech delivered by him on the day in question. I have actually made it clear in my speech that I would ask the Government whether it would consider the situation of the financial service industry only. Just as the Secretary said on that day, it is impossible for him to take charge of all areas. This is why I stated in my speech that the financial service industry mentioned by the Secretary on that day actually falls into the purview of the Financial Services Bureau. I believe the Secretary has misunderstood my meaning. Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the amendment, moved by Mr Kenneth TING to Mr HUI Cheung-ching'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)

Mrs Selina CHOW rose to claim a division.

PRESIDENT (in Cantonese): Mrs Selina CHOW 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, Mrs Selina CHOW, Mr CHAN Kwok-keung, Mrs Sophie LEUNG, Mr Howard YOUNG, Mrs Miriam LAU, Mr Tommy CHEUNG, Mr Michael MAK, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the amendment.

Dr Raymond HO, Mr Eric LI, Dr David LI, Mr Bernard CHAN and Dr LO Wing-lok voted against the amendment.

Dr LUI Ming-wah, Mr CHEUNG Man-kwong, Mr HUI Cheung-ching, Mr SIN Chung-kai, Mr LAW Chi-kwong, Miss LI Fung-ying and Mr Henry WU abstained.

Geographical Constituencies and Election Committee:

Mr CHAN Kam-lam voted for the amendment.

Mr Andrew WONG and Mr NG Leung-sing voted against the amendment.

Mr Albert HO, Mr Martin LEE, Mr Fred LI, Mr James TO, Dr YEUNG Sum, Mr Andrew CHENG, Mr SZETO Wah, Dr TANG Siu-tong, Mr WONG Sing-chi, Miss Audrey EU, Mr David CHU and Mr Ambrose LAU abstained.

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

THE PRESIDENT announced that among the Members returned by functional constituencies, 23 were present, 11 were in favour of the amendment, five

against it and seven abstained; while among the Members returned by geographical constituencies through direct elections and by the Election Committee, 16 were present, one was in favour of the amendment, two against it and 12 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 negatived.

PRESIDENT (in Cantonese): Mr HUI Cheung-ching, you may now reply and you have up to one minute 53 seconds.

MR HUI CHEUNG-CHING (in Cantonese): Madam President, I have been greatly inspired by Members' enthusiastic speeches. I believe the report on support for small and medium enterprises to be eventually presented to the Chief Executive will be more comprehensive and constructive. I would also like to thank Members for their support once again.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr HUI Cheung-ching, as set out on the Agenda, be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 28 March 2001.

Adjourned accordingly at five minutes to Eleven o'clock.

WRITTEN ANSWER**Written answer by the Secretary for Planning and Lands to Mr Albert HO's supplementary question to Question 2**

The Land Registrar has given approval for the Secretary for Justice to obtain owner's property information using the Owner's Properties Information Check Service (OPIC) for the purpose of recovery of debts due to the Government. That purpose for requesting information falls within the meaning of "purposes" under section 58(1)(d) of the Personal Data (Privacy) Ordinance. The Land Registrar has not received applications from the Secretary for Justice to obtain information using OPIC for purposes other than the above.

The Land Registrar has also approved the application from the Director of Legal Aid (DLA) to obtain owner's property information for the purpose of processing legal aid applications. Section 9 of the Legal Aid Ordinance (Cap. 91) empowers the DLA, *inter alia*, to make such inquiries as he thinks fit as to the means of the applicant. Every applicant is required to give consent to the DLA for conducting investigation or obtaining information relating to his income and assets from any government department or private organization for the determination of his application for legal aid. The disclosure of owner's property information in such an instance is consistent with Data Protection Principle 3.

Should the DLA request the use of OPIC for purposes other than the above, a fresh application with justifications would have to be made for the Land Registrar's consideration. The Land Registrar would then consider each case on its merits, in particular, whether the application is exempted under section 58 of the Personal Data (Privacy) Ordinance. The Land Registrar has in the past rejected such requests by the DLA, for instance, in an attempt to locate the last known address of the respondent for the enforcement of a Court Order.

As such, there is no question of privileges enjoyed by these two government departments nor unfairness to lawyers in private practice in accessing information of the opposite party in litigation cases.

Annex II

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL 2001

COMMITTEE STAGEAmendments to be moved by the Secretary for Economic Services

<u>Clause</u>	<u>Amendment Proposed</u>
4(e)	In the proposed definition of "licensed travel agent", by deleting everything after "business of a travel agent" and substituting "licensed under section 11 of the Travel Agents Ordinance (Cap. 218), and "travel agent" (旅行代理商) has the same meaning as in that Ordinance;".
7	In the proposed section 5(2), by deleting "接納" and substituting "收取".
9	In the proposed section 7 - (a) in paragraph (i), by deleting "執行" and substituting "履行"; (b) in paragraph (j), by deleting "execute or"; (c) by adding - "(ka) establish and maintain offices both in and outside Hong Kong;"; (d) in paragraph (1), by deleting "執行" and substituting "履行".
11	(a) In the proposed section 9(2) -

ClauseAmendment Proposed

- (i) by deleting paragraphs (c) and (d) and substituting -
- "(c) 1 shall be a licensed travel agent;
- (d) 1 shall be a tour operator;"
- (ii) by adding -
- "(e) 1 shall be a retailer; and
- (f) 1 shall be a restaurant operator.".
- (b) In the proposed section 9(8), by deleting everything between but not including "因主席" and "而懸空" and substituting "根據第 10 條辭職或遭免任而懸空，或因其他理由".
- 12 In the proposed section 10(3)(c), by deleting "執行" and substituting "履行".
- 20(b) (a) By adding "執行其" before "職責".
- (b) By adding "履行其" before "責任".
- 21(c) In the proposed section 17(3), by deleting "執行" and substituting "履行".
- 26 By deleting paragraph (c) and substituting -
- "(c) in paragraph (f) -
- (i) by repealing "執行" and substituting "履行";

ClauseAmendment Proposed

(ii) by repealing "職責" and substituting "責任";".

New

By adding before the heading "**Hong Kong Tourist Association Rules**" -

"33A. Schedule amended

The Schedule is amended by repealing "[s. 24]" and substituting "[s. 26]".

40(b)

By deleting "執行" and substituting "履行".