

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 21 April 2010

The Council met at Eleven o'clock

MEMBERS PRESENT:

THE PRESIDENT

THE HONOURABLE JASPER TSANG YOK-SING, G.B.S., J.P.

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

DR THE HONOURABLE DAVID LI KWOK-PO, G.B.M., G.B.S., J.P.

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

DR THE HONOURABLE MARGARET NG

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHAN KAM-LAM, S.B.S., J.P.

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

THE HONOURABLE LEUNG YIU-CHUNG

DR THE HONOURABLE PHILIP WONG YU-HONG, G.B.S.

THE HONOURABLE WONG YUNG-KAN, S.B.S., J.P.

THE HONOURABLE LAU KONG-WAH, J.P.

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

THE HONOURABLE MIRIAM LAU KIN-YEE, G.B.S., J.P.

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

THE HONOURABLE ANDREW CHENG KAR-FOO

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

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

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

THE HONOURABLE LI FUNG-YING, B.B.S., J.P.

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

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

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

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

THE HONOURABLE WONG KWOK-HING, M.H.

THE HONOURABLE LEE WING-TAT

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

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

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

THE HONOURABLE CHEUNG HOK-MING, G.B.S., J.P.

THE HONOURABLE WONG TING-KWONG, B.B.S., J.P.

THE HONOURABLE RONNY TONG KA-WAH, S.C.

THE HONOURABLE CHIM PUI-CHUNG

PROF THE HONOURABLE PATRICK LAU SAU-SHING, S.B.S., J.P.

THE HONOURABLE KAM NAI-WAI, M.H.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE STARRY LEE WAI-KING

DR THE HONOURABLE LAM TAI-FAI, B.B.S., J.P.

THE HONOURABLE CHAN HAK-KAN

THE HONOURABLE PAUL CHAN MO-PO, M.H., J.P.

THE HONOURABLE CHAN KIN-POR, J.P.

DR THE HONOURABLE PRISCILLA LEUNG MEI-FUN

DR THE HONOURABLE LEUNG KA-LAU

THE HONOURABLE CHEUNG KWOK-CHE

THE HONOURABLE WONG SING-CHI

THE HONOURABLE WONG KWOK-KIN, B.B.S.

THE HONOURABLE IP WAI-MING, M.H.

THE HONOURABLE IP KWOK-HIM, G.B.S., J.P.

THE HONOURABLE MRS REGINA IP LAU SUK-YEE, G.B.S., J.P.

DR THE HONOURABLE PAN PEY-CHYOU

THE HONOURABLE PAUL TSE WAI-CHUN

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

MEMBER ABSENT:

THE HONOURABLE JAMES TO KUN-SUN

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE HENRY TANG YING-YEN, G.B.M., G.B.S., J.P.
THE CHIEF SECRETARY FOR ADMINISTRATION

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

THE HONOURABLE WONG YAN-LUNG, S.C., J.P.
THE SECRETARY FOR JUSTICE

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR EDUCATION

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

MR LAI TUNG-KWOK, S.B.S., I.D.S.M., J.P.
SECRETARY FOR SECURITY

DR THE HONOURABLE YORK CHOW YAT-NGOK, G.B.S., J.P.
SECRETARY FOR FOOD AND HEALTH

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

THE HONOURABLE TSANG TAK-SING, J.P.
SECRETARY FOR HOME AFFAIRS

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

PROF THE HONOURABLE K C CHAN, S.B.S., J.P.
SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

THE HONOURABLE MRS CARRIE LAM CHENG YUET-NGOR, J.P.
SECRETARY FOR DEVELOPMENT

THE HONOURABLE EDWARD YAU TANG-WAH, J.P.
SECRETARY FOR THE ENVIRONMENT

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

THE HONOURABLE MRS RITA LAU NG WAI-LAN, J.P.
SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT

MR GREGORY SO KAM-LEUNG, J.P.
UNDER SECRETARY FOR COMMERCE AND ECONOMIC
DEVELOPMENT

DR KITTY POON KIT, J.P.
UNDER SECRETARY FOR THE ENVIRONMENT

MR KENNETH CHEN WEI-ON, J.P.
UNDER SECRETARY FOR EDUCATION

MS JULIA LEUNG FUNG-YEE, J.P.
UNDER SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY

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

PROF GABRIEL MATTHEW LEUNG, J.P.
UNDER SECRETARY FOR FOOD AND HEALTH

MS FLORENCE HUI HIU-FAI, J.P.
UNDER SECRETARY FOR HOME AFFAIRS

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

CLERKS IN ATTENDANCE:

MS PAULINE NG MAN-WAH, SECRETARY GENERAL

MRS VIVIAN KAM NG LAI-MAN, ASSISTANT SECRETARY GENERAL

MRS JUSTINA LAM CHENG BO-LING, ASSISTANT SECRETARY
GENERAL

MRS PERCY MA, ASSISTANT SECRETARY GENERAL

OBITUARY TRIBUTE

PRESIDENT (in Cantonese): Members will please remain standing and observe one minute's silence to mourn the victims of the earthquake occurred earlier in Qinghai.

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>
Prisons (Amendment) (No. 2) Order 2010	38/2010
Public Health and Municipal Services (Setting Aside Places and Cessation of Setting Aside Places for Use as Public Pleasure Grounds) Order 2010	39/2010
Public Health and Municipal Services Ordinance (Amendment of Fourth Schedule) Order 2010.....	40/2010

Other Papers

No. 88 — Report No. 54 of the Director of Audit on the results of value for money audits — March 2010

Report No. 8/09-10 of the House Committee on Consideration of Subsidiary Legislation and Other Instruments

WRITTEN ANSWERS TO QUESTIONS**Allocation of Funds from Lotteries Fund**

1. **MR PAUL CHAN** (in Chinese): *President, the Lotteries Fund (the Fund) was established on 30 June 1965 for the purpose of financing social welfare*

services by grants, loans and advances. Over the years, allocations from the Fund have all along been charged to Head 341 — Non-recurrent Grants. Apart from various charitable organizations, quite a number of government departments (such as Architectural Services Department, Department of Health, Housing Department and Social Welfare Department (SWD), and so on) have also been granted allocations from the Fund. In handling the accounts on allocations from the Fund, the Government would usually include the relevant accounts in capital spending, which is paid by capital revenue. In this connection, will the Government inform this Council:

- (a) of the organizations which had been granted funding from the Fund consecutively in the past five years; of the 20 beneficiary organizations (including government departments) which had been granted the highest total amount of funding from the Fund in the past seven years, together with a breakdown of allocations to each of such organizations and government departments each year by the nature of the project financed; whether it has assessed if the allocations met the funding purposes which was laid down when the Fund was established;*
- (b) instead of financing charitable organizations only, why the Fund has made allocations to government departments; why the authorities do not list the items of expenditure of government departments which were financed by the Fund in the Estimates under the relevant Heads of Expenditure, in order that the Legislative Council can consider more comprehensively when vetting and approving estimates of expenditure of the relevant departments, but instead include such items of expenditure in the estimates of expenditure of the Fund; and*
- (c) whether it has assessed if the aforesaid allocation arrangements will result in the Fund failing to comprehensively and effectively finance charitable organizations, thus rendering them not being able to explore and introduce additional services more efficiently and effectively in response to the continuous changing needs of the community?*

SECRETARY FOR LABOUR AND WELFARE (in Chinese): President, established in 1965, the Lotteries Fund (LF) aims to finance social welfare

services by grants, loans and advance payments. The LF is mainly funded by the proceeds of the Mark Six Lottery.

Grants approved under the LF are normally used to meet the non-recurrent commitments for constructions, fitting-out, renovations, purchase of furniture and equipment for premises occupied by non-governmental organizations (NGOs) providing welfare services. With the expansion of welfare facilities over the years, the LF is also used to finance routine non-recurrent expenses of the NGOs in running welfare services subvented by the SWD, such as routine repairs and maintenance works, as well as replenishment of furniture and equipment. Moreover, the LF also provides funding to finance time-limited experimental projects and enhance the support to social welfare services.

(a) and (b)

In the past five years, most of the SWD-subvented NGOs have received funding allocations from the LF. All these allocations are used to support and develop social welfare services and are in line with the funding purposes laid down when the LF was established. The relevant allocations are mainly used to provide funding to the NGOs to carry out works projects, purchase furniture and equipment, launch time-limited experimental projects and enhance the support to social welfare services. The LF allocations to the NGOs vary from year to year depending on their actual needs and applications. To have a better understanding of the LF expenditures, we should look at the total amount of funds allocated to the 20 NGOs receiving the highest LF allocations each year in the past seven years rather than the allocations to individual NGOs. The relevant information is set out at Annex.

The estimates of LF expenditures of the government departments under "Head 341 — Non-recurrent Grants" are expenses spent on the entrustment projects carried out by the Government departments, including the Architectural Services Department, Housing Department and Department of Health, for constructing or renovating the social welfare units of the NGOs; or allocations from the SWD to the NGOs to carry out fitting-out works or purchase furniture and equipment for their newly bid subvented welfare

service units. Since the relevant expenses are not funded by the general revenue account, they are not incorporated into the estimates of the relevant government departments.

- (c) The allocation arrangement of entrusting government departments to implement works projects for the NGOs, or allocating grants from the SWD to the NGOs to carry out fitting-out works/purchase furniture and equipment has been in place for a long time and proven to be effective. We consider that the arrangement is appropriate and will not cause any adverse effect on the provision of welfare services by the NGOs. Besides, in view of the changing welfare needs of our society, the SWD also allocates grants from the LF to provide direct financial resources to the NGOs to enhance their provision of welfare services. For instance, the Social Welfare Development Fund has been set up to subsidize the NGOs to implement training and business improvement projects; resources are also provided to the NGOs to employ paramedical staff, and so on.

Annex

Total amount of funds allocated to the 20 subvented NGOs receiving the highest LF allocations each year in the past seven years

	2003-2004 (\$)	2004-2005 (\$)	2005-2006 (\$)	2006-2007 (\$)	2007-2008 (\$)	2008-2009 (\$)	2009-2010 (\$)
Total Allocations	386,506,425	440,625,984	769,461,948	231,965,250	158,015,200	378,908,653	675,156,000

Note:

The above allocations are mainly used in funding NGOs to carry out works projects, purchase furniture and equipment, launch time-limited experimental projects and enhance the support to the social welfare services.

Safety and Redevelopment of Old Buildings

2. **DR PRISCILLA LEUNG** (in Chinese): *President, regarding the accident which happened on 29 January this year at Ma Tau Wai Road in which an entire old building which was over 50 years old collapsed and the plan to redevelop old districts, will the Government inform this Council:*

- (a) *whether it is the current practice of the Buildings Department (BD) to inspect the exterior conditions of buildings by "naked eyes" only, and whether staff of the Department will enter the premises for a detailed inspection; after the aforesaid tragic collapse of the building, whether the authorities have assessed if the current inspection practice will give rise to an "oversight" situations;*
- (b) *apart from the redevelopment projects which had not been completed by the then Land Development Corporation (LDC), of the number of redevelopment projects in old districts which have been implemented by the Urban Renewal Authority (URA) since its establishment in 2001, together with a list of the respective amounts of profit made and loss incurred by these redevelopment projects; and*
- (c) *after the tragic collapse of the building at Ma Tau Wai Road, whether the authorities have assessed if its previous injection of \$10 billion into URA is sufficient to support the speeding up of urban redevelopment plans; if they have, whether the authorities have planned to inject additional capital into URA or change URA's mode of operation from self-financing to receiving subsidy from the Government by annual allocation, so as to increase the pace of redevelopment?*

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

- (a) Visual inspection is basically the first step adopted by the professional staff of the BD when inspecting buildings to ascertain their structural safety, and the inspection mainly covers the common areas and external walls of buildings. If the assessment result of the visual inspection reveals that there is such a need, the professional staff of the BD will carry out further inspections according to circumstances and will enter individual premises to conduct detailed inspections and examination. The reasons for adopting this approach are as follows:

- (i) For the interior of individual premises, if the conditions of the structural elements have deteriorated due to certain reasons or there are unauthorized structural alterations which lead to overall structural stability problems, evident defects will usually also appear in the adjoining premises or the premises above or below, as well as in the common areas or even on the external walls of the building. The BD staff are experienced professionals who can competently identify evident defects in the common areas and on the external walls, including defects extending from individual premises to the exteriors when carrying out visual inspections and will take corresponding action which includes entering individual premises to carry out further inspections or issuing investigation orders to the owners concerned; and
- (ii) Since external walls are constantly exposed to erosion by wind and rain and it is more difficult to repair and maintain them, their rate of deterioration is faster than that of the interior of a building. Generally speaking, owners are also more concerned about the repair and maintenance of their own premises the conditions of which are therefore usually much better than those of the common areas and the external walls of the building.

We consider that the approach of building inspection to ascertain structural safety adopted by the BD as set out above has been effective and appropriate. The BD will also review its operation from time to time to continue enhancing the various measures it has adopted to improve building safety.

- (b) Since its establishment in 2001, apart from taking over the implementation of 10 redevelopment projects commenced by the former LDC, the URA has directly, or through collaboration with the Hong Kong Housing Society, commenced another 38 redevelopment

projects, of which 25 were announced by the former LDC in 1998 but yet to be commenced. In accordance with the Urban Renewal Strategy (URS) promulgated in 2001, the URA should give priority to the implementation of these 25 projects.

The overall financial position of the URA is published in the URA's Annual Report and Audited Accounts. So far, the URA has not disclosed the profit/loss position of its individual redevelopment projects. In order to enhance the transparency of the URA's work, we plan to publish the surpluses/deficits of completed projects of the URA when submitting its annual work progress to the Panel on Development of the Legislative Council in June this year.

- (c) The estimated acquisition/rehousing cost for the URA's Ma Tau Wai redevelopment project is estimated at around \$1,447 million. It is expected that a deficit of some \$700 million will be incurred. Nonetheless, the URA's financial position remains healthy. According to information provided by the URA, as at 31 March 2010, its unaudited net asset value exceeds the \$10 billion injected by the Government.

In July 2008, the Government launched a two-year review on the URS. The review is now at its third stage, namely, the "Consensus Building" stage, which is expected to be completed in mid-2010. We will report findings to the Panel on Development then. The overall financing arrangements for the URA, including the objective of a self-financing urban renewal programme in the long run, is also covered in the review.

Employment Statistics

3. **MR LEE CHEUK-YAN** (in Chinese): *President, regarding the employment statistics for 2009 compiled by the Census and Statistics Department, will the Government set out in the table below the statistics on employed persons*

for that year (excluding unpaid family workers, foreign domestic helpers and employed persons who worked less than 35 hours during the seven days before enumeration due to vacation)?

<i>Gender</i>	<i>Hours of work during the seven days before enumeration (hours)</i>	<i>Monthly employment earnings (HK\$)</i>					
		<i>Less than 3,000</i>	<i>3,000 to 4,999</i>	<i>5,000 to 7,499</i>	<i>7,500 to 9,999</i>	<i>10,000 or above</i>	<i>Total</i>
<i>Female</i>	<i>Less than 35</i>						
	<i>35 to 49</i>						
	<i>50 to 59</i>						
	<i>60 or above</i>						
	<i>Sub-total</i>						
<i>Male</i>	<i>Less than 35</i>						
	<i>35 to 49</i>						
	<i>50 to 59</i>						
	<i>60 or above</i>						
	<i>Sub-total</i>						
<i>Female and Male</i>	<i>Less than 35</i>						
	<i>35 to 49</i>						
	<i>50 to 59</i>						
	<i>60 or above</i>						
	<i>Total</i>						

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): President, according to the results of the General Household Survey conducted by the Census and Statistics Department in 2009, statistics on employed persons⁽¹⁾ by gender, hours of work during the seven days before enumeration and monthly employment earnings⁽²⁾ are set out below:

- (1) Excluding unpaid family workers, foreign domestic helpers and employed persons who worked less than 35 hours during the seven days before enumeration due to vacation.
- (2) Monthly employment earnings refer to the earnings from all jobs during the last month before enumeration.

Statistics presented in the table are rounded to the nearest hundreds

Gender	<i>Hours of work during the seven days before enumeration (Hours)</i>	<i>Monthly employment earnings (HK\$)</i>					
		<i>Less than 3,000</i>	<i>3,000 to 4,999</i>	<i>5,000 to 7,499</i>	<i>7,500 to 9,999</i>	<i>10,000 or above</i>	<i>Total</i>
Female	Less than 35	62 200	42 700	16 700	6 500	16 500	144 400
	35-49	6 700	34 900	130 200	144 800	471 600	788 300
	50-59	1 000	6 300	49 100	43 000	99 000	198 400
	60 or above	1 000	5 800	57 900	41 300	44 500	150 500
	Sub-total	71 000	89 700	254 000	235 500	631 500	1 281 700
Male	Less than 35	28 000	23 800	26 100	16 500	18 600	113 000
	35-49	9 200	17 600	102 600	166 400	673 600	969 300
	50-59	2 000	3 500	34 200	62 800	198 200	300 600
	60 or above	2 000	3 900	62 400	78 800	175 000	322 100
	Sub-total	41 200	48 800	225 300	324 400	1 065 400	1 705 100
Female and Male	Less than 35	90 200	66 400	42 800	23 000	35 100	257 500
	35-49	16 000	52 500	232 800	311 200	1 145 100	1 757 600
	50-59	3 000	9 800	83 300	105 700	297 200	499 000
	60 or above	3 100	9 700	120 400	120 000	219 500	472 600
	Total	112 200	138 500	479 200	560 000	1 696 900	2 986 800

Because the number of hours worked and the monthly employment earnings cover different reference periods, these two sets of statistics cannot be used to calculate the hourly employment earnings. In addition, owing to rounding, there may be a slight discrepancy between the sum of individual items and the total as shown in the table.

Courses Conducted for Seafarers

4. **MR RONNY TONG** (in Chinese): *President, some members of the industry have indicated that seafarers are required to complete designated courses in Hong Kong before the expiry of their licences or certificates in order to obtain the necessary practising qualification. Currently, the Maritime Services Training Institute (MSTI) under the Vocational Training Council (VTC) is the only provider of such training courses in Hong Kong. In the event that*

there are not enough courses (for example, there is currently a serious shortage of courses for seafarer (seagoing and river trade) licence and STCW95 licence), seafarers will be forced out of employment because they cannot obtain the necessary qualification, or alternatively will have to complete such courses overseas at high costs. Some members of the industry have also indicated that at present, there is also a shortage of courses in Hong Kong for certain minor licences (such as radar licence) in the industry, and that some shipping companies have resorted to importing labour on grounds of inadequate supply of local qualified personnel, thus aggravating the unemployment problem in Hong Kong. In this connection, will the Government inform this Council:

- (a) of the number of STCW95 licences issued by the authorities each year from 2005 to 2009, as well as whether it knows the total number of courses run by VTC for such licences and radar licences, and so on, during the period;*
- (b) given that some members of the industry have pointed out that MSTI is at present the sole institution approved by the authorities to provide various specific maritime courses as required by the relevant ordinances and regulations, but some of its courses overlap with those offered by the Hong Kong Institute of Vocational Education (IVE), which is another member institution under the VTC Group, or other institutions, yet there is a shortage of courses for seafarer (seagoing and river trade) licence, which are more professional in nature, whether it knows what mechanism VTC has put in place to maintain the development of professional courses offered by its member institutions and to avoid overlapping of courses, so as to ensure a more efficient use of its resources;*
- (c) whether it knows if MSTI has reduced the number of maritime training courses it offered in recent years because of the Government's intention to scale down the seafaring industry, or to replace local workers with imported labour; and*
- (d) regarding seafarers who are not able to enrol in the relevant courses due to a shortage of such courses, and hence fail to have the necessary licences or certificates renewed, what measures the*

Government has put in place to help them obtain the relevant qualification again or seek employment in the related industries?

SECRETARY FOR TRANSPORT AND HOUSING (in Chinese): President, the MSTI is the major institution which offers training to deck officers in Hong Kong. It is also the sole provider of such training as required by the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW95). Our responses to the question over the shortage of specific courses and related matters are as follows:

- (a) Training as required by the STCW95 covers different modules. To work on board a vessel, no matter in what position, one is required to take four compulsory modules, namely (1) Personal Survival Techniques; (2) Fire Prevention and Fire Fighting; (3) First Aid; and (4) Personal Safety and Social Responsibilities. The licences issued upon completion of the four modules are of permanent validity with no expiry date. Table 1 below shows the number of courses offered for the four modules and licences obtained by the students between 2005 and 2009.

Table 1

	Module	2004-2005		2005-2006		2006-2007		2007-2008		2008-2009		Total	
		No. of	No. of	No. of	No. of	No. of	No. of	No. of	No. of	No. of	No. of	No. of	No. of
		licences	courses	licences	courses	licences	courses	licences	courses	licences	courses	licences	courses
1	Personal Survival Techniques	204	12	168	12	142	12	354	18	215	13	1 083	67
2	Fire Prevention and Fire Fighting	141	12	74	12	213	13	160	12	137	12	725	61
3	First Aid	153	12	153	12	210	12	220	13	143	12	879	61
4	Personal Safety and Social Responsibilities	70	4	73	4	48	3	567	19	119	5	877	35
	Total	568	40	468	40	613	40	1 301	62	614	42	3 564	224

In addition to the above core modules, the MSTI runs other modules to meet the job requirements of deck officers working on different types of vessels, such as oil tankers and passenger vessels. Table 2

below shows the number of courses offered for these modules and licences issued between 2005 and 2009. Similarly, the licences issued are of permanent validity.

Table 2

	Module	2004-2005		2005-2006		2006-2007		2007-2008		2008-2009		Total	
		No. of licences	No. of courses	No. of licences	No. of courses	No. of licences	No. of courses	No. of licences	No. of courses	No. of licences	No. of courses	No. of licences	No. of courses
1	Proficiency in Survival Craft and Rescue Boats	82	4	82	4	118	5	101	5	126	5	509	23
2	Crowd Management, Crisis Management and Human Behaviour and Passenger Safety	120	6	69	4	41	4	72	4	124	5	426	23
3	Proficiency in Medical Care	12	1	12	1	9	1	12	1	12	1	57	5
4	Basic Radar Operator Course (Local Craft)	94	10	70	6	36	3	25	3	35	3	260	25
5	Radar Course (Ocean-going/River Trade Vessel) ⁽¹⁾	-	-	-	-	-	-	35	3	61	6	96	9
	Total	308	21	233	15	204	13	245	16	358	20	1 348	85

Note:

- (1) The MSTI has been offering radar operator courses to local vessel officers. To meet market demand, it has been running the Radar Operator Course (Ocean-going/River Trade Vessel) for officers since 2007.

As required by the STCW95, the licences obtained upon completion of the three modules listed below are valid for five years. This is because seafarers need to keep up with the rapid developments in communication systems. They need to learn how to use the latest technology and systems. Moreover, as cargoes on oil tankers are all dangerous goods, it is essential to ensure that all seafarers update regularly their knowledge in oil tanker safety.

Table 3

	Module	2004-2005		2005-2006		2006-2007		2007-2008		2008-2009		Total	
		No. of licences	No. of courses	No. of licences	No. of courses	No. of licences	No. of courses	No. of licences	No. of courses	No. of licences	No. of courses	No. of licences	No. of courses
1	GMDSS General Operator Certificate (ocean-going)	35	3	12	1	24	2	12	1	12	1	95	8
2	GMDSS Restricted Operator Certificate (river trade)	17	2	25	3	25	3	48	4	84	7	199	19
3	Oil tanker safety	42	3	60	3	66	3	60	3	43	4	271	16
	Total	94	8	97	7	115	8	120	8	139	12	565	43

- (b) Although the IVE and MSTI are both member institutions under the VTC, they have different roles to play. The target groups and contents of their courses are also different. The IVE mainly provides pre-service education for Form 5 graduates, while the MSTI mainly offers in-service training to marine practitioners, particularly local deck officers. As the MSTI is the only local vocational training institution providing STCW95 training, it is unlikely that the courses it offers overlap with those of other institutions.
- (c) The Government has not reduced the number of maritime training courses. Table 1 and 2 show that the numbers of courses provided for the four core modules and other modules for the past five years are roughly the same. Table 3 shows that the number of GMDSS General Operator Certificate courses has increased gradually. However, to cater for industry demand, courses on GMDSS (river trade) outnumbered those on GMDSS (ocean-going).

In parallel, the MSTI has progressively increased the intake of its diploma course on maritime studies from 30 in 2005 to 60 in 2009, and has upgraded its two-year diploma course on maritime studies to three-year higher diploma course with effect from the 2007-2008 academic year. Separately, the number of deck cadets joining the sea-going profession has been on the rise in recent years.

- (d) The MSTI plans the type and number of training courses to be run in light of the requirements of STCW95 and the Marine Department, the demand of the industry, possible enrolment and resources available. The plan is finalized after consultation with the Maritime Services Training Board. To put public money into more effective use, courses will be run only when the enrolment meets the minimum requirement. To help prospective trainees make appropriate arrangements, the MSTI regularly uploads the course information on its website. Seafarers can also obtain relevant information on the courses through the Hong Kong Seamen's Union (HKSU) or their shipping companies.

High speed craft service between Hong Kong and Macau surged dramatically between 2007 and 2008. MSTI provided courses, it was still not possible to fully meet the unexpected huge surge in demand for training. To help seafarers who were unable to enrol in relevant courses in time, the Government, with the support of HKSU, provided subsidies to some seafarers who needed to renew or extend their relevant licences to receive training in the Mainland. As for seeking employment in the related trades, seafarers may seek assistance from the Labour Department.

Trial Schemes for Light Emitting Diode Road Lights

5. **MR JEFFREY LAM** (in Chinese): *President, in its reply to my question raised in the examination of the Estimates of Expenditure 2010-2011, the Highways Department indicated on 18 March this year that the Department was conducting trial schemes for Light Emitting Diode (LED) road lights, and had installed LED road lights in Selkirk Road and Moray Road in Kowloon Tong. It had also planned to install about 100 LED road lights in different districts this year at an estimated cost of around one million dollars. In this connection, will the Government inform this Council:*

- (a) *why the cost of installing 100 LED road lights amounts to one million dollars (that is, an average of \$10,000 for each road light);*

- (b) *how the prevailing high pressure sodium (HPS) lamps used for road lighting compare with LED lights in terms of light output, luminous efficacy and electricity consumption;*
- (c) *of the respective electricity expenditure on footpath lighting and street lamps in each of the past three years; of the ways to reduce the electricity expenditure at present, so as to achieve higher standards of energy efficiency;*
- (d) *whether time or ambient lighting level is used to decide the switching on or off of footpath lighting and street lamps at present; how it can avoid having footpath lighting and street lamps switched on even when the lighting level is sufficient;*
- (e) *of the numbers and main locations of the footpath lighting and street lamps installed with photo-sensors for automatic control at present; whether it had, in the past three years, assessed the effectiveness and benefits of such devices in terms of energy efficiency and reduction in electricity expenditure; if it had, of the outcome; and*
- (f) *whether it had, in the past three years, studied installing lighting facilities with photo-sensors for automatic control at rear staircases of buildings and using government buildings as trial spots, so as to save energy; if it had, of the outcome, and how it ensures that such devices will not cause fire safety and security problems?*

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

- (a) Although quite a number of lighting manufacturers have started developing LED lights in recent years, among them, only a very few established ones are able to produce the necessary certification for their products (such as lighting test, safety and protection certification). As there is less competition for certified products and the scale of production is small, the market price of certified LED road lights is relatively high. Most of the cheaper LED road lights available in the market cannot furnish basic certification and

reliable test reports. With the effectiveness of such products in doubt, they cannot be used in the trial schemes.

- (b) Footpath lighting currently uses HPS lamps with high-efficiency 50- or 70-watt bulbs. The luminous efficacy of HPS lamps is 88 to 93 lumen per watt, while the luminous efficacy of LED road lights of better quality is 60 to 80 lumen per watt. The overall light output of these two types of road lighting is similar. However, comparing with prevailing footpath lighting, the light distribution of LED road lights is more focused, hence compares less favourably with prevailing footpath lighting in terms of the evenness and coverage of illumination. However, the advantage of using LED road lights is that they can produce the same level of illumination as conventional lighting fittings with a lower light output, resulting in a potential electricity saving of about 10% to 15%.
- (c) In 2007, 2008 and 2009, the annual electricity expenses for footpath lighting and road lights were about \$82.8 million, \$86.5 million and \$83.5 million respectively. During that period, the number of street lights increased by 2 000 points. However, the Highways Department (HyD) has, through various measures, increased the overall luminous efficiency of the road lighting system with a view to reducing the expenditure on electricity consumption. These measures include the replacement of about 4 000 road lights with low-wattage ones of higher efficacy, and the replacement of the magnetic ballasts of about 7 000 road lights with dimmable electronic ones. As a result of these two measures, there is a saving of about \$1.5 m in electricity charge per annum.

The HyD is also conducting tests on the new ceramic discharge metal halide road lights and LED road lights, with a view to examining and comparing the feasibility of using the two types of road lights on an extensive basis, having regard to their prices, energy efficiency, safety and durability.

- (d) and (e)

In general, the on/off switching of road lights is automatically controlled by photoelectric sensors. Photoelectric sensors are

installed in roadside lighting control cabinets. The cabinets number about 3 800 throughout the territory currently, and each cabinet controls several circuits of road lights. When the photoelectric sensors detect a fall of the ambient lighting to below a specified level (that is, 55 lux), road lights are switched on automatically. On the contrary, when the ambient lighting is detected to be higher than the specified level, road lights are switched off automatically to save energy. The sensors have been used for years; the ambient lighting level also varies for each group of road lights, and as a result the actual saving in energy consumption varies. Therefore, we are unable to provide figures about the actual saving in energy consumption as a result of the use of the sensors in question.

- (f) According to the information provided by the Electrical and Mechanical Services Department, photoelectric sensors are in general unsuitable for rear staircases in buildings with insufficient daylight penetration. However, the Government is now piloting the use of motion sensors for lighting control in some government buildings. To achieve energy savings, the illumination level for unoccupied rear staircases is kept at a relatively lower level, but will be raised to the normal level whenever movement is detected. And as the illumination of the rear staircases is maintained at a certain level even when they are unoccupied, the fire safety and security requirements can be met.

Progress of Scheme to Extend Footbridge System in Mong Kok

6. **MR JAMES TO** (in Chinese): *President, in his 2008-2009 policy address, the Chief Executive stated that the Government would "take forward pedestrian schemes to minimize vehicle-pedestrian conflicts and improve roadside air quality" and also plan to extend the footbridge system in Mong Kok to cover central Mong Kok and the Tai Kok Tsui area. The Government anticipated that the technical feasibility study on the extension of the footbridge system would be completed in early 2010. Meanwhile, it has been reported that in respect of the re-provisioning of the government facilities at Sai Yee Street to dovetail with the extension works of the footbridge system, the Secretary for Development has indicated recently the plan to relocate the offices of the Water Supplies*

Department (WSD) at Sai Yee Street to a factory building, so as to vacate the site for commercial and public transport interchange purposes, and so on. In this connection, will the Government inform this Council:

- (a) of the latest progress of the above feasibility study; when it anticipates to complete the study as well as draw up the design of the plan and the construction schedule;*
- (b) of the progress of relocating the offices of WSD, and when it anticipates to formally implement the relocation plan; as the representatives of the Food and Environmental Hygiene Department (FEHD) indicated earlier at a meeting of the Yau Tsim Mong District Council that a suitable location had been identified for re-provisioning the facility of the FEHD adjacent to the offices of the WSD, whether the Government anticipates that the relocation timetable for the facilities of the two departments can dovetail with each other, so as to vacate the two sites for combined development;*
- (c) given that the extension works of the Mong Kok Road footbridge system across Nathan Road were originally scheduled to commence in 2007, and have so far been delayed for quite some time, and that the Government has indicated recently that the works can commence in the fourth quarter of this year, of the reasons for repeated delays in commencing the works, the latest progress, whether the works can commence as scheduled, and when they are expected to complete; and*
- (d) apart from the above plan, whether the Government currently has other plans to minimize vehicle-pedestrian conflicts in the Mong Kok district, so as to improve pedestrian environment and safety; if so, of the details?*

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

- (a) Following announcement of the plan to extend the footbridge system in Mong Kok in the Policy Address delivered by the Chief Executive in October 2008, the Transport Department (TD) engaged a

consultant in March 2009 to conduct an initial study on the expansion of the existing footbridge system in Mong Kok. Apart from examining various options for the footbridge proposal, the study also involved the collection of views of the relevant District Council and area committees. The study is near completion, and the Government consulted the Legislative Council Panel on Transport and the Transport Advisory Committee on the proposed initial options on 22 January and 5 February 2010 respectively. Following conclusion of the study in end April 2010, the Highways Department will proceed with the detailed technical feasibility study. We will draw up the works programme after completion of the study and confirmation of the feasibility of the works in question.

- (b) According to the information provided by the Development Bureau, the WSD is exploring the relocation of their office to a suitable industrial building in New Territories West so as to take forward the relocation of their Sai Yee Street office in Mong Kok. At the same time, the FEHD is studying the feasibility of relocating their Sai Yee Street facilities to West Kowloon, and a preliminary planning of the facilities is underway. After they have decided on the new sites, the WSD and FEHD will work closely with various departments concerned, in particular the respective District Offices, on the relocation timetable so as to tie in with the overall redevelopment of their existing sites in Mong Kok.
- (c) The westward extension of the Mong Kok Road footbridge system straddling Nathan Road is the remaining part of the Mong Kok Road and Sai Yee Street footbridge system, which is to be constructed by a private developer. The developer has completed the preliminary investigation works for the project earlier. However, as there are legal procedures remaining to be completed, and as the works involve diversion of underground public utilities which requires careful examination of various relocation options, the construction works for the proposed footbridge could not commence as scheduled. In the interim, the Administration has kept the Legislative Council and the relevant District Council posted on developments.

The Administration and the developer have now broadly agreed on the necessary arrangements for the advance works for construction of the footbridge (including the diversion of underground public utilities), and the works are expected to commence in around the fourth quarter of this year. The relevant government departments will liaise with the developer and the public utility companies to take forward the preparatory work required prior to the commencement of works. Diversion of underground public utilities will take roughly three and a half years, while the construction of the footbridge will take about two and a half years. The Administration has informed the District Council of the latest works schedule, and will continue to liaise closely with the developer for an early start of the works.

- (d) The TD will continue to monitor the traffic situation in Mong Kok. Apart from actively following up on the extension proposal for the footbridge system in Mong Kok, where necessary, it will also propose improvements and take follow-up actions to enhance the pedestrian environment in the district.

Exchange Rate Situation of Renminbi and Its Impact on Hong Kong Economy

7. **MR FREDERICK FUNG** (in Chinese): *President, it has been reported recently that there is widespread news about the expected appreciation of Renminbi (RMB), pointing out that the Mainland government will adopt a more flexible exchange rate policy by way of widening daily trading range for the exchange rate of RMB to allow gradual appreciation of RMB; and the mid-rate of RMB's exchange rate against the United States (US) dollar has repeatedly reached record high since last year, and the three-month and one year Non-deliverable Forwards on the exchange rate of RMB against the US dollar had for one time increased by 1% and 3% respectively. There have even been comments that RMB is expected to appreciate by 3% to 4% and by a total of 5% within a year. Focusing on the aforesaid reports and the exchange rate situation of RMB, will the Government inform this Council:*

- (a) *whether the authorities have communicated with the relevant Mainland departments and studied its exchange rate policy on RMB; if they have, of the details; if not, the reasons for that;*

- (b) *whether it has assessed the impact of RMB's appreciation on the Hong Kong economy (including the overall economic situation, the flow of money, asset price, the Linked Exchange Rate system and inflation, and so on); if an assessment has been conducted, of the outcome; whether the authorities will consider revising upward the forecast on the average underlying inflation rate of 1.5% for this year as a whole; and*
- (c) *given that members of the public from the lower and middle classes mainly rely on cheaper food items and daily necessities imported from the Mainland to maintain their living standard, whether the authorities have assessed the impact of RMB's appreciation at different rates on their livelihood; whether the authorities have formulated any new measures, so as to assist them in coping with the pressure of rising prices of goods; if they have, of the details; if not, the reasons for that?*

FINANCIAL SECRETARY (in Chinese): President,

- (a) The Hong Kong Monetary Authority (HKMA) has discussions and exchange of views with relevant Mainland authorities on issues of mutual concern from time to time. However, it is not appropriate to disclose relevant details.
- (b) The exchange rate of RMB against the US dollar appreciated progressively by over 20% from mid-2005 to mid-2008. During the period, though some firms faced larger upward cost pressure, the Hong Kong economy as a whole had adapted to the development rather well. The RMB appreciation did not lead to strong inflationary pressure in Hong Kong, and also did not affect other economic activities in any significant way.

Changes in the RMB exchange rate do not necessarily affect movements of Hong Kong dollar funds. As shown in 2005 after the reform of the RMB exchange rate regime, the Hong Kong dollar continued to fluctuate within the Convertibility Zone of 7.75 to 7.85. This shows that Hong Kong fund flows are affected by a host of factors.

According to research done by the HKMA, while an appreciation of the RMB will lead to an increase in the prices of goods imported from the Mainland, the impact on the overall inflation in Hong Kong is likely to be modest. Specifically, a 10% appreciation of the RMB against the US dollar would only increase Hong Kong's Composite Consumer Price Index inflation rate by about 0.5%.

Actually, consumer price inflation in Hong Kong is driven by many factors, including the aggregate supply and demand situation in the local economy, movements of flat rentals, exchange rate factor, and price trend of food in the international markets. With regard to the impact of exchange rate on Hong Kong's inflation, while the nominal effective exchange rate of Hong Kong dollar dropped by about 4% in January and February combined from a year earlier, inflation in Hong Kong had so far remained rather modest.

For the forecast on inflation in 2010 as a whole, the Government will, as a usual practice, review the forecast on a quarterly basis considering such factors as the prevailing economic situation and relevant price movements. The results of the next round of updating will be announced on 14 May.

- (c) The Government is very concerned about the impacts of inflation on the livelihood of Hong Kong people. Indeed, the budget for this financial year has already taken into account the considerable burden that rising inflation may inflict on the lower income groups. To alleviate the burden on Hong Kong people, the budget announced a series of one-off relief measures amounting to around HK\$20 billion. In particular, the exemption of public housing rents for two months and the waiving of rates can lower the headline consumer price inflation this year by about one percentage point. In addition, the payments of an extra month of CSSA Allowance, Old Age Allowance and Disability Allowance are also special measures to assist the less advantaged groups to cope with the impact of rising inflation.

Measures to Improve Employment Situation in Tin Shui Wai

8. **MR CHEUNG HOK-MING** (in Chinese): *President, the Administration submitted the "Progress Report on the Government's Efforts in Strengthening Support for Tin Shui Wai (TSW)" to the Panel on Welfare Services of this Council in January 2008, with a view to following up the suggestions raised by Members of this Council on the motion "strengthening support for TSW" passed on 7 November 2007. Regarding the progress of various measures taken to improve the employment situation in TSW, will the Government inform this Council:*

- (a) *whether measures are currently in place to consolidate and enhance tourist attractions in TSW and the neighbouring areas, and whether it has any plan to provide additional tourist attractions within the district, so as to increase employment opportunities within the district; if it has, of the details; if not, the reasons for that;*
- (b) *of the authorities' new measures to encourage the business sector to set up businesses in TSW, and whether they have assessed the effectiveness of such measures; if an assessment has been conducted, of the outcome; apart from the Telebet Centre cum Volunteer and Training Centre set up by the Hong Kong Jockey Club in Tin Heng Estate in TSW, whether it knows the total number of institutions which have set up offices and set up businesses in TSW since January 2008, as well as the respective numbers of full-time and part-time jobs created;*
- (c) *since the Training Centre under the Construction Industry Council Training Academy in TSW and the Youth College under the Vocational Training Council in TSW came into operation in 2009 respectively, whether it has assessed the effectiveness of the training courses offered; if an assessment has been conducted, of the outcome; whether it knows the age and sex distribution of the trainees enrolled in such courses, and among them, the number of those who had secured appointment within three months after completing the training courses; as well as the age groups of persons of the district who have not yet been offered training opportunities;*

- (d) *of the total number of residents of the district who were offered jobs through job fairs organized by the Labour Department (LD) and other organizations last year, together with a breakdown by industry sector, work location and income distribution; whether the authorities have assessed the effectiveness of such job fairs; if they have, of the details;*
- (e) *when the authorities will complete the review on the Transport Support Scheme (TSS); how they will continue to provide travel subsidies for persons living in remote areas, so as to enhance their incentive to work;*
- (f) *given that the authorities indicated in the aforesaid progress report that it would continue to identify large commercial corporations to partner with non-governmental organizations (NGOs) in launching social enterprise projects that suit the local needs of TSW, so as to increase employment opportunities, whether they have assessed the effectiveness of such projects since 2008; if they have, of the outcome; and*
- (g) *given that the authorities indicated in the aforesaid progress report that the Development Bureau and the Financial Services and the Treasury Bureau were jointly exploring the initiative to move government facilities to TSW, of the latest progress of the initiative, as well as details of the sites chosen and the implementation timetable?*

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

- (a) Tourists' choice of a travel destination is generally determined by the overall destination offerings of the place. The Government has strived to develop a diversified range of tourism products with a view to enhancing Hong Kong's overall attractiveness and maintaining its position as a preferred travel destination in Asia.

The Hong Kong Wetland Park (HKWP) in TSW comprises 60 hectares of re-created wetland, a 10 000-square metre visitor centre, exhibition galleries, a theatre and other facilities. It is a

world-class facility for green and family tourism. The Hong Kong Tourism Board (HKTB) has been working closely with the Agriculture, Fisheries and Conservation Department to promote the HKWP through HKTB's website and publications like "Discover Hong Kong Nature", "Hong Kong Visitor's Kit", "Hong Kong Family Fun Guide", and so on. From 2006 to 2009, in light of the development of the Mass Transit Railway West Rail Line, the HKTB published the guidebook "Discover Hong Kong by Rail" featuring attractions in the TSW vicinity, including Ping Shan Heritage Trail, the local living culture and delicacies of Yuen Long District, and so on. This year, the guidebook will be combined with another travel guide "Hong Kong Walks" to highlight various walking routes in urban areas and the New Territories. It aims to facilitate visitors to explore different districts, including TSW and the neighbouring areas.

The above strategy to promote TSW together with the neighbouring attractions to create the clustering effect has achieved some initial results. Many tour groups with itineraries covering the HKWP and nearby scenic spots are now available in the market, which would help boost the local community economy and employment.

The Yuen Long District Council has since April 2008 established the Working Group on the Promotion of Tourism and the Development of Local Community Economy. The Working Group aims at promoting the development of local community economy and introducing tourist spots and attractions in Yuen Long (including TSW). The Working Group has organized promotional activities entitled "Yuen Long — Suburb Delights" and "Eyes on Yuen Long" photo-taking competition, and so on, to introduce various tourist hotspots in Yuen Long, including the HKWP, Lau Fau Shan and Ping Shan Heritage Trail which are in the vicinity of TSW. The Working Group will continue to consider how to promote local community tourism in Yuen Long at the District Council level.

In respect of long-term development, the Planning Department is conducting its Stage Two public consultation of the Study on the Enhancement of the Lau Fau Shan Rural Township and Surrounding Areas. The purpose of the study is to realize the tourism and recreational potential of Lau Fau Shan and its surrounding areas by

proposing improvement projects which are compatible with the existing natural and cultural environment. The suggested planning proposals include developing a Waterfront Piazza, adaptive re-using of the former Lau Fau Shan Police station, and improving existing vantage points, and so on. The proposals, if implemented, will further enhance the tourist spots in the vicinity of TSW.

- (b) The Home Affairs Department introduced in June 2006 the Enhancing Self-Reliance Through District Partnership Programme (ESR Programme) to provide seed money for eligible NGOs and district organizations to set up social enterprises. The ESR Programme aims at encouraging self-reliance of the disadvantaged through promoting social enterprises. Information relating to the job creation of the ESR Programme in TSW is set out in part (f) below.

In addition, the Hong Kong Housing Authority (HA)/Housing Department have also adopted a series of measures to promote employment in TSW, which include:

- (i) converting the carpark building in Tin Heng Estate for the Hong Kong Jockey Club to set up a TSW Telebet cum Volunteers and Training Centre, thereby creating 2 500 employment opportunities and providing volunteer and training services to the residents;
- (ii) engaging local residents to take up about 85% of the cleansing worker and security guard positions employed by the service providers of public housing estates in TSW; and
- (iii) building a six-storey Amenity and Community Building on the site originally planned for an open carpark at Tin Ching Estate. The construction of the building complex would bring about 200 job opportunities to the construction industry. Upon its completion, the Building would accommodate about 20 NGOs to provide various social, health and community services as well as employment opportunities to residents of TSW and Yuen Long.

In parallel, the Hong Kong Housing Society (HKHS) will develop an Integrated Elderly Community Project (IECP) at TSW Area 115. As estimated by the HKHS, the project will create about 300 jobs during the construction phase and not fewer than 1 200 jobs during its operation. Apart from the provision of jobs, the project will attract tourists to TSW, injecting commercial activities into the area and bringing a positive impact on the social and economic development of the locality. The HKHS is also planning to develop short-term land use projects in TSW Area 112B and 115 (Phase II) sites. The facilities will include an elderly resources centre and wellness centre, a training centre operated by the Vocational Training Council, some ancillary commercial facilities and some show flats of elderly housing. According to the HKHS, these short-term facilities are expected to create about 250 jobs.

- (c) Since its operation commenced at the end of September 2009, the Construction Industry Council's (CIC's) TSW Training Centre has offered full-time adult short training courses in five trades. These courses provide systematic skills training to people who intend to join the construction industry. The training courses in the five trades include "bricklaying, plastering and tiling", "metal scaffolding", "painting", "plumbing and pipe fitting in building construction" and "bar bending and fixing". By early April 2010, 71 students out of the 146 intakes have graduated. The CIC has successfully assisted 42 of the 71 graduates to secure employment within three months after graduation⁽¹⁾. The 146 intakes comprise people of different age groups as listed in the table below, of which four are female trainees:

<i>Age</i>	<i>No. of Intake</i>	<i>Percentage</i>
18 to 20	20	13%
21 to 30	33	23%
31 to 40	33	23%
41 to 50	38	26%
51 to 60	22	15%
Total	146	100%

(1) Some of the graduates did not require CIC's placement services.

The TSW Training Centre also provides basic safety training course (construction industry safety card course). As at early April 2010, 186 students have graduated from the course.

The Youth College and the Hospitality Industry Training and Development Centre (YC and Training Centre) under the Vocational Training Council was set up in TSW in September 2009 to provide professional education and training courses to students of different ages and backgrounds to prepare them for further studies or employment. These courses include Diploma of Vocational Education courses (Information Technology and Business stream) for Secondary 3 and Secondary 5 school leavers, full-time short Hotel Industry Certificate courses for Secondary 3 and Secondary 5 school leavers, courses under the Vocational Development Programme for youths awaiting employment or studies and training courses for the unemployed or employed persons.

As at end March 2010, the total number of students of the YC & Training Centre is over 700, with the male to female ratio at 51% to 49%. The ages of students range from 14 to around 50 and those who are at 20 or below account for about 85% of the total number of students. Among the 270 graduates (the majority of whom were students of the Vocational Development Programme and Hospitality Industry Training and Development Centre), about 75% (around 200) have already secured employment or further studies. The ratio of employment and study is around 60% to 40%. The remaining 50 fresh graduates are seeking suitable opportunities for employment or study.

- (d) From 2008 up to the end of March 2010, the LD organized seven large-scale job fairs in TSW, with 102 participating companies offering 9 799 vacancies, attracting a total of 14 650 visitors. Besides, the LD also organizes district-based recruitment activities in the Yuen Long Job Centre regularly. During this period, 31 mini-job fairs, with 81 companies taking part and 3 471 vacancies provided, were held at the Job Centre concerned. A total of 2 789 job seekers attended on-the-spot job interviews at these mini-job fairs.

As employers normally adopt various means and channels concurrently for recruiting staff, and some employers indicated that their recruitment processes were in practice performed by supervisors of different branches or workplaces, there are practical difficulties in capturing the exact number of job seekers placed through the LD's job fairs and their breakdown. In addition, since there are quite a number of organizations staging job fairs in TSW, and they are not required to report the particulars of the events to the Government, we do not have the overall figures of TSW residents who have found jobs through job fairs held by other organizations.

The main objectives of the LD's organizing job fairs are to facilitate the flow of vacancy information, and to provide an effective and convenient platform for employers to recruit staff and for job seekers to find jobs. Through job fairs, job seekers can apply for different posts offered by a multitude of companies in one go, hence saving the time and travelling expenses that would otherwise be incurred in job searches in different districts. With the large number of applicants, recruiting employers can also optimize their resources in conducting the recruitment exercises. The support of employers and job seekers as revealed by the participation figures of the LD's job fairs demonstrates that such activities have been effective.

- (e) The Administration is conducting a comprehensive review of the TSS. As the unemployment rate has shown a downward trend since the second half of 2009 and the latest quarterly (January to March 2010) unemployment rate has dropped to 4.4%, we are collecting updated performance statistics and employment information of TSS participants to thoroughly assess the effectiveness of TSS in encouraging employment of people living in the four designated remote districts (that is, North District, Yuen Long, Tuen Mun and Islands).

Noting that there is a substantial body of opinion that transport expenses constitute a burden on the low-income employees, the Administration is conducting a study on ways to reduce the burden of travelling expenses borne by them. We are collating and examining information of all relevant aspects, such as income statistics of low-income employees throughout the territory, their means of transportation as well as transport expenses. We expect

to complete the study by the end of 2010 and come up with concrete measures.

Before the completion of the study, the existing TSS will remain in force to subsidize transport expenses incurred by eligible residents in the four remote districts.

- (f) The Administration has promoted the development of social enterprises through collaboration with the business sector, NGOs and community organizations. The ESR Programme has approved some \$1 million for a social enterprise project that operates eco-tourism business in TSW and about 40 job opportunities have been created.
- (g) The Administration has completed a study on relocating government departments in the three government office buildings at the Wan Chai waterfront, and will relocate the 27 affected departments to other districts as and when appropriate. The exact location for re-accommodating these government offices would have to be worked out with the departments concerned, having regard to their operational requirements. We will also study the feasibility of making use of old industrial buildings in drawing up the relocation plan. In view of the large number of departments involved, the relocation exercise would need to be phased over a number of years.

Manpower in Veterinary Officer Grade

9. **MR FRED LI** (in Chinese): *President, will the Government inform this Council:*

- (a) *of the current number of registered veterinary surgeons and, among them, the number of those employed in government departments and responsible for studying animal diseases and food safety;*
- (b) *of the vacancy situation and turnover rate of the Veterinary Officer grade in the Government in each of the past five years; and*

- (c) *whether the authorities had, in the past three years, planned to recruit additional Veterinary Officers in view of the problems of food safety and infectious diseases caused by animals; if they had plans, of the details; if not, the reasons for that?*

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

- (a) As at 13 April 2010, a total of 546 veterinary surgeons are registered in Hong Kong under the Veterinary Surgeons Registration Ordinance (Cap. 529), and 463 of them are issued with valid practising certificates. Among these registered veterinary surgeons with valid practising certificates, 333 declare practising addresses in Hong Kong, of which 28 are Government Veterinary Officers responsible for the control of animal diseases and food safety, 16 are hired by the Society for the Prevention of Cruelty to Animals (Hong Kong), eight work at the Hong Kong Jockey Club, four are employed by the Ocean Park Hong Kong and the others are mainly in private practice.
- (b) The number of vacancy and turnover figure of Government Veterinary Officers in each of the past five years are set out below:

	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Number of vacancy	4	3	10*	7*	2
Turnover figure ⁽¹⁾	4	1	2	1	1

Note:

* Vacancies arose mainly from the creation of Veterinary Officer posts in the Agriculture, Fisheries and Conservation Department (AFCD) and the Centre for Food Safety (CFS) of the Food and Environmental Hygiene Department (FEHD) in these two years. Please refer to part (c) of the reply for details.

(1) The turnover figure included the number of retirees, resigned officers and staff who left the service upon completion of contract in the Government Veterinary Officer grade.

The Government has been keeping in view the vacancy and turnover situation of the Veterinary Officer grade in the Government. The

Standing Commission on Civil Service Salaries and Conditions of Service also completed the salary and grade structure review for the Veterinary Officer grade in 2009. The Government will, in the light of operational exigencies, the vacancy situation and turnover rate, actively follow up the implementation of the recommendations set out in the review report, such as considering the creation of a new tier beyond the Senior Veterinary Officer rank to enhance government veterinary services as regards the control of animal diseases and food safety.

- (c) The AFCD has always been striving to prevent and control the introduction and spread of animal diseases, including zoonotic diseases. The AFCD provides quarantine services and inspects animals and plants imported to Hong Kong. It also inspects local live food animal farms and monitor animal diseases on a regular basis. To further enhance animal management and control, the AFCD created two Senior Veterinary Officer posts and three Veterinary Officer posts in 2007.

The Veterinary Public Health Section under the CFS, FEHD, was set up in 2006, with initially one Senior Veterinary Officer and five Veterinary Officers. The Section is responsible for the management of import inspection of live food animals, which includes inspection and investigation of farms supplying food animals to Hong Kong, surveillance of food of animal origin, management of animal diseases in slaughterhouses and veterinary drug residues, and so on. In 2007, the CFS created a new post of Senior Veterinary Officer to take charge of the Slaughterhouse (Veterinary) Section, which is responsible for the management of slaughtering hygiene of live food animals supplied to Hong Kong, enhancement of pre-slaughtering inspection and testing as well as disease prevention and control. In 2008 and 2009, the CFS also created four new posts of Veterinary Officer, tasked with surveillance of Mainland farms supplying live food animals to Hong Kong, and enhancing communication with Mainland animal health authorities in regard to reporting the disease situation of food animals supplied to Hong Kong.

Since the establishment of the CFS in 2006, we have handled food safety issues well and effectively controlled the prevention of diseases in animals. Our work has been widely recognized by international health and animal health organizations. Veterinary Officers have fully served their role. Further recruitment of additional Veterinary Officers is not required at this stage.

Outbound Travel Alert System

10. **MR PAUL TSE** (in Chinese): *President, both Chile and Taiwan, which have recently been hit by serious earthquakes, are not included in the list of 60 "countries" covered by the "Outbound Travel Alert System" (OTAS) of the Security Bureau, and Taiwan in particular is a popular tourist destination for Hong Kong people. Some members of the public in Hong Kong who have joined package tours to Taiwan have relayed to me that they approached the travel agents to request for withdrawal from the tours after the earthquake, but encountered various hindrances; later these people sought assistance from the Travel Industry Council of Hong Kong and the Security Bureau but to no avail, as they both shirked their responsibilities. In this connection, will the Government inform this Council:*

- (a) of the criteria based on which the Security Bureau determines the coverage of OTAS;*
- (b) of the reasons for not including Chile and Taiwan in the coverage of OTAS; and when these two popular tourist destinations for Hong Kong people will be included; and*
- (c) whether it will expeditiously review OTAS again and include in the system as far as practicable all tourist "destinations" and "countries" which Hong Kong people may visit?*

SECRETARY FOR SECURITY (in Chinese): President, Security Bureau launched the Outbound Travel Alert (OTA) System in October 2009. The OTA uses AMBER, RED and BLACK to represent three levels of threat, so as to facilitate residents to better understand the possible risk to their personal safety

when travelling overseas. Before launching the OTA, Security Bureau had exchanged views with the trades, including the travel industry, so that they could formulate corresponding measures in line with the launching of the system.

Our replies to the questions raised by Mr TSE are as follows:

- (a) The OTA covers 60 countries that are more popular destinations for Hong Kong residents for travel, business or visiting relatives. We had made reference to the views of the travel industry when determining the coverage of the OTA.

(b) and (c)

The OTA does not cover Mainland, Macao and Taiwan. This is similar to the arrangement in other places, where travel alert will not be issued for different areas within a country. However, the OTA Webpage has hyperlinks to facilitate Hong Kong residents to access to the travel risk information database compiled by the National Tourism Administration, which covers the Mainland, Macao and Taiwan. Our Webpage also has hyperlinks to the databases compiled by the governments of Australia, Canada and the United Kingdom, to facilitate Hong Kong residents to obtain the travel risk information for overseas countries not covered by the OTA.

The OTA has been in place for just six months. We will review the arrangements (including the coverage) in light of actual experience.

The SAR Government will endeavor to provide appropriate assistance to Hong Kong residents in distress outside Hong Kong regardless of whether they are at a place covered by OTA.

Development of Long Valley

11. **MR LEE WING-TAT** (in Chinese): *President, it has been reported that a former Director of the Hong Kong Observatory (HKO) said earlier that certain "powerful persons" were found to have pressed the Government to designate Long Valley as a "Comprehensive Development and Nature Conservation Enhancement Area" (CDNCEA), which included granting permission to*

landowners to build houses within the area. In this connection, will the Government inform this Council:

- (a) *whether it has looked into who the "powerful persons" referred to by the former Director of HKO are; if it has, of the details and how the Government responded to the planning request of such persons in respect of Long Valley; if not, the reasons for that;*
- (b) *given that the Planning Department (PlanD) proposed in the North East New Territories (NENT) New Development Areas Planning and Engineering Study (the Study) to designate Long Valley, which covers 84 hectares (ha) of land, as CDNCEA, and that 26 ha within this area is proposed to be designated as "core zone", which is the feeding place and habitat for a high diversity of bird species, of the criteria based on which the authorities have designated the "core zone";*
- (c) *given that the Environmental Protection Department rejected in 2000 the report of an Environmental Impact Assessment conducted by the then Kowloon-Canton Railway Corporation (KCRC) for its proposal to construct the Sheung Shui to Lok Ma Chau Spur Line (the total length of which was 7.4 km, including 700 m over Long Valley), on grounds that Long Valley was an area of extremely high ecological value, and KCRC subsequently changed its option to a bored tunnel; yet, the PlanD is now considering granting permission to landowners to build houses in the area under the concept of CDNCEA, whether the Government has an unified standard to handle the future development of Long Valley; if it has, of the details; if not, the reasons for that; and*
- (d) *whether it has any clear definition for the concept of CDNCEA; if so, of the details?*

SECRETARY FOR DEVELOPMENT (in Chinese): President, in June 2008, the Civil Engineering and Development Department and the PlanD jointly commissioned the Study to formulate a land use framework and provide guidance for the development of the NENT New Development Areas (NDAs) (including Kwu Tung North (where Long Valley is located), Fan Ling North and Ping

Che/Ta Kwu Ling NDAs). During the period between November 2008 and January 2010, the Stage One and Stage Two Public Engagement (PE) of the Study were held to solicit views from the public on their visions and aspirations for the NDAs. Comments received during the two stages of PE have been uploaded onto the study website <<http://www.nentnda.gov.hk/>>. Amongst others, comments received regarding Long Valley were mainly on the need to retain and protect the area of Long Valley with important ecological resources, but some also pointed out that in conserving Long Valley, due consideration should be given to landowners' property right.

Our responses to the various parts of the questions are as follows:

- (a) In response to the comments made by the former Director of HKO regarding "powerful persons", the PlanD has approached him. According to our understanding, he generally referred to those who expressed the view that in conserving Long Valley, due consideration should be given to landowners' property right during the Stage One PE of the Study. The PlanD has reiterated to the former Director of HKO that the objective of the PE was to solicit views from different sectors of the community, and the Government would nevertheless make a decision on the basis of community benefit.

In fact, after considering the comments received during the Stage One PE, the Study proposed in the Stage Two PE digest to conserve the area of high ecological value in Long Valley and, through the statutory planning application system, consider development that could integrate with the natural ecological environment through private sector participation. This approach could realize the intention of conserving and enhancing the ecological value and function of the area, make the best use of land resources, and achieve a balance between conservation and development needs.

- (b) The Study Consultants carried out an ecological survey at Long Valley and Ho Sheung Heung from July 2008 to June 2009. The results of the survey reaffirm the high ecological function of Long Valley and reveal that the wetland continues to be of high ecological importance for wetland birds which prefer freshwater roosting places. It also reveals that the "Core Area" (about 26 ha) of Long Valley is of the greatest ecological importance for wetland birds.

Much of the "Core Area" (55%) is actively managed for wetland agriculture, the main crops being water spinach and water cress, and this, together with semi-natural marsh areas and the managed wetlands formed in the former meanders (that is, the wetland compensation area of the previous river training works for Beas River) which make up a further 14% of the area, provides suitable contiguous wetland habitat for both high diversity and high numbers of birds. The survey also indicates that small portions of the outer areas of Long Valley, which are mainly occupied by dry agricultural land, grassland, woodland and dispersed rural farm structures, are ecologically less sensitive compared with the "Core Area".

(c) and (d)

At the time of planning the Lok Ma Chau Spur Line, there were extensive discussions in the community on the conservation of Long Valley. In 2004, Long Valley and Ho Sheung Heung was identified as one of the twelve "priority sites for enhanced conservation" under the New Nature Conservation Policy (NNCP). Public-Private Partnership (PPP) approach is one of the measures introduced to facilitate conservation of ecological important sites. Under the PPP approach, subject to stringent assessment by the Government, developments at an agreed scale would be allowed at the ecologically less sensitive portion of any of the priority sites identified for enhanced conservation, provided that the developer undertakes to conserve and manage the rest of the site that is ecologically more sensitive on a long-term basis. The objective of this policy is to collaborate with and consolidate resources of the private sector (including the business community, NGOs and the academia) to promote sustainable nature conservation.

The Study proposes in the Stage Two PE digest to designate Long Valley area as "CDNCEA" and to delineate the "core area" clearly on the Preliminary Outline Development Plan to reflect its ecological importance is to set out clearly the intention to protect and conserve the area. In terms of control, it is suggested to monitor the process through the statutory planning application system. Applicants could submit proposals for small-scale, low-density development

that could integrate with the natural ecological environment with an undertaking to conserve and manage the "core area" and the rest of the site on a long-term basis. The proposed "CDNCEA" zone for Long Valley is considered in line with the objective and approach of conserving and protecting Long Valley under the NNCP.

In fact, "CDNCEA" is not a new concept. Back in late 1990s, zonings such as "Comprehensive Development and Wetland Protection Area", "Comprehensive Development and Wetland Enhancement Area" and "Comprehensive Development to include Wetland Restoration Area" were first introduced by PlanD for the fish pond areas with high ecological value on respective OZPs of the North West New Territories. Under the principle of "no-net-loss in wetland", consideration would be given through the planning application system to allow comprehensive low-density development to protect and conserve the existing ecological functions of fish ponds. The Town Planning Board has also formulated a set of planning guidelines to list out the planning considerations for applications. Zoning Long Valley as "CDNCEA" is to tie in with the existing NNCP to better protect and conserve the ecology of Long Valley in a sustainable way.

Nevertheless, the "CDNCEA" zone is only a proposal under the Study for public consultation. Taking into account all public comments received, we shall, in adopting the sustainable principle and on the basis of social and community benefit at large, formulate a development framework for the NDAs (including the Kwu Tung North NDA where Long Valley is located) at the next stage.

Water Supply in Hong Kong

12. **MR FREDERICK FUNG** (in Chinese): *President, in recent months, the south-western part of the Mainland, including Yunnan Province and Guangxi Zhuang Autonomous Region, and so on, has been hit by a once-in-a-century severe drought, and the number of drought victims has exceeded 60 million. Some Mainland meteorologists have assessed that, against the background of global warming and the El Nino phenomenon, the severe drought is mainly*

attributed to the persistent weather of high temperature and low rainfall in the south-western part of China. There have been comments that although the drought has not created immediate impact on the water source of the rivers in the Guangdong region, it has reflected the increasingly pronounced impact of climate change on human lives, which may exert pressure on local water resources in the long-term. In this connection, will the Government inform this Council:

- (a) whether it had, in the past five years, studied the possible impact of climate change and some medium to long-term climate phenomena, such as the El Nino phenomenon, on the water source of Dongjiang on the Mainland and the rainfall in Hong Kong, and formulated strategies in response to possible reduction in water resources in the future; if it had, of the outcome; if not, whether the authorities will conduct the study concerned;*
- (b) given that some 70% of the fresh water supply in Hong Kong relies on Dongjiang water at present and the remaining supply of some 20% mainly comes from surface water collected from local water gathering grounds, and although the current agreement for supply of Dongjiang water has ensured a reliable supply of fresh water in Hong Kong, there have been comments that under the impact of growing water demand created by rapid economic development on the Mainland and global warming, shortage in water resources is inevitable in the long-term, of the specific strategies of the authorities on water conservation, determination of water charges and development of new water resources; and*
- (c) given that the authorities have conducted studies on seawater desalination using reverse osmosis technology, and have confirmed the feasibility of adopting such technology locally, whether the authorities will make reference to the successful experience of Singapore and Australia and consider constructing desalination facilities using such technology in the medium to long-term, so as to provide more supply channels for water resources in the future and mitigate the risk of serious water shortage?*

SECRETARY FOR DEVELOPMENT (in Chinese): President, currently the storage of our reservoirs is in a healthy position. Coupled with the supply from Dongjiang, the community enjoys a reliable supply of potable water. We expect that the water supply from Dongjiang under the current arrangement together with local sources is sufficient to cope with our demand for potable water up to year 2030. Nevertheless, we must prepare for uncertainties such as climate changes and low rainfall, and enhance our role as a good partner of other municipalities in the Pearl River Delta region by doing our part in water conservation.

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

- (a) The Government has conducted studies on the possible impact of climate changes and medium to long-term climate phenomena on the rainfall in Hong Kong. We expect that, under the influence of global climate changes, the average annual rainfall in Hong Kong will rise in the latter half of the 21st century and the year-to-year variability in rainfall would also increase. The number of days with heavy rains is also likely to increase in the 21st century. For the latest detailed projections on the changes in rainfall in Hong Kong, please visit the website of Hong Kong Observatory.

The impact of climate changes on the supply of Dongjiang water to Hong Kong will be relatively minor as the supply only accounts for about 3% of the river's average annual flow volume. That said, we will stay in touch with the Guangdong Provincial Government to ensure that the phenomena of climate changes will not undermine the reliability of water supply to Hong Kong.

In parallel, to meet the long-term demand for potable water in Hong Kong and respond effectively to the future unpredictable changes, such as climate changes and low rainfall, the Government commenced a study on water resources management in 2005 and launched the Total Water Management Strategy in October 2008. The Strategy puts emphasis on containing growth of water demand through conservation.

The key initiatives under the Strategy are as follows:

(i) *Water Demand Management*

- to enhance public education on water conservation
- to promote use of water saving devices
- to enhance water leakage control through the programme to replace and rehabilitate aged water mains, and application of new technology to improve pressure management and leakage detection
- to extend use of seawater for toilet flushing

(ii) *Water Supply Management*

- to strengthen protection of water resources
- to actively consider water reclamation (including re-use of grey water and rainwater harvesting)
- to develop the option of seawater desalination

- (b) On water demand management, the Water Supplies Department (WSD) has focused for the past year on educating the public on water conservation and implementing the voluntary Water Efficiency Labelling Scheme (the Scheme) in phases. Our efforts in public education include broadcasting promotional clips on television and radio, distributing leaflets, and organizing seminars and exhibitions. To raise students' awareness of water conservation, we have organized activities in primary schools so that students will better understand water saving knowledge. To sustain their awareness, we also commend students who put what they have learnt into practice. As for the Scheme, it provides information to consumers on the water consumption level and efficiency rating of plumbing fixtures and appliances to help them select water efficient products. The aim is to promote water saving through enhancing the public's awareness of water conservation. To date, 21 showerhead models

have been registered under the Scheme on Showers for Bathing launched in the first phase. We will extend the Scheme to cover water taps in 2010. In addition, various water saving devices have been installed in 128 government buildings and schools by means of minor works projects.

On determination of water charges, the Government will, as usual, review regularly water charges according to the users pay principle.

On developing new water resources, the WSD has completed the pilot scheme on using reclaimed water in Ngong Ping and Shek Wu Hui. The Department has confirmed that the scheme is technically feasible. We have set up an inter-departmental working group to study how best we can lower the cost of producing reclaimed water in Shek Wu Hui Sewage Treatment Works, with a view to providing reclaimed water to consumers in Sheung Shui and Fan Ling for toilet flushing and other non-potable uses. We have also introduced facilities for re-use of grey water and rainwater harvesting in some public works projects, such as Redevelopment of Lo Wu Correctional Institution and District Open Space at Po Kong Village Road, Wong Tai Sin.

Moreover, the WSD commenced in 2003 pilot tests on application of reverse osmosis technology in desalination in Tuen Mun and Ap Lei Chau. The pilot tests, completed in 2007, confirm that the reverse osmosis desalination technology is technically viable for Hong Kong. However, as the cost of desalination is much higher than Dongjiang water, vast investment in desalination is not cost-effective for the time being.

- (c) Overseas experience including Singapore and Australia shows that desalination costs remain relatively high. But we expect that advances in technology, such as improved efficiency in energy recovery systems and application of large diameter membrane in reverse osmosis process, will bring down the costs over time. Therefore, we will continue to monitor closely the latest developments in desalination technology as a possible way to expand our sources of water supply in future.

Special Loan Guarantee Scheme

13. **DR LAM TAI-FAI** (in Chinese): *President, since 15 December 2008, the Trade and Industry Department (TID) has implemented the Special Loan Guarantee Scheme (the Scheme), which aims to help enterprises tide over their liquidity problems, and the application period of the Scheme will expire on 30 June this year. In this connection, will the Government inform this Council:*

- (a) *of the number of applications received by the TID and the amount of loans concerned approved by lending institutions each month since the implementation of the Scheme;*
- (b) *whether it had, in the past 12 months, assessed the overall effectiveness of the Scheme; if it had, of the details; if not, the reasons for that;*
- (c) *whether it had, in the past six months, assessed the pace of economic recovery in Hong Kong in the second half of this year and when the credit market will resume normal operation, so as to decide whether the application period of the Scheme should be extended; if it had, of the details;*
- (d) *whether it had, in the past six months, assessed the impact of factors of global economic uncertainties on small and medium enterprises (SMEs) in Hong Kong in respect of its financing in the second half of this year; if it had, of the details; if not, the reasons for that;*
- (e) *since the Government's announcement of the extension of the application period of the Scheme for the second time at the end of last year, whether the authorities have compiled statistics on the total number of views received which requested for the application period of the Scheme to be extended again; if they have, of the details; if not, the reasons for that;*
- (f) *whether it will consider extending the application period of the Scheme to the end of this year; if it will, when it will announce the arrangement concerned; if not, of the reasons for that; and*
- (g) *whether it had, in the past 12 months, assessed the impact of terminating the Scheme on SMEs in respect of their financing; if it had, of the details; if not, the reasons for that, and whether it will,*

upon the expiry of the Scheme, consider further enhancing the SME Loan Guarantee Scheme, including raising the maximum percentage of the Government's loan guarantee ratio as a guarantor of the approved loans, as well as increasing the maximum amount of loan guarantee for each SME?

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, the Government launched the Scheme on 15 December 2008 with a total guarantee commitment of \$100 billion. As at 19 April 2010, the TID has received 33 273 applications, of which 30 668 have been approved involving a total loan amount of over \$74 billion. The Scheme has benefitted over 17 000 enterprises in both manufacturing and non-manufacturing sectors. Some 95% of the beneficiaries are SMEs. The Scheme has helped preserve jobs for about 300 000 employees.

The reply to Dr LAM Tai-fai's question is as follows:

- (a) The number of applications received and amount of loan approved each month is set out below:

<i>Month</i>	<i>Number of Applications received</i>	<i>Amount of Loan Facilities (in billion)</i>
December 2008 (as from 15 December)	161	0.166
January 2009	1 074	1.894
February 2009	1 874	3.130
March 2009	2 484	4.311
April 2009	2 100	3.624
May 2009	2 091	3.708
June 2009	2 988	5.340
July 2009	4 023	9.952
August 2009	3 295	9.793
September 2009	2 713	7.516
October 2009	1 858	4.734
November 2009	1 621	4.010
December 2009	1 649	4.190
January 2010	1 694	3.973
February 2010	1 271	2.779
March 2010	1 684	3.543
April 2010 (up to 19 April)	693	1.497
Total	33 273	74.160

(b) to (g)

The TID has been closely monitoring the operation and effectiveness of the Scheme. The Scheme is well received by the trade. Many participating lending institutions have also offered incentive packages to help promote the Scheme. Since the launch of the Scheme, more than 4 000 applications were received in a month during the peak period. So far, over \$74 billion of loans have been granted. The problem of credit crunch faced by enterprises during the financial tsunami has been alleviated. We consider the Scheme has positively contributed to "stabilizing the financial system, supporting enterprises and preserving employment".

The application period for the Scheme is scheduled to end on 30 June 2010. We have received comments through different channels (including Legislative Council Members, political parties and trade and industrial associations), including requests for further extension of the Scheme. We have conducted a review to decide whether the application period should be further extended. During the review process, we have taken into account factors such as the latest economic and credit market conditions, as well as the pace of economic recovery in the latter half of this year. The result will be announced shortly.

Development of Renewable Energy for Generating Electricity

14. **MR KAM NAI-WAI** (in Chinese): *President, regarding the development in using renewable energy (RE) to generate electricity, will the Government inform this Council:*

- (a) *whether it knows the progress of the development of using wind power to generate electricity by the two power companies, of the numbers and locations of the wind power generation facilities of the two power companies as well as their construction costs and serviceable life spans, the percentage of wind power-generated electricity in the total amount of electricity generated in Hong Kong,*

and the impact of using wind power to generate electricity on electricity generation costs and electricity tariffs;

- (b) given that in the First Sustainable Development Strategy for Hong Kong released in 2005, the Government set the target of having between 1% and 2% of Hong Kong's total electricity supply met by power generated from renewable sources by the year 2012, of the latest progress in meeting the target; if the progress is satisfactory, whether it will consider setting a higher target; if the progress is unsatisfactory, whether it will lower the target;*
- (c) apart from developing wind power to generate electricity, whether it had, in the past three years, further studied the development of other RE sources and implemented development plans; if it had, of the details and the relevant progress;*
- (d) whether it will bear the costs for the construction of wind power generation facilities; if it will, of the details; if not, the reasons for that; and*
- (e) whether it has ascertained if the two power companies will use the construction of wind power generation facilities as a justification for adjusting electricity tariffs; if electricity tariffs will rise as a result, what the Government's solution is?*

SECRETARY FOR THE ENVIRONMENT (in Chinese): President,

(a) and (e)

In 2009, the total installed generation capacity of the CLP Power Hong Kong Limited (CLP Power) was 8 888 megawatt (MW) while that of the Hongkong Electric Company Limited (HEC) was 3 756 MW. Under the Scheme of Control Agreement (SCA) concluded between the Government and the two power companies, the two power companies have to submit the investment proposals on their wind farm projects to the Government for approval. So far, the Environment Bureau has not received relevant proposals. Upon

receiving the said investment proposals, the Government will examine critically the projects from various aspects, including RE policy, environmental benefits, impact on electricity tariff, economic benefits and technical factors, to ensure a balance of overall interests of the society in the decision. It is our objective to promote wider use of RE while protecting consumer interests.

The two power companies have carried out detailed studies on the construction of an offshore wind farm respectively. The selected site for the wind farm of the CLP Power is located approximately 9 kilometers (km) east of Clearwater Bay peninsula and 5 km east of South Ninpin Island within the southeastern waters of Hong Kong. CLP Power plans to install 67 wind turbines with an estimated generation capacity of 200 MW. CLP Power has completed the environmental impact assessment (EIA) process and obtained an environmental permit for the proposal. A feasibility study, including the collection of field data, is being carried out at the selected site.

The selected site for the wind farm of the HEC is located approximately 4 km southwest of Lamma Island. The HEC plans to install about 30 wind turbines with an estimated generation capacity of around 100 MW. EIA report on the project of developing an off-shore wind farm has been completed and submitted to the Environmental Protection Department for approval. The HEC also plans to carry out detailed wind monitoring work at the selected site.

(b) to (d)

The Electrical and Mechanical Services Department (EMSD) completed the Study on the Potential Applications of Renewable Energy in Hong Kong in 2002. The study report indicates that solar energy, wind energy and energy-from-waste are the major types of RE that are available for wide adoption given our natural constraints and geographical limitations.

To encourage power companies to develop RE, the SCA signed in 2008 provides a higher permitted rate of return (11%) for investment

in RE. Moreover, the EMSD has drawn up technical guidelines to facilitate grid connection of RE power systems.

The Government has been actively exploring opportunities for the development of RE. With the signing of an agreement in 2008 with Dupont, a United States company, on a project under the "Shenzhen/Hong Kong Innovation Circle", Dupont set up in March 2009 its global thin film photovoltaic business headquarters and research and development centre at the Hong Kong Science Park. It also set up a manufacturing base in Shenzhen. This project helps promote the research and application of solar energy in Hong Kong.

As for the application of energy-from-waste, landfill gas is used for heating and generating power for on-site facilities at the three strategic landfills in operation (namely West New Territories Landfill, South East New Territories Landfill and North East New Territories Landfill). Landfill gas from the North East New Territories Landfill and the Shuen Wan Landfill is transmitted to Towngas plant in Tai Po for towngas production in place of naphtha.

Substantial amount of waste is generated as a result of urban life in Hong Kong every day, which can be used for power generation. The Government plans to develop integrated waste management facilities (IWMF) in phases. The first phase will have a daily treatment capacity of 3 000 tonnes of waste and can supply about 460 million kilowatt-hours (kWh) of surplus electricity to the power grid per year, which is sufficient for use by 100 000 households. The detailed site selection exercise has identified Shek Kwu Chau and Tsang Tsui Ash Lagoons as potential sites for relevant facilities. Detailed engineering and EIA studies are being conducted at these two sites to assess which of them is more suitable for locating the facilities. The studies will be completed in the second half of 2010 and a decision will be made on the choice of site. We expect that the first phase IWMF will be commissioned in mid 2010s.

We also plan to develop organic waste treatment facilities (OWTF) in two phases. The facilities developed in each phase will have a daily treatment capacity of 200 tonnes of organic waste. The biogas generated in the treatment process can also be used for power generation. It is estimated that about 14 million kWh of surplus

electricity can be supplied to the power grid per year, which is adequate for use by 2 000 households. We expect that the first phase OWTF will come into operation by mid 2010s.

To promote RE, the Government will, where appropriate, install wind turbines and solar photovoltaic systems on buildings of the Government or public organizations. For example, a small wind turbine and the largest solar photovoltaic system in the territory have been installed on the roof of the EMSD Headquarters Building, and the Hospital Authority has installed two small wind turbines on the roof of Kowloon Hospital. In recent years, RE generating units have also been installed in newly-constructed schools, parks and Government buildings as long as they are cost effective and feasible in design.

Subsidized Places in Social Work Sub-degree and Undergraduate Degree Programmes

15. **MR CHEUNG KWOK-CHE** (in Chinese): *President, will the Government inform this Council of the latest development of Hong Kong's existing subsidy policy on social work sub-degree and undergraduate degree programmes; and the respective numbers of subsidized places in social work sub-degree and undergraduate degree programmes provided by each University Grants Committee (UGC)-funded institution in each of the past three years, as well as the respective estimated numbers of such places to be provided in each of the next five years?*

SECRETARY FOR EDUCATION (in Chinese): President, it is the current policy of the Administration to provide the UGC with advice on the manpower requirement of certain disciplines, including social work, for institutions' reference in drawing up their academic development proposals. The UGC will consider these proposals and associated funding requirement on a triennial basis.

The approved number of publicly-funded sub-degree and undergraduate degree intake places for social work at UGC-funded institutions from the 2007-2008 to 2011-2012 academic years is set out at Annex. Apart from publicly-funded places, institutions also offer locally-accredited social work programmes on a self-financing basis. The planned number of self-financing full-time sub-degree and undergraduate degree intake places from the 2007-2008

to 2009-2010 academic years is also set out at Annex. As the academic development exercise for the 2012-2013 to 2014-2015 triennium has yet to begin, the number of publicly-funded places for the years after 2011-2012 is not yet available.

Annex

Number of Approved Intake Places of UGC-funded
Programmes in Social Work 2007-2008 to 2011-2012

(full-time equivalent)

<i>Level of study</i>	<i>Institution</i>	<i>Number of approved intake places</i>				
		<i>2007-2008</i>	<i>2008-2009</i>	<i>2009-2010</i>	<i>2010-2011</i>	<i>2011-2012</i>
Sub-degree	City University of Hong Kong	58	58	52	46	40
	The Hong Kong Polytechnic University	78	78	40	40	40
	Sub-total	136	136	92	86	80
Undergraduate first-year intakes	City University of Hong Kong	60	60	60	60	60
	Hong Kong Baptist University	43	43	43	43	43
	The Chinese University of Hong Kong	48	48	48	48	48
	The Hong Kong Polytechnic University	39	39	39	39	39
	The University of Hong Kong	40	40	40	40	40
	Sub-total	230	230	230	230	230
Undergraduate senior year intakes	City University of Hong Kong	-	25	25	25	25
	Hong Kong Baptist University	-	12	12	12	12
	The Hong Kong Polytechnic University	-	14	16	16	16
	Sub-total	-	51	53	53	53
Total		366	417	375	369	363

Note:

"-" denotes nil.

Number of Planned Intake Places of Full-time Locally-Accredited
Self-financing Programmes in Social Work 2007-2008 to 2009-2010

<i>Level of study</i>	<i>Institution</i>	<i>Number of planned intake places</i>		
		<i>2007-2008</i>	<i>2008-2009</i>	<i>2009-2010</i>
Sub-degree	Caritas Francis Hsu College	110	160	160
	City University of Hong Kong	80	75	75
	Hong Kong College of Technology	40	40	40
	Sub-total	230	275	275
Undergraduate	Hong Kong Shue Yan University	50	50	50
	Sub-total	50	50	50
Total		280	325	325

Statutory Paternity Leave for Male Employees

16. **MS EMILY LAU** (in Chinese): *President, the Government stresses that importance should be attached to family values, and it has undertaken to deepen various family-friendly measures and is committed to including family as a factor to consider in its policy-making process. For years, the Democratic Party and various women's groups have been asking the Government to legislate on the provision of paid paternity leave by employers to male employees, and have pointed out that the provision of paternity leave not only helps relieve the stress of the women who have given birth and their family, facilitates men to assume the role of family carer and shoulder their responsibilities, but also helps promote gender equality and family harmony. Yet, the Government has to date not provided a direct response. It has been reported that the Chairperson of the Equal Opportunities Commission has also pointed out earlier that Hong Kong lags behind other places in terms of paternity/maternity leave benefits, and he considers that it would be more advantageous to the overall economy of Hong Kong if men are entitled to paternity leave. In this connection, will the Executive Authorities inform this Council:*

- (a) *given that as early as 2006, the authorities advised that they had been conducting a study on whether or not legislation should be enacted for providing paternity leave to male employees, of the latest progress and outcome of the study; the anticipated time to announce such outcome and draft the relevant bill;*

- (b) *which countries have paternity leave at present; of the details concerned; and those arrangements of these countries to which Hong Kong may make reference; and*
- (c) *whether they will consult community groups, the Women's Commission and the public on legislation for the provision of paternity leave; if they will, of the details; if not, the reasons for that?*

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

- (a) The Government constantly reviews our labour legislation in the light of Hong Kong's changing social circumstances and economic development in order to keep our legislative provisions abreast of times. In doing so, we strike a reasonable balance between employees' interest and employers' affordability. On the proposal for paternity leave to be provided to male employees, we have been conducting a study on the specific arrangements in other economies on the provision of paternity leave and carrying out relevant questionnaire surveys with member organizations of the Human Resources Managers Clubs formed by the Labour Department.

As the implementation of statutory paternity leave will, to varying degrees, affect the operation of enterprises and increase the business costs of employers (particularly small-and-medium-sized enterprises which comprise 98% of all enterprises in Hong Kong), we must carefully assess the possible impact of legislating for paternity leave on local employers and the economy as a whole and examine the eligibility criteria for paternity leave (for example, should a male employee be entitled to paternity leave in cases of childbirth outside marriage, childbirth not given by his legal spouse and childbirth outside Hong Kong, the conditions to be met for entitlement to paid paternity leave, and so on) as well as other issues related to enforcement (for example, what kind of certification documents are required to support the taking of paternity leave). In view of the complexity of the issues involved and the need for us to concentrate our efforts on preparing for the implementation of the Employment

(Amendment) Bill 2009 and the legislative exercise on putting in place a statutory minimum wage, we expect to complete the study in the first half of next year.

Meanwhile, we are committed to promoting "employee-oriented" good people management measures by encouraging employers to adopt "family-friendly employment practices" appropriate to their own operations, including the provision of paternity leave, to enable their employees to discharge both their work and family responsibilities. The existing promotional measures are beginning to yield positive results as witnessed by the continual upward trend in recent years in the number of local enterprises providing paternity leave to their employees. We will continue to actively encourage employers to adopt "family-friendly employment practices", including the provision of paternity leave, through promotion and publicity activities.

- (b) Based on the information collected so far, paternity leave usually refers to a period of leave taken around the time of birth of a child, and its duration is relatively short. The purpose of such leave is to allow a father-to-be or father to assist in taking care of his partner before or after confinement, and of the newborn. Although the number of days of paternity leave varies significantly among different places, it usually lasts from two days to two weeks. In some economies (for example, the United Kingdom, Sweden), the responsibilities to pay remuneration in the form of an allowance to eligible employees during paternity leave rests with the social insurance schemes to which employees, employers and the state jointly contribute, and the rate of the allowance is usually set against the wages of the concerned employee, subject to an upper limit. For example, in the United Kingdom, the allowance for one week's paternity leave is 90% of the employee's weekly earnings, subject to a maximum of £124.88 (about HK\$1,474)⁽¹⁾. Some economies provide unpaid paternity leave to employees (for example, Australia, New Zealand). There are also some developed economies (for

(1) The upper limit has come into effect in April 2010. The Pound Sterling amounts are converted into HK dollars using the exchange rate of £1 = HK\$11.80.

example, the United States, Japan) with no dedicated legislation specifically for paternity leave.

Our observations reveal that the practices of different places vary according to the unique circumstances of individual places in terms of their economic development, social security and social welfare systems, and so on. As the majority of companies in Hong Kong are small-and-medium-sized enterprises with less flexibility in manpower deployment, and employees are already entitled to different types of leave under the Employment Ordinance, we have to consider first the actual circumstances in Hong Kong in formulating our policy.

- (c) We will continue to act as a facilitator, partnering with the business community and non-governmental organizations in promoting "family-friendly employment practices", including the provision of paternity leave. We will also consult stakeholders with a view to gathering more examples on good people management measures for the reference of enterprises so as to encourage them to adopt a more flexible and open-minded approach to facilitate their male employees in shouldering the responsibilities of family carers.

Nuisances Caused by Air-conditioners

17. **MRS REGINA IP** (in Chinese): *President, the leaflet of "Maintain Your Air-conditioner to Prevent Nuisances and Related Diseases" on the website of the Food and Environmental Hygiene Department (FEHD) points out that under the Public Health and Municipal Services Ordinance (Cap. 132), a person shall be guilty of an offence if he allows his ventilating system to emit hot air or to discharge water in such a manner as to be a nuisance. The penalty is \$10,000 and a daily fine of \$200. As stipulated in section 12(1)(g) of Cap. 132, the emission of air either above or below the temperature of the external air from the ventilating system in any premises in such a manner as to be a nuisance shall be a nuisance which may be dealt with summarily. Some members of the public have told me that they had complained to the FEHD about nuisances caused by hot air emitted from air-conditioners. However, its staff pointed out that the FEHD would request the persons concerned to abate the nuisances only when the*

temperature of the hot air emitted from the air-conditioners was higher than that of the external air by more than two degrees Celsius (2°C). In this connection, will the Government inform this Council:

- (a) of the criteria based on which the authorities use the 2°C temperature difference as the yardstick for determining whether or not the air emitted from ventilating systems constitutes a harmful nuisance;*
- (b) given that some members of the public who are affected by such nuisances have pointed out that the minimum temperature difference which can be read by the detection devices used by frontline government departments is only 0.5°C, how such departments deal with cases of the temperature difference being slightly higher than 2°C (such as 2.2°C) but less than 2.5°C;*
- (c) whether such departments have issued guidelines requiring their staff to conduct examinations only after the air-conditioners suspected to be the source of nuisances have been turned on for some time so that the level of nuisances can be determined more accurately, and whether they have provided guidelines on the location for measuring the level of nuisances; and*
- (d) given that some members of the public have pointed out that at present, when the FEHD handles complaints about water dripping from air-conditioners, so long as water is found to have dripped or to be dripping from the air-conditioners concerned, it will follow up with the owners or tenants concerned in accordance with Cap. 132 regardless of the quantity of water dripping, of the reasons and justifications for handling complaints about emission of hot air and dripping water from air-conditioners in different manners?*

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

- (a) Section 12(1)(g) of the Public Health and Municipal Services Ordinance (Cap. 132) specifies that the FEHD may deal with the emission of air either above or below the temperature of the external air from the ventilating system in any premises in such a manner as

to be a nuisance summarily pursuant to section 127 of the same Ordinance. However, the Ordinance does not define a standard on what level of hot air generated from the operation of an air-conditioner would constitute a nuisance. As the feelings and reactions towards hot air vary from one person to another, there is at present no scientific and objective standard available to determine what level of hot air emitted from an air-conditioner would constitute a nuisance. The FEHD continues to adopt the 2°C temperature difference laid down by the former Urban Services Department as an indicator for actions to handle complaints.

- (b) At present, the staff of the FEHD uses electronic digital thermometers to investigate complaints against emission of hot air from air-conditioners. The unit of measurement and temperature reading of electronic thermometers are set at 0.1°C. As such, it is not accurate to say that the minimum temperature difference which can be read by the detection devices used by the FEHD is 0.5°C.
- (c) During the investigation process, the FEHD staff will, based on the information provided by the complainant including the operational condition and time of the air-conditioner alleged to be the source of nuisance, enter the complainant's flat and measure the temperature difference at the affected place caused by the air-conditioner in question when it is in operation. If the temperature of the hot air emitted from the air-conditioner causes the air of the complainant's flat to rise by more than 2°C, the FEHD will issue a "Nuisance Notice" to the owner/tenant of the premises installed with the air-conditioner, requiring the owner/tenant to abate the nuisance within a specified period of time. For cases where the temperature difference is less than 2°C, the FEHD will also advise the persons concerned to adopt measures appropriate to the circumstances of individual cases to reduce possible nuisance caused to the complainants. Such measures may include installing devices to adjust the direction of hot air emission from the air-conditioner.
- (d) The nature of nuisances caused by water dripping from air-conditioners is different from that caused by hot air emitted from air-conditioners, and therefore the standards adopted by the FEHD in

handling various types of nuisance are different accordingly. Water dripping from air-conditioners, regardless of the dripping volume, causes nuisance to others directly. For instance, dripping would wet passers-by, and water dripping onto the canopy or air-conditioner hood downstairs would cause noise nuisance. In the light of this, when the FEHD handles complaints concerning water dripping, it will, pursuant to section 127 of the Public Health and Municipal Services Ordinance, issue a "Nuisance Notice" to the owner concerned once it finds that an air-conditioner under complaint causes nuisance to the public as a result of water dripping during its normal operation.

Problem of Students Abusing Substances and Taking Drugs in Internet Cafes

18. **MR PAUL CHAN** (in Chinese): *President, both the "2008-2009 Survey of Drug Use among Students" (the Survey) conducted by the Narcotics Division of the Security Bureau and the "Central Registry of Drug Abuse Fifty-eighth Report" have uncovered that Internet computer services centres (commonly known as "Internet cafes") are the hotbeds of substance abuse and even drug taking of young people aged under 21, and there is a trend for the problem to aggravate. In this connection, will the Government inform this Council:*

- (a) *whether law-enforcement agencies had conducted inspections of Internet cafes in the past three years to combat drug trafficking and drug taking; if not, of the reasons for that; if so, of an annual breakdown of the number of inspections conducted, the number of persons arrested who were alleged to have trafficked drugs and taken drugs, their age, the types of pharmaceutical substances or drugs involved, and among the persons arrested, the respective numbers of those who were prosecuted and convicted, as well as the details of penalties imposed on them;*
- (b) *whether the authorities had, in the past three years, studied how Internet cafes should be regulated, so as to combat substance abuse and drug taking; if so, of the details; if not, the reasons for that; and*

- (c) *whether the authorities will consider regulating Internet cafes through a licensing system to target at the aforesaid problem?*

SECRETARY FOR SECURITY (in Chinese): President,

- (a) The Government has been keeping a close watch on the social and law and order problems that may be caused by young people hanging around the parks, streets and places of entertainment, including Internet cafes. Inspecting Internet cafes has been an integral part of the police's regular law-enforcement effort in a bid to prevent young people from taking drugs or engaging in other illegal activities in public places. The police do not maintain figures on inspection of Internet cafes. According to police records, the number of persons arrested for suspected drug trafficking and drug abuse in Internet cafes in the past three years are as follows:

	2007	2008	2009
Trafficking in dangerous drugs	1	2	2
Possession of dangerous drugs	2	6	3

Of the 16 persons arrested, seven of them were under the age of 21. The types of drugs involved included cocaine, ketamine and ice. Fourteen of them were prosecuted and convicted and the sentences awarded included fines, Probation Orders, admission to detention centres, drug addiction treatment centres and imprisonments.

- (b) The Government has been closely monitoring the situation of drug problems, including the situation in different type of premises. As shown by the police figures above, there is no perceptible rising trend in drug offences related to Internet cafe. According to data of the Central Registry of Drug Abuse, 4.8% of young drug abusers aged under 21 took drugs in nightclub or Internet cafe in 2007. The proportion has increased to 6.3% in 2009. Besides, the Survey published in February this year showed that, on the whole, Internet cafe was not the major venue for drug-taking students. Overall speaking, drug problem in Internet cafe is not particularly serious. However, the Government notices that the Survey revealed that

20.8% of drug-taking upper primary students had indicated that they had taken drugs in Internet cafe. We are paying serious attention to the situation.

The police will continue to combat drug offences involving Internet cafe through regular inspection. Social workers of Counselling Centres for Psychotropic Substance Abusers and outreaching social workers will also take the initiative to visit Internet cafes to contact youths prone to drug abuse and offer counselling on the spot, follow-up services and anti-drug education. On the other hand, the Government will promote researches on the problems of drug abuse by primary students, such as examination on the situation of drug abuse in Internet cafe by primary students, in order to assist in the formulation of relevant measures.

- (c) The mode of operation and the types of services provided by Internet cafes are diverse. Internet cafes mainly provide computers and related equipment to customers for using Internet services including business and personal communication, browsing of information on the Internet, listening to the music, playing network games and restaurant/cafe services. Operators of Internet cafes are required to comply with all legislation and requirements such as fire and building safety, noise control, public order and crime prevention, and so on. The Home Affairs Bureau has also issued a "Code of Practice for Internet Computer Services Centres Operators" for voluntary compliance by the industry. The Government has no plan at the present stage to regulate Internet cafes through a licensing system. Different departments will continue to regulate operation of Internet cafes under the relevant legislation.

Relocation of Christian Zheng Sheng College

19. **DR PRISCILLA LEUNG** (in Chinese): *President, the Christian Zheng Sheng Association has earlier written to the Panel on Education of this Council to seek members' assistance for the early relocation of the Christian Zheng Sheng College (CZSC) to the former site of the New Territories Heung Yee Kuk Southern District Secondary School in Mui Wo on Lantau Island, so that the*

College will not be disallowed to operate classes under the New Senior Secondary Academic Structure (the 334 structure) for its students to take due to inadequate school facilities. In this connection, will the Government inform this Council:

- (a) given that it has been reported that the Independent Commission Against Corruption has not found any suspicion of corruption or malpractice on the part of the Zheng Sheng Association and has thus terminated the relevant investigation, whether the Government has correspondingly changed its present stance on the relocation of the Zheng Sheng College; if it has, whether at present the Government still considers the former site of the Southern District Secondary School the most suitable for the relocation of the Zheng Sheng College, and when the College can be relocated the earliest;*
- (b) given that it has been reported that the Zheng Sheng College is required to improve the quality of its facilities and environment before the expiry of the allowed eight-year grace period by the end of this year in order to meet the licensing requirements under the Drug Dependent Persons Treatment and Rehabilitation Centres (Licensing) Ordinance (Cap. 566), or else its services may be terminated, whether the Government will consider exercising discretion to extend the grace period until the relocation problem of the College is resolved;*
- (c) as the Zheng Sheng College cannot be relocated shortly, whether the Education Bureau and the government departments concerned will offer assistance to the College and its students, including providing assistance for the College's operation, repairing the existing school premises before the onset of the rainy season, stabilizing the slopes around the school premises and exercising discretion to permit the College to operate classes under the 334 structure even if the school facilities are inadequate, so as to enable the students to continue with their studies;*
- (d) given that some of the residents in Mui Wo have opposed to the relocation of the Zheng Sheng College to the former site of the Southern District Secondary School and criticized the insufficient*

provision of school places in the district, and yet the Zheng Sheng College has requested to move to Mui Wo, what measures the Government will adopt to balance the interests of both sides;

- (e) with regard to the existing process for the Zheng Sheng College to be registered as a formal school, of the procedures yet to be completed, requirements to be fulfilled and necessary documents to be submitted by the College; and*
- (f) of the number and proportion of rehabilitated students at Secondary 5 or below levels who could return to mainstream schools to continue their studies after receiving drug addiction treatment in addiction treatment centres in the past five years; whether the Government has planned to promote in Hong Kong the education model of drug rehabilitation school similar to the Zheng Sheng College and encourage more non-profit-making organizations to operate schools of similar nature, so as to cope with the situation that a large number of young people may need to receive drug addiction treatment in the future?*

SECRETARY FOR SECURITY (in Chinese): President, the Christian Zheng Sheng Association (CZSA) runs six drug treatment and rehabilitation centres (DTRCs), which are all subject to the regulation of the Drug Dependent Persons Treatment and Rehabilitation Centres (Licensing) Ordinance (Cap. 566). Five of them (including two at Ha Keng, Lantau Island with 64 places) are operating under Certificates of Exemption. Separately, CZSA has registered two classrooms in Ha Keng and two in Cheung Chau (58 places in total) as a private school named CZSC under the Education Ordinance (Cap. 279) to operate fee-charging courses for its residents, as a component part of their treatment and rehabilitation programmes. My replies to the questions raised by Dr Priscilla LEUNG in *seriatim* are as follows:

- (a) First and foremost, our anti-drug policy is to assist young people who are beset by the problem of drug abuse and resolved to mend their ways to turn a new leaf. The existing facilities of the two DTRCs of CZSA in Ha Keng are inadequate and there are difficulties in carrying out in-situ improvements to meet the statutory licensing requirements. The proposal to relocate the two DTRCs

and related education facilities to the vacant premises of the ex-New Territories Heung Yee Kuk Southern District Secondary School (ex-SDSS) in Mui Wo will not only facilitate early improvement in the rehabilitation and learning environment for residents, but also increase the number of places (to 200), thereby helping more young people in need. This is in line with the Government's anti-drug policy and we have all along supported the proposal in principle. On this basis, the Government and CZSA in collaboration have since early last year conducted district consultation following established procedures.

During the consultation process, issues of public concern have been raised, including the background and accounts of the services operated by CZSA, the transparency and accountability of the running of the DTRCs if reprovisioned. In concluding an inquiry at the end of last year, The Ombudsman also urged the Government to ensure that CZSA can run the treatment-cum-education programme efficiently and effectively with due evidence of sound integrity and good repute of CZSA as a charitable organization.

The Government has all along maintained communication with CZSA and requested the Association to follow up matters as they openly pledged in order to address the public concerns. This is a critical step before taking forward further the reprovisioning proposal. We expect a detailed response from CZSA as soon as possible to examine if the reprovisioning proposal remains in order. Taking into account progress of such work, we will continue public consultation in collaboration with CZSA, and carefully consider further views collected.

- (b) If the two DTRCs under CZSA in Ha Keng fail to meet the statutory licensing requirements before the expiry of the grace period, the Narcotics Division (ND), the Social Welfare Department and other Government departments concerned will make a detailed assessment and consider exercising discretion to extend the grace period, so that CZSA can continue with its improvement or reprovisioning programme for meeting the statutory licensing requirements.

- (c) Before the reprovisioning proposal can be implemented, CZSA can apply for suitable Government or charitable aids for improving its facilities and services. For instance, the Beat Drugs Fund approved a grant of \$500,000 in mid-2009 to finance CZSA's procurement of a boat to commute to and from Ha Keng. Last year, the ND also recommended a charitable fund to provide funding support for CZSA to carry out improvements urgently needed by the DTRCs in Ha Keng. The works were reported to have completed early this year.

As regards man-made slopes and retaining walls that may affect the DTRCs, as well as three boulders on the natural hillside which have been judged to be potentially unstable, preventive maintenance and stabilization works are being planned. Once the assessment and detailed designs are completed and necessary approvals obtained, the works could start within April.

Before operation of fee-charging courses through CZSC, CZSA was granted Government subvention for operating educational programmes for its residents from 1995 to 2003. If deemed necessary, CZSA may consider re-applying for subvention. The Education Bureau is happy to discuss with CZSA.

- (d) We are aware of the views and concerns of Mui Wo residents about the provision of school places. Based on latest projections, the present student population of the Islands District has stabilized at this stage, and the existing schools already provide sufficient places to meet the demand. According to the allocation results of Education Bureau's Primary One Admission System in the past few years, public primary schools in South Lantau have been able to provide enough primary one school places for local school-age children. As regards secondary schools, only around 50 primary six students in the Islands District school net (including Mui Wo) participated in the Secondary School Places Allocation System annually in the past few years. As a secondary school is required to run at least three secondary one classes, the number of students is too

small to meet the requirement. In fact, these students can choose among over 30 secondary schools at Tung Chung, Cheung Chau, Hong Kong Island, and so on. The Education Bureau does not consider that there is a need to operate a local school in the ex-SDSS premises. Nevertheless, the Education Bureau will continue to monitor the future development of the district and review the supply and demand of school places from time to time.

Through carrying out discussions and explaining the justifications in various aspects, the Government will strive to ensure adequate communication among the community and all stakeholders with a view to working out an option that is in the public interest.

- (e) Regarding CZSC's application for the operation of the New Senior Secondary (NSS) courses, it has been handled in accordance with the requirements under the Education Ordinance, as is the case for all private schools in Hong Kong. The Education Bureau has all along given proper advice and guidance. According to the information provided by CZSC in its application, only two classrooms in Ha Keng will be used for teaching, which exclude the two classrooms in Cheung Chau. If CZSC is willing to consider recommendations in Education Bureau's reply of March to re-arrange the class schedule, to provide the Education Bureau with the expenditure details for operating NSS courses (in particular the payroll cost of teachers) in the coming three years and to provide adequate teaching space for residents by making flexible use of all registered classrooms in Ha Keng and Cheung Chau, Education Bureau will process its application as early as possible. If CZSC fails to operate NSS courses, its students aged 19 or above may still sit for Hong Kong Diploma of Secondary Education Examination as private candidates.
- (f) The Government does not maintain statistics on the number and proportion of students who could return to mainstream schools to continue their studies after completing residential drug treatment programmes.

We all along adopt a multi-modality approach in drug treatment and rehabilitation by providing different services to cater for the different needs of drug abusers with varying backgrounds and circumstances. For some casual and occasional drug abusers who have not yet developed a drug habit, they may, in principle, continue to go to school while receiving treatment and counselling services provided by relevant organizations and their schools.

As for habitual young drug abusers who require residential services, their most basic and imperative need is to kick the habit, rebuild self-confidence, find a new direction in life, and reintegrate into society as soon as possible after rehabilitation. Education services provided there play a supportive and complementary role, aiming to maintain the basic education standard and learning momentum of young drug abusers and facilitate their return to mainstream schooling in the future. After rehabilitation, social workers or probation officers concerned will arrange suitable aftercare programmes, for example, finding suitable schools for them. The Education Bureau may also provide assistance.

Since 1995, the Education Bureau has been providing subvention for non-profit-making voluntary agencies running DTRCs to operate educational programmes for school-age young residents. At present, 11 DTRCs are receiving the subvention. We are encouraging operators to strengthen the relevant educational services and actively consider enhancing support for the educational programmes. CZSA is currently providing drug treatment and rehabilitation programmes of a longer period and with school education components to school-age youth. This unique mode of service should not be regarded as a general practice.

In sum, we welcome different modes of treatment and rehabilitation services, so as to provide youngsters in need and their parents with more suitable options. The Government plans to invite proposals for possible new and effective models of services within the year.

Setting up a Tourism Crisis Management Office

20. **MR PAUL TSE** (in Chinese): *President, there have been comments that in the recent incident of the flights of Viva Macau being delayed or cancelled due to its financial crisis, the Tourism Crisis Management Office under the Macao Special Administrative Region Government had played an important emergency management role, whereas Hong Kong lacks a proper mechanism for handling unforeseen tourism incidents. In this connection, will the Government inform this Council, given that various government departments and the Travel Industry Council of Hong Kong are responsible for tourism matters at present, and they have often been criticized by people for lacking coordination, whether it has studied the deployment of staff and resources from these departments to immediately set up a unit similar to the Tourism Crisis Management Office for handling unforeseen tourism incidents in Hong Kong or overseas; if it has, of the outcome; if not, whether it will conduct such a study expeditiously?*

SECRETARY FOR COMMERCE AND ECONOMIC DEVELOPMENT (in Chinese): President, in handling unforeseen tourism incidents, the Government's priority is to provide appropriate assistance to those affected as soon as possible. At present, government departments and related organizations already have an established mechanism to handle contingencies, which has similar purpose and functions as that of Macao's Tourism Crisis Management Office. We will review the mechanism from time to time to ensure its effectiveness.

The Philippine tour group incident, in which the tour group arrived at Hong Kong last month without a receiving party, indeed revealed some communication gaps among departments. The Tourism Commission has immediately reviewed with the concerned government departments and organizations the arrangements to handle contingencies and to notify each other. Improvement measures have been implemented. We have also decided to conduct regular drills on the notification mechanism to test the co-ordination of parties concerned and to ensure that the mechanism will fulfil its objectives.

The Tourism Commission will continue to work closely with relevant government departments and organizations to ensure that unforeseen tourism incidents will be handled properly.

BILLS**First Reading of Bills**

PRESIDENT (in Cantonese): Bill: First Reading.

DEPOSIT PROTECTION SCHEME (AMENDMENT) BILL 2010

CLERK (in Cantonese): Deposit Protection Scheme (Amendment) Bill 2010.

Bill 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): Bill: Second Reading.

DEPOSIT PROTECTION SCHEME (AMENDMENT) BILL 2010

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): President, I move the Second Reading of the Deposit Protection Scheme (Amendment) Bill 2010 (the Bill).

The Bill seeks to provide for the implementation of the enhancement proposals concluded from the review of the Deposit Protection Scheme (DPS) conducted by the Hong Kong Deposit Protection Board (the Board) in 2009, with a view to enhancing the DPS as part of the financial infrastructure of Hong Kong, thereby allowing depositors to enjoy better deposit protection.

In the light of the relevant development in the international and local financial markets and the experience gained from operating the DPS, the Board completed a review of the DPS in 2009 and conducted two rounds of public consultation on the findings of the review. The review concluded that the existing design features of the DPS in Hong Kong were already in general compliance with the best international practices. Nevertheless, the review

identified some areas for improvement in the DPS to make it in line with the latest market development, in particular, to meet the public expectation for better deposit protection. The enhancement proposals received broad support during the two rounds of public consultation.

The major enhancement proposals identified in the review include raising the protection limit of the DPS from \$100,000 to \$500,000 and expanding its coverage to secured deposits. Raising the protection limit of the DPS to \$500,000 will bring the level of deposit protection in Hong Kong closer to those in other major markets in absolute terms and on a par with the higher end of international standards in terms of the percentage of depositors fully covered. On the other hand, expanding the coverage of the DPS to secured deposits will help remove the uncertainties surrounding the protection status of a deposit being taken as a security by banks, or subject to any form of encumbrance, for the purpose of obtaining other banking and financial services provided by banks. This situation is the most commonly seen in instances involving integrated accounts. These enhancement proposals will improve the clarity of the coverage of the DPS, thereby fostering stronger public confidence in the DPS.

In tandem with improving the protection for depositors, the introduction of cost-mitigating measures is recommended to avoid banks transferring the additional costs to depositors. Raising the protection limit of the DPS and protecting secured deposits will increase the amount of deposits in the banking industry protected by the DPS. The Deposit Protection Scheme Fund is made up of contributions payable by members of the DPS and the amount of annual contributions is set at a certain percentage of the amount of protected deposits held by members of the DPS. Thus, an increase in the amount of protected deposits will in turn raise the amount of annual contributions payable by members of the DPS. In order to eliminate any incentive for banks to transfer the additional costs to depositors, we recommend the introduction of cost-mitigating measures, including cutting the annual contribution rate of members of the DPS by 65%, so as to keep the amount of annual contributions payable by the members concerned at its current level, and allowing members of the DPS to report the respective amounts of their relevant deposits on a net deposit basis for the purpose of contribution assessment.

In addition, as a result of the changes in the level and scope of protection of the DPS, corresponding adjustments have to be made to the provisions relating to

the priority claims of depositors under the Companies Ordinance, so as to ensure that the Board can continue to recover fully the compensations it pays to depositors through subrogating into their priority claims.

Lastly, we have taken the opportunity to make some amendments to the Deposit Protection Scheme Ordinance, including those for improving the efficiency of the Board in making compensations to depositors in a payout and providing for the making of additional rules by the Board on the representation, disclosure and acknowledgement requirements in relation to deposits and other financial products. With these enhancement proposals, depositors will receive faster compensation payment and gain a better understanding of whether or not their deposits are under protection.

President, I look forward to Members' support for and the early passage of the Bill, so that depositors in Hong Kong can benefit from the enhanced DPS upon the expiry of the full deposit guarantee at the end of this year. In addition, to ensure the smooth implementation of the enhanced DPS, the Board will maintain close contact with the banking industry to ensure their readiness for implementing the relevant enhancement measures. After the passage of the Bill, the Board will also launch a publicity campaign to highlight the features of the enhanced DPS, so as to help the public better understand such new features.

Thank you, President.

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the Deposit Protection Scheme (Amendment) Bill 2010 be read the Second time.

In accordance with the Rules of Procedure, the debate is now adjourned and the Bill is referred to the House Committee.

Resumption of Second Reading Debate on Bills

PRESIDENT (in Cantonese): We now resume the Second Reading debate on the Appropriation Bill 2010.

APPROPRIATION BILL 2010**Resumption of debate on Second Reading which was moved on 24 February 2010**

PRESIDENT (in Cantonese): The public officers concerned will speak first, after which the Financial Secretary will reply.

CHIEF SECRETARY FOR ADMINISTRATION (in Cantonese): President, Members used two days last week to provide many pieces of valuable advice regarding the 2010-2011 Budget. The Financial Secretary and the related Directors of Bureaux have studied the views of Members seriously and will give detailed responses to the main issues of concern expressed by Members.

Four Members have proposed four amendments respectively to the Appropriation Bill 2010 to reduce the same amount of funding under four heads respectively under the Labour and Welfare Bureau, the Constitutional and Mainland Affairs Bureau, the Education Bureau and the Transport and Housing Bureau. The amount proposed to be cut is equivalent to one month's salary of each Director of Bureau.

Regardless of the reasons advanced by these four Members to justify these amendments, I must point out that they deviate from the proven basic principles and system governing the remuneration of public officers. I therefore hope to elaborate the stand of the Government clearly with respect to the issue.

As always, posts endorsed by the Finance Committee for creation and earmarked funding, irrespective of whether they are civil service posts or political appointment posts, provided that they are on the establishment, the Budget each year will reserve adequate funds for them so that the relevant Policy Bureaux and departments can discharge their duties according to the decisions made by the Legislative Council. The remuneration and benefits of politically appointed officers and the relevant rationale behind these are set out in detail in the paper dated 14 June 2002 of the Finance Committee of the Legislative Council, which was duly endorsed by the Finance Committee afterwards.

It follows that the remuneration of politically appointed officers is determined in accordance with a set of strict and objective procedures, subject to endorsement by the Finance Committee of the Legislative Council. All the procedures are well documented and in full compliance with the relevant rules and regulations.

Apart from institutional considerations, we should not take any action against individuals because we may hold a different view from theirs in respect of policy issues. The SAR Government maintains a high level of transparency in administration and it submits itself to monitoring by members of the public, the Legislative Council and the media. In the course of policymaking, the team composed of Secretaries of Departments, Directors of Bureaux and other politically appointed officials always maintains close communication and contact with the Legislative Council, various sectors across the community and the general public. The team seeks to iron out differences and forge common grounds and so obtain the consensus of the largest number of people through consultation, co-ordination and negotiation.

Ours is a society marked by pluralism and there are bound to be various voices and aspirations. For individual Members, it may be due to their different perspectives and factors employed in approaching some policy issues that they may end up arriving at different views from those of the Government. This is only natural. The group of politically appointed officials have always been open in this matter. They are prepared to engage in active communication with the Legislative Council, explain policy proposals and try their best to take on board Members' views in the hope of arriving at a consensus. At the same time, we also gauge and heed public opinions through public participation and other channels. We are convinced that the policies and decisions discussed in the Legislative Council and endorsed by it should be able to meet public needs and consistent with the overall and long-term interest of the community.

So with respect to some different views put forward by individual Members on certain policy issues, I would think that more efforts can be made in this Council and in the community to gain the recognition and support of the majority. Such is precisely the value of a democratic system.

With these remarks, President, I urge Members to oppose the amendments.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): President, I am grateful to Members for their valuable advice given on housing issues in the debate on the 2010-2011 Budget. Now I would like to respond to issues like the regulation of the sale of private residential properties, the resumption of Home Ownership Scheme (HOS) flats construction and revitalizing the HOS secondary market.

All along we have been exerting much effort in respect of the sale of uncompleted flats and over the past two years we have introduced many initiatives on that. The Transport and Housing Bureau has stepped up the regulation of the sale of uncompleted residential properties through the Lands Department Consent Scheme and the guidelines issued by the Real Estate Developers' Association, including requiring developers to disclose transaction details of the relevant sale and purchase agreements on their websites and sales office not more than five working days after the signing of temporary sale and purchase agreements, unifying the definition of saleable area, unifying the format of price lists, requiring listing the price of saleable area per sq ft or sq m for each unit on the price lists, requiring promotion materials for the sale of flats and sales brochures to be handled separately, and requiring comprehensive and detailed information on the properties be listed in the sales brochures, and so on. These measures are expected to help prospective buyers know clearly the information of the units in question as well as the transaction details, thereby enhancing protection of consumers.

President, the Government attaches great importance to our work of raising the transparency. We would further regulate the sale of first-hand, that is, all uncompleted and completed, private residential properties. I said just now that the direction of our work includes show flats, promotion materials and disclosure of information relating to the transactions entered into by high-level staff of real estate companies. After studies and listening to views expressed by various sectors, the Transport and Housing Bureau has made a series of recommendations to the relevant business associations on these aspects and other areas. We will also proactively follow up the matter with the business associations in the hope that new regulatory measures can be finalized in the next few months.

I am very glad to note recently the expression of views on the resumption of HOS construction and revitalization of the HOS, and so on. Some issues of

principle that merit in-depth study were raised, such as the differences in home ownership and accommodation needs and whether or not the Government should finance citizens in their investments on home ownership. A lot of these views pointed out that, as evident in the trends of the property market, HOS flats cannot curb property prices and the problem must be tackled at root, that is, by increasing the supply. Only by doing so can the property market be ensured to grow in a healthy and steady manner. This is precisely the direction of the four measures proposed in the Budget.

In any decision made on public policy, we must adopt measures that can best serve the interest of society as a whole and we must examine if these measures can bring positive effects on the long-term development of the property market. Currently, the housing policy of the Government is to help low-income families that cannot rent a home in the private residential property market and provide them with subsidized public rental housing (PRH). It is not our policy objective to encourage home ownership. On the issue of resuming HOS construction, we have made it clear that ceasing the production of HOS flats back then was an important decision, hence we may not, and would not re-enter the market rashly. Of course, we will continue to keep a close watch on the situation in the property market. In our opinion, to tackle the problem at root by ensuring stable land supply is the correct direction insofar as the long-term development of the property market is concerned.

The Hong Kong Housing Authority (HA) decided on 26 March that all surplus HOS flats, that is, about 4 000, will be launched on the market for sale in one batch. This will complement the supply of small and medium sized flats in the market. The sale of these HOS flats will commence at the soonest in June. Besides, the Hong Kong Housing Society (HKHS) is putting up the remaining 800 sandwich class flats for sale now. Overall, I believe the supply of small and medium sized flats will increase markedly over the next few months. The Government is prepared to put up for sale by open tender a lot with an area of 1.2 hectares situated next to the Long Ping Station of the West Rail in Yuen Long. The lot used to be earmarked for the production of PRH flats by the HA and it will be sold as land for private residential development. We will through the land sale conditions specify the minimum number of units and the smallest and largest floor areas in order to increase the supply of small and medium sized flats.

Apart from the surplus HOS flats, there are currently some 300 000 HOS flats available, of which some 60 000 can be bought and sold in the free market. As for the remaining some 250 000 HOS flats for which land premium has not been paid, they can be sold in the secondary market. These second-hand HOS flats do offer some appeal because 70% of them are situated in the urban areas and in the extended urban areas. Their recent transaction prices are mostly around \$2 million. I notice that there are views that efforts should be made to promote the flow of these flats, for this can increase the supply of small flats.

I mentioned sometime ago the question of "two markets and three levels". By two markets I mean the HOS market and the private market. By three levels I mean HOS flats owners can enter the private market after selling their flats, sitting tenants of PRH units can buy their flats and the PRH units thus vacated can then be allocated to people in need. Under such a framework, the Housing Department (HD) is looking into the aims, benefits and impact of the HOS secondary market on the HA. We are currently proactively studying issues in three areas.

First, we will see if some corresponding arrangements can be made in respect of land premium payment so that existing owners of HOS flats who wish to pay the premium to the HA can have greater convenience and flexibility in making preparations for and raising the necessary funds. This will result in a greater supply of flats in the market. With reference to the requirements on premium payment and sale of HOS flats, we are studying the issue from a market-led perspective and under the principle of not affecting the risk borne by the HA.

Second, the HD is studying whether or not the application procedures for the sale and purchase of HOS flats can be streamlined to facilitate more efficient completion of the sale and purchase procedures. This will hopefully increase the flow of these flats and achieve a more efficient match of demand and supply.

Third, we are considering whether less stringent treatment can be given to prospective buyers in the HOS flats secondary market with respect to the existing mortgage loan guarantee. Currently, the HA gives a mortgage loan guarantee of

a 25-year tenure dating back to the first day after the flat concerned is sold for the first time. Any change of this practice should take into account the benefits and the impact on the risk borne by the HA.

We will consider all these suggestions carefully. As these proposals have great public resources implications, so in such consideration we will give weight to whether they can help prospective home-buyers who have repayment ability over a long period of time and are genuinely in need of home ownership. We will also examine if these proposals can match effectively the demand and supply of HOS flats and the financial commitment and risk borne by the HA, and so on. We are now actively collecting the relevant data and making assessments. It is expected that starting from this May, the HA can discuss each of the feasible proposals and also the further details.

President, we will continue to monitor closely the developments in the private residential market and adopt measures to enhance transparency and stability in the property market. We will revitalize the secondary HOS market and sell the surplus HOS and sandwich class flats, thereby increasing the supply of small and medium sized flats and responding to public aspirations. The measures we take will certainly be in the long-term and overall interest of society. Thank you, President.

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): I am grateful to the large number of Members who have given much valuable advice and many suggestions on the three policy areas of labour affairs, manpower development and welfare services in the speeches they made in the Budget debate. After the delivery of the Budget, I have elaborated on various occasions to Members and the public the new initiatives introduced by the Government to increase the supply of residential places for the elderly and persons with disabilities, as well as to enhance the community support for the elderly, persons with disabilities and their carers. With respect to the protection of low-income working people, much work is presently being done and I understand the concern of Members about employment measures and poverty alleviation. I would like to respond to these now.

During the year 2010-2011, the recurrent expenditure of the Government on welfare and women's rights is \$39.7 billion, which takes up 17.3% of the overall recurrent expenditure of the Government, second only to education. The

increase of public expenditure in the above areas as compared to the previous financial year is \$1.7 billion, representing an increase of 4.6%. The expenditure on Comprehensive Social Security Assistance (CSSA) and Social Security Allowance Scheme, that is, Old Age Allowance and Disability Allowance is estimated to be \$27.5 billion, or more than \$75 million per day or 12% of the recurrent government expenditure. At present, 1.1 million elderly, frail, disabled, low-income and unemployed people are receiving assistance from these schemes.

With respect to social services, the Budget has proposed many measures with foresight in services rendered to the elderly and people with disabilities, in the hope of enhancing the supply of residential places and community support so that people in need are able to obtain more integrated and better care.

I understand the keen demand of elderly persons for subvented care-and-attention places. The Budget announced that additional resources will be injected to increase a total of 1 087 subvented residential care places, including 818 places in nursing homes. The number accounts for 37% of the total existing residential places of this type. I must stress that such an increase shows that our work in this respect is never insufficient or piecemeal, but it is genuinely and specifically targeted at easing the waiting time for frail elderly persons. It also shows the sincerity and commitment of the SAR Government in this regard.

In order to make elderly persons waiting for places in nursing homes to age in place, the prerequisite is of course to improve home care service. Therefore, we will continue to put in resources to increase the number of places for day-time elderly care services, and we will introduce a pilot scheme in home care service in the hope of enhancing home care service and adding new components like more rehabilitation training and personal care. We expect 510 elderly persons living in Kowloon will benefit from the three-year pilot scheme. This pilot scheme is an important step taken in perfecting matching facilities for ageing in place. Depending on the results of the pilot scheme, we will expand the scope of service to benefit more elderly people.

Many Members have expressed concern about relaxing the leave of absence from the territory restriction regarding Old Age Allowance. I have made an undertaking to complete the relevant review in the middle of this year and release the results as soon as possible.

Members are also concerned about the needs of persons with disabilities. This is understandable, and it is also a major area of work of the Labour and Welfare Bureau in the new financial year. During the next couple of years, we will increase 939 subvented residential care places. Compared to the past three years in which there was an increase of only 517 residential places, the increase is as much as 82%. Of these additional places, 490 will be provided by the two integrated rehabilitative service centres which are converted from the former Ma Tau Wei Girls' Home and the former South Kwai Chung Jockey Club Clinic. These two centres will be commissioned in the third quarter of this year. We fully understand the rather long waiting time for residential places for the severely disabled, hence the support for these people and their families and carers is particularly urgent. Therefore, more than half of these close to 1 000 additional residential places, that is, about 460 places, are for the severely disabled.

We understand the concern expressed by the Legislative Council and the rehabilitation sector, including persons with disabilities and their families, for enhanced quality of privately-run institutions for persons with disabilities. With respect to legislative work, we plan to introduce the Residential Care Homes (Persons with Disabilities) Bill before July this year for purposes of implementing a licensing system to regulate homes for persons with disabilities and ensure their service quality.

In line with the legislative proposal, we will launch a pilot scheme for bought places in residential care homes for persons with disabilities to encourage private homes to enhance their service quality to tie in with the setting up and implementation of a licensing system. This will also help the market develop various kinds of residential care services, thereby giving more options to persons with disabilities and to open up a new direction for the supply of residential places.

We fully understand the hardship experienced by severely physically handicapped persons, severely mentally handicapped persons and their families while waiting for subvented residential care places as they have to travel to and from district centres. In order to enable them to wait at ease in their community, we have introduced a trial home-based care and nursing service in Kwun Tong and Tuen Mun where there are more people on the waiting list. Under the scheme, carers, therapists and nurses will go to the clients' homes for personal

care, attention, treatment and rehabilitation training. This trial scheme lasting for three years will provide suitable home care service to 540 severely handicapped persons, hence easing the pressure exerted on them and their carers.

Some Members are especially concerned about work in promoting gender mainstreaming. I would like to give a brief response here. So far, more than 30 policy or work areas closely related to women have adopted the Gender Mainstreaming Checklist. The Women's Commission revised the Checklist last year and the Social Welfare Department (SWD) was the first one to use the new Checklist in its Victim Support Programme for victims of domestic violence. The SWD will provide subvention to non-governmental organizations (NGOs) for operating the Victim Support Programme. Under the Programme, emotional support and relevant information on judicial proceedings and social support services will be provided to victims of spouse battering and child abuse cases, particularly those undergoing judicial proceedings.

With the gradual recovery of the economy, employment in Hong Kong has been improving since the middle of last year. The unemployment rate has dropped to 4.4%. This is the latest figure for the quarter, that is, from January to March, released yesterday. It is the lowest figure ever since the fourth quarter of 2008. The Labour Department (LD) published about 66 000 vacancies in the private sector last month and the number was 65% more than that of February, and it was an increase of 31% compared to about 50 000 during the same period last year. With respect to the first quarter this year, the vacancies received by the LD are 17% more than those received at the same time last year, that is, an increase by 22 000 vacancies. It can be seen that the labour market in Hong Kong has become robust again.

Although job vacancies have increased, there is a lack of supply for certain work types in great demand. Job seekers with lower qualifications would find it hard to get a job. On the other hand, some jobs are not sought after. In order to cope with this mismatch and to make full use of the labour force in Hong Kong, the LD will launch a two-year Pilot Employment Navigator Programme under which 11 000 places will be provided each year. The Programme is expected to provide an incentive to release the latent labour force in our society. Under this Programme, a cash incentive of \$5,000 will be payable to each person who has worked for a continuous period of three months in a job paying not more

than \$6,500 after receiving the LD's intensive employment counselling and job matching services.

Some Members think that the Programme neglects people who found jobs in the open market by themselves. There are also Members who are worried that the Programme may be open to abuse. I would like to point out that the aim of the Programme is to help those who have difficulty in finding a job cultivate a habit for work and work continuously. When designing this Programme, the LD made reference to the experience of the existing Employment Programme for the Middle-aged and the Work Trial Scheme and put in place a mechanism to guard against abuse. These two programmes show more than 70% of the participants choose to remain in their original posts after working for three months. Also, the intensive employment counselling provided by the LD helps job seekers identify their needs and they are more willing to try jobs of various types. I am sure Members would agree that manpower resources are precious and when people are no longer unemployed, it would help their self-esteem, fostering harmony in society and reducing the burden on social security. Therefore, the Programme definitely serves a valuable function.

On youth employment, the existing Youth Pre-employment Training Programme (YPTP), the Youth Work Experience and Training Scheme (YWETS) and other youth employment services offer training, internship and support in self-employment to tens of thousands of young people. Take the YPTP and the YWETS as examples, after their services were enhanced and consolidated in August last year, 13 000 young people are now enrolled on these schemes which are greatly popular among the young people. This year we will launch a targeted employment programme for young people aged 15 to 24 and who have low educational qualifications and who are in need of special assistance because of emotional and behavioural problems or learning difficulties. The LD will through NGOs provide training and internship for 12 months to them. I would like to stress that the programme is not targeted at the ordinary non-engaged youth but those young people who have special difficulties in getting employed. We hope to offer them more help apart from the existing youth employment services and support.

The LD will set up a one-stop employment and services centre on a trial basis in Tin Shui Wai at the beginning of next year. This is meant to streamline,

integrate and enhance the employment, training and retraining services now provided by the LD, SWD and Employees Retraining Board. This pilot scheme will put into practice the recommendations made by the former Commission on Poverty (CoP) in enhancing employment support. We will brief the Manpower Panel later on the progress of the scheme and if it proves to be successful, we will consider extending this one-stop mode of service delivery to other districts.

With respect to the protection of labour rights, the year 2010 can be considered a crucial year in legislating on improvement of labour rights. Members know well that there are two important Bills and one of them is an Amendment Bill which seeks to criminalize the default of sums adjudicated by the Labour Tribunal. Deliberations on the Bill have been completed. This is a very complicated and important Bill and next Wednesday, that is, 28 April, the Second Reading of the Bill will be resumed. Also, Members are very concerned about the Minimum Wage Bill and deliberations on it are in full swing and on full throttle. Should all things go smoothly, it is hoped that it can be passed by the Legislative Council before it rises for the summer recess.

The legislation on minimum wage is a great result of negotiation among the Government, employers and employees. It is an important milestone in the protection of labour rights of the grassroots and it honours an important pledge made by the SAR Government of this term. In the future, we will take on the relevant work in a prudent manner and we will seek to strike a balance between the interests of employers and employees, as well as the interest of Hong Kong. We hope that all sectors across the community will work with a rational, pragmatic, tolerant and accommodating frame of mind to further minimum wage work in Hong Kong in a steady and sound manner.

In the speeches made in the debate, many Members are concerned about the issue of transport support. I wish to reiterate that the Labour and Welfare Bureau is studying the issue in a holistic, intensive and serious manner. The Census and Statistics Department will collect and analyse data on the mode of transport and related expenses among the low-income working people in Hong Kong for our reference. I hope Members will understand that drawing up some practicable measures to assist low-income working people to meet their transport expenses warrants a full-scale study on various proposals in terms of their objectives, positioning, matching measures and implementation mechanism, such

that the needs of potential beneficiaries can be met in a focused manner and an effective utilization of public resources achieved. We will complete this study by the end of this year and make some specific proposals then. The Financial Secretary has undertaken that sufficient resource deployment will be made in the light of the study findings.

Some Members are concerned about the issue of the divergence in income in their speeches made in the debate. They urge that the CoP be reinstated. I wish to emphasize that our primary task is alleviating poverty and easing the people's hardship, and we have never evaded these problems. We have put into practice most of the 53 recommendations made by the former CoP. For example, we will roll out the second phase plans under the Child Development Fund in the middle of this year. It is expected that 1 500 children would benefit. To narrow the digital divide, the Budget has also set aside \$500 million to facilitate Internet learning for students in need. A subsidy for Internet access charges will be granted in August at the soonest. These measures will help reduce inter-generational poverty. The inter-departmental Task Force on Poverty headed by me will follow up all the recommendations made by the former CoP.

Poverty alleviation is not something that can be achieved overnight. The solution to the problem at root lies in developing the economy, creating employment and investing in education. We will adopt a multi-pronged approach to ensure that protection will be given to the disadvantaged and that they can share the fruits of social and economic development.

Regarding the issue of narrowing the income gap, we will mainly work through taxation policy and increasing subsidized public services substantially in order to facilitate a shift in social benefits and hence achieve the result of redistribution of income.

It is common practice to measure poverty in terms of cash income of households. That is to say, if the cash income of members of a household is large in amount, the household would be regarded as well-off. However, the use of cash income alone cannot fully reflect the income of a household in real terms. In the case of household income in Hong Kong, if we rank the cash income of all households in Hong Kong in 2008 in 10 groups starting with the least in cash income, the group with the least income is the first group and it takes up 10% of the total households. In 2008, the average monthly cash income of that group is

\$2,800. After taking into account the transfer of benefits in the form of public services such as education, health care and housing provided by the Government, the average monthly income of this group will double to \$5,600. However, the 10th group, that is the richest 10% in Hong Kong, after deducting tax and the transfer of social benefits, its monthly income will reduce from \$102,900 by 8.7% to \$94,000. The effect of redistribution of wealth after tax and transfer of social benefits can thus be seen.

As a matter of fact, the continuous growth in the economy will result in improvement in the income of low-income people. Figures from the Census and Statistics Department show that the number of full-time employees with a monthly income of less than \$5,000 has reduced from about 146 400 in 2003 to 82 100 in 2009. The drop is as much as 44%. During the five-year period from 2004 to 2009, even though Hong Kong had weathered the economic downturn in 2009, in the last three 10% percentiles of full-time employees with the lowest income, there was still growth in real terms of 9.7%, 5.1% and 1.7% respectively. As the economy gradually improves, there is a drop in the number of CSSA recipients in recent months and the group showing a considerable drop in number is that of the unemployed.

Since 2008, the SAR Government has introduced measures totalling \$87.6 billion to cope with the financial tsunami and aiming at relieving the hardship of the people, creating employment and stimulating the economy. Add to this the one-off relief measures proposed in this Budget, we have used close to \$110 billion to this end. These are unusual moves taken during unusual times. Examples of these are providing an extra allowance to recipients of the CSSA Scheme and Social Security Allowance Scheme, providing an allowance for needy students to meet the expenses for the new school year, freezing government fees and charges related to people's livelihood, introducing short-term food assistance, as well as paying for the rents of public housing tenants. All these are effective measures in relieving people's burden and offering assistance to those in need. This shows that whenever the economic conditions become adverse, the Government is always ready to make active responses and tide over the difficult times with the people.

President, I so submit. Thank you.

PRESIDENT (in Cantonese): I now call upon the Financial Secretary to speak in reply.

FINANCIAL SECRETARY (in Cantonese): President, since the announcement of the Budget, Members and the public have expressed many valuable views on different occasions and through various channels, including the two-day debate last week. This year, Members have raised 3 194 written questions, which is an all-time high. This reflects the close attention given by Members to the Budget.

My colleagues have just responded in detail to the views on individual policy areas. As a concluding remark, I will now give a brief account of the latest economic situation and address from a macro perspective several issues of greater concern to the public.

Over the past few months, the external economic environment has continued to improve, with the pace of recovery in most Asian economies much more advanced than that in Europe and the United States. Economic growth on the Mainland is particularly impressive. Benefiting from the improvement in the external environment, the recovery of our economy is also gaining momentum. In the first two months of this year, the total export of goods has grown substantially by 23% year on year. The total value of merchandise export in recent months has almost returned to its level before the financial tsunami. Domestic demand has also further strengthened, reflecting a significant improvement in both consumer sentiment and business confidence compared with last year.

I am particularly pleased to see the continued improvement in the job market over the past few months. The unemployment rate has come down from its peak of 5.4% last year to 4.4% lately. Given the persistently high unemployment rates around the world, a drop of 1% in ours is really a hard-won accomplishment. We will continue to implement measures for the continuation of this improving trend. Besides, improvement in employment prospects is very important to boosting consumer confidence and is conducive to consolidating our economic recovery.

I remain cautiously optimistic about our economic prospects for this year. Judging from the latest situation, our economy will be quite buoyant in the first

quarter and the recovery will be on a steady uptrend in the first half of the year. Unless there is a serious relapse in the external environment causing a significant reversal in the second half of the year, our economy should be able to achieve the 4%-to-5% growth I forecast for the whole year.

However, we must remain highly vigilant against such uncertainties in the external environment as the pace of the exit strategies of various countries, the unemployment situation in Europe and the United States, the degree of restoration of the financial system in the United States, the debt crisis in Europe and the fluctuations in the foreign exchange market. Moreover, the European and the United States economies may have undergone fundamental structural changes, leading to a continuing slowdown in consumption growth in the medium-to-long term. International trade may also be affected by the ever-rising protectionist sentiments resulting from the persistently high unemployment rates in these countries. As such, we need to prepare for the future by tapping emerging markets with great potential and strengthening our economic ties with them. We have, together with the business sector, visited many emerging markets. In the past few months, I have also visited a number of countries in Southeast Asia. We will continue to step up our promotional efforts and visit more emerging economies to develop more new markets and make room for development for Hong Kong.

I notice that recently, there have been many discussions in the market on the implications of Renminbi (RMB) appreciation for Hong Kong. Our State leaders have reiterated on a number of occasions that RMB appreciation cannot resolve the trade deficit problem of the United States. Indeed, keeping the exchange rate of RMB stable is beneficial to China's economic development and global economic recovery. The Mainland will take forward reform in its RMB exchange rate regime in the light of the global economic situation and the development of the Mainland's domestic economy. I believe the Central Authorities will continue to improve the RMB exchange rate formation mechanism in a proactive, controllable and progressive manner, so as to avoid undue fluctuations.

As a matter of fact, since mid-2005, RMB has appreciated by over 20% against the US dollar in an orderly manner. In the interim, while some companies in Hong Kong have been subjected to greater pressure, our economy as a whole has adjusted rather well to these changes. We were not significantly affected during the period. In addition, the strengthening of RMB will also help

boost the spending of Mainland visitors in Hong Kong. That said, the drastic appreciation of RMB may undermine our export competitiveness and push up inflation. I will continue to monitor the situation.

As I pointed out in the Budget, I am deeply concerned about the impact of inflation on low-income earners. While the average inflation rate for this year is expected to remain at a comparatively low level, a stronger momentum of global economic recovery and a further rise in food prices resulting from climate change and exchange rate movements may lead to a rise in inflation later this year. This will impose a heavier burden on some low-income earners and those members of the public who have yet to benefit from our economic recovery.

To relieve the burden of members of the public, I have announced in the Budget a series of one-off measures, including paying two months' rent for public housing tenants, providing an extra month of Comprehensive Social Security Assistance allowance, Old Age Allowance and Disability Allowance, reducing salaries tax and tax under personal assessment, waiving rates and business registration fees for the whole year and providing an allowance to meet the expenses for the new school year. This will cost about \$20 billion. We will implement these measures as soon as possible and continue to closely monitor the relevant situation.

Since the announcement of the Budget, many related debates have focused on our measures to reduce the risk of forming a property bubble. Some members of the public have voiced their support and consider that the relevant measures have struck a proper balance between reducing the risk of forming a bubble and avoiding undue fluctuations in the property market while some others think that these measures should be strengthened.

I have pointed out in the Budget that the "quantitative-easing" policy adopted by many economies since the onset of the financial tsunami has increased global liquidity, resulting in a huge inflow of "hot money" into our financial system. Interest rates have also been kept at a low level that is rarely seen. On the other hand, over the past two years, the supply of residential flats lagging behind the demand, coupled with the gradual recovery of our economy, has led some people to worry about undersupply. This is also a key factor that has fuelled the increase in property prices.

In other words, the rise in property prices since last year is largely attributable to an environment with an extremely low interest rate, abundant liquidity and a relatively low supply of flats coinciding together. This can be said to be an exceptionally "unusual" situation resulting from the financial tsunami. That said, these short-term boosting factors will not last forever. As the global economy recovers, countries around the world will start exiting from their measures against the financial tsunami. Liquidity will be withdrawn and interest rates will reverse to a more normal level. When these short-term factors subside, it will pose downside risks to the property market.

I appeal to members of the public and small investors, in considering making investment in or purchasing a flat, to carefully assess the impact of future interest rate hikes on their ability to repay their mortgages. The stress tests we have conducted indicate that if the interest rate were to rise by 3% and return to a more normal level, the monthly mortgage payment would surge by 30%. Small investors should assess their own capabilities and their present and future incomes, including the stability of their jobs, before making what is possibly the biggest investment decision in their lives.

Clear and stable public policies are instrumental to the healthy and stable development of the property market. To manage the risk of forming a property bubble caused by short-term boosting factors, what we should do is to direct our efforts to curb speculative activities, increase market transparency, prevent excessive borrowing resulting from low interest rates and introduce improvement measures to increase the supply. What we should not do is to disregard the risks posed by any changes in the short-term factors and rashly make fundamental changes to our well-established long-term policies and the role of the Government in the property market. This will increase the risk of public policies causing undue fluctuations to the market and we have strong reservations about this practice.

Nevertheless, I appreciate the public's concern about the drastic rise in property prices. We also recognize the need to reduce the risk of forming a property bubble to avoid impacting on the stability of the financial system and the recovery of the real economy. Therefore, we will closely monitor the property market and the overall economy and introduce timely and appropriate measures in a highly flexible manner to ensure the stable and healthy development of the property market in this "unusual" situation.

Since the announcement of the Budget, the upward momentum in the prices of residential properties in Hong Kong has tapered slightly in recent months, registering a drop from 2.5% in January this year to 1.1% in both February and March. The cumulative increase in the first quarter is about 5%. Property turnover fell from over 11 700 transactions in February to around 10 900 in March. The average turnover in the first quarter is 11 100 transactions a month, representing a surge of 20% over that in the fourth quarter last year.

On the ability to make mortgage payment, if we take the example of buying a flat with a saleable area of 45 sq m on a usual 20-year mortgage, the ratio of mortgage payment to the median household income of a private domestic household has climbed from 38% in the fourth quarter of last year to the preliminary figure of 42% in the first quarter of this year. While the figure is lower than the average of 53% for the past 20 years, this speedier rise is worrying. Small investors should pay particular attention to this.

Although the momentum in property prices has slowed down a bit in recent months, the increasing risk of forming a property bubble cannot be ignored. The measures in the Budget are being rolled out, but some of which, for example, increasing the supply, and so on, will take some time to produce their full effect. We will nonetheless strengthen our effort in rolling out these measures, so that they can promptly reduce the risk of forming a property bubble. I will give below a brief update on the four measures proposed in the Budget.

To curb speculation, the Budget has proposed that the rate of stamp duty on transactions of properties valued at more than \$20 million be increased to 4.25%. In addition, buyers of such properties will no longer be allowed to defer payment of stamp duty. These measures took effect on 1 April this year. We will closely monitor the trading of properties valued at or below \$20 million. If there is excessive speculation in the trading of these properties, I will consider extending the relevant measures to transactions of properties valued at or below \$20 million.

Furthermore, the Inland Revenue Department (IRD) will closely follow up all cases involving speculators profiting from property speculation and profits tax will be levied on the persons or companies earning profits arising from such transactions. The IRD maintains a huge database in which details of all property transactions are recorded. In order to identify cases of possible property

speculation, a computer program is run periodically to analyse the sale and purchase transactions in the database. The cases identified are then reviewed one by one by IRD officers who will consider whether or not any further follow-up action is necessary.

In 2008-2009, for example, excluding the cases with tax files maintained, over 13 000 suspected speculation cases were identified by the computer program and some 4 000 cases, after being reviewed by IRD officers, required further follow-up action. If it is proved that the cases involve speculation, the IRD will recover profits tax from the persons or companies concerned. The IRD will continue to actively track property transactions involving speculation and levy profits tax on profits arising from speculation, according to law.

To reduce the risk of forming a property bubble, we are committed to combating speculative activities. Over the past years, the Government has taken various measures to curb such activities. These measures include prohibiting subsale, imposing restrictions on the target groups for the sale of uncompleted residential flats and requiring developers to put up for sale all flats within a certain period of time. We will continue to closely monitor market developments. Where necessary, we will consider reinstating appropriate measures to ensure the healthy and stable development of the property market.

Second, the Budget has proposed to strengthen the regulation of the sale of first-hand, uncompleted private residential properties to ensure transparency in property sales and transaction prices. I have taken note of the calls in society for property transactions to be conducted more fairly and with greater transparency of the relevant information. In addition, sanctions should be applied to those who take advantage of misinformation.

Over the past two years, the Transport and Housing Bureau has strengthened the regulation of the sale of first-hand, uncompleted residential properties through the Consent Scheme of the Lands Department (LandsD) and the guidelines issued by the Real Estate Developers Association of Hong Kong (REDA). These measures have, to a certain extent, helped buyers ascertain the information on the properties and property transactions, thereby protecting the interest of consumers.

To address comprehensively the public's concern about the sales arrangements for and the dissemination of pricing and transaction information on first-hand private residential properties, the Transport and Housing Bureau has requested the REDA to issue new guidelines on nine proposals. The proposals include:

- (a) Developers should duly observe the REDA's guidelines in selling all uncompleted and completed first-hand private residential properties;
- (b) Developers should provide on-site units within the development for the public to visit when selling completed first-hand residential properties;
- (c) Developers should indicate, at the same time when making public the transaction information under the existing "five-day disclosure rule" on transactions, those transactions involving members of the Board of the developers concerned and their immediate family members;
- (d) Show flats have to comply with a list of requirements, including the requirement that there should be at least one show flat showing the same conditions of the actual flat to be handed over to buyers upon completion in respect of internal partitions, fittings and finishes, and complimentary appliances;
- (e) More units should be included in the first price list. For small-scale development, the minimum number of units to be included is 30 units or 30% of the total number of units available for sale, whichever is the higher. For large-scale development, the minimum number of units to be included is 50 units or 50% of the total number of units available for sale, whichever is the higher;
- (f) The requirement for making public the sales brochures should be advanced from the existing 24 hours prior to the commencement of sale to seven days prior to the commencement of sale;

- (g) Developers, in selling any number of units to whichever parties, should make public the price list at least three days in advance of the commencement of sale;
- (h) Promotional materials of the development should clearly provide the location at which the development is situated and the address of the development; and
- (i) Developers should concurrently upload the sales brochures and all the price lists onto their websites.

The Transport and Housing Bureau aims to implement these new measures with the REDA within the next few months. We will closely monitor the effectiveness of these measures. Should they be proved to be ineffective, we will not rule out the possibility of introducing legislative regulation.

The third aspect is about curbing excessive borrowing. Last October, the Hong Kong Monetary Authority (HKMA) issued guidelines to banks, lowering the loan-to-value ratio for mortgages on properties valued at \$20 million or above. Banks are also required to process mortgage loan applications prudently. Over the past few months, the HKMA has been monitoring the mortgage-lending activities of the banks closely. Between June and September last year when the property market was buoyant, an average of around 10 700 new mortgage loans was recorded per month. The number has subsequently declined from a monthly average of 9 600 in the fourth quarter last year to about 7 800 in the first two months of this year. The HKMA is now conducting a new round of on-site examination of banks' lending practices for residential mortgage loans to ensure that they are taking prudent monitoring measures.

The HKMA is actively considering the inclusion of mortgage data in the positive credit-data-sharing arrangement. This measure will help banks access more comprehensive credit information for more effective management of credit risks. It will also help prevent over-borrowing on the part of borrowers. Moreover, customers with greater financial strength will find it easier to obtain loans on more favourable terms. In view of the subprime mortgage-lending problem exposed by the recent global financial crisis and the present abnormal situation in which interest rates are extremely low, we should not overlook the risk of over-borrowing by customers in buying properties. The HKMA is now

studying with the Office of the Privacy Commissioner for Personal Data and the Consumer Council how privacy and other related issues can be properly addressed. I hope all the relevant issues can soon be resolved to make way for the early availability of positive credit data on mortgage loans.

Lastly, on increasing the supply of flats, the latest forecast is that there will be some 55 000 first-hand private residential units in supply in the next three to four years. They include flats which are available for sale, under construction but not yet available for pre-sale and those of which the construction can start anytime. In addition, there will be a further supply of 3 500 units in the coming few months when a number of residential sites are granted and turned into "disposed sites" or have their tendering procedures completed.

I wish to reiterate that the existing market-driven Application List System for the sale of government land is still an effective mechanism to ensure the stable and healthy development of the property market. Since the end of last year, three residential sites in Tai Po and Tseung Kwan O have been sold through the Application List System. Another two large residential sites in Tung Chung and Fanling triggered from the Application List will be put up for auction on 11 May and 24 May respectively. They will provide a total of 2 550 or so units. These auctions reflect that the Application List System can, in accordance with market needs, supply residential flats effectively, including small and medium-sized ones.

The Budget has proposed that depending on market conditions, the Government will put up six designated urban residential sites on the Application List for 2010-2011 for sale by auction or tender in the coming two years if they have not been triggered. To demonstrate our determination to increase the supply, we have decided to hold two auctions in June and July this year to sell the sites located respectively at Ex-Valley Road Estate Phase 2 in Homantin in Kowloon and Mount Nicholson Road on Hong Kong Island. We estimate that the sites will provide a total of approximately 1 200 residential units. Further details will be announced shortly by the LandsD.

In other words, we will hold four auctions in the next three months to provide more land to the market for constructing various kinds of housing units. We will continue to closely monitor the situation and, depending on market conditions, make available the remaining four sites in the market.

The Budget also proposes to make available the former Yuen Long Estate site in the market as a pilot project to increase the supply of small and medium-sized flats. The Government is now preparing the conditions for the land sale concerned and the tendering exercise is expected to be commenced early next year. We will also continue to liaise with the MTR Corporation Limited and the Urban Renewal Authority to increase the supply of small and medium-sized residential flats in their West Rail property development projects and urban renewal projects.

In short, over the next three to four years, there will be a supply of 58 500 first-hand private residential units in the market. This figure has not yet included the 4 800 units to be made available under the Home Ownership Scheme of the Hong Kong Housing Authority and the Sandwich Class Housing Scheme of the Hong Kong Housing Society, the 3 750 units to be provided at the four sites to be auctioned shortly, as I mentioned just now, and the flats to be provided by the pilot project involving the former Yuen Long Estate site. These additional flats will help meet the public's aspiration for buying homes. We will continue to provide the land needed in the light of market conditions.

I must stress that the Government is highly concerned about the rising trend of property prices. There is no question about our determination to prevent the property market from "overheating". The Government and the regulatory bodies will continue to closely monitor the situation and take further measures if necessary.

A number of Members have expressed their wish to extend the application period of the Special Loan Guarantee Scheme (SLGS). Launched at the end of 2008, the SLGS aims to counter the credit crunch triggered by the global financial crisis. So far, loans totalling \$74 billion have been approved by banks, benefiting over 17 000 enterprises and helping to preserve jobs for 300 000 employees. The SLGS has played a positive role in supporting enterprises and preserving employment.

Recently, our economic conditions have improved significantly and the credit crunch has been alleviated. I consider that it is now time to let the credit market resume its normal operation step by step. Taking into consideration that enterprises need some time to consolidate their businesses during the early stage of economic recovery, I have decided to extend for the last time the application

period of the SLGS for six months to the end of December this year. The existing SME Loan Guarantee Scheme will continue to operate and provide appropriate support to small and medium enterprises.

Some Members have remarked that the Budget provides no long-term planning and strategies for economic development, particularly for the development of industries. There are also views that the proposed measures are inadequate. I wish to point out that the Budget has put forward specific proposals on how the directions set out in the policy address can be complemented, with a view to promoting the sustained development of our economy. In the face of globalization, Hong Kong can no longer adopt a low-cost strategy. If we want to get ahead of the game, we must complement the development of our country by transforming Hong Kong into a high value-added, knowledge-based economy.

To this end, we will fully capitalize on the "China advantage" and promote regional co-operation through supporting the formulation of the National 12th Five-Year Plan (FYP), fostering co-operation between Guangdong, Hong Kong and Macao and boosting exchanges with Taiwan. To strengthen our co-operation with Guangdong, we signed earlier this month the Framework Agreement on Hong Kong/Guangdong Co-operation with the Guangdong Province, witnessed by the State leaders. The Framework Agreement is the first agenda on Hong Kong-Guangdong co-operation ever endorsed by the State Council, setting out clearly the positioning for Hong Kong-Guangdong co-operation. It also translates the macro policies of the Outline of the Plan for the Reform and Development of the Pearl River Delta (2008-2020) into concrete measures, with a view to incorporating the related initiatives into the FYP.

We also established the Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council this month to further enhance senior-level exchanges between Hong Kong and Taiwan. At the corporate level, the Hong Kong-Taiwan Business Co-operation Committee comprising members of the local commercial sector and Taiwan businessmen in Hong Kong was also set up on the same day to promote co-operation and exchanges between Hong Kong and Taiwan in the areas of trade, investment, tourism, and so on. The establishment of these platforms marks a milestone in regional co-operation. We will make good use of these new platforms to take forward the relevant work.

In addition, we will continue to invest in cross-boundary infrastructure to strengthen our links with the Mainland and neighbouring regions. Construction works for the Hong Kong-Zhuhai-Macao Main Bridge, site formation works for the new cruise terminal and the works for the Hong Kong section of the Guangzhou-Shenzhen-Hong Kong Express Rail Link have commenced. In this financial year, we will start the works for the Kai Tak Cruise Terminal Building and the related ancillary facilities. Including other works projects, the capital works expenditure for each of the next few years will be at an all-time high level of over \$50 billion. These projects will not only enhance the competitiveness of Hong Kong, but will also create employment opportunities and promote economic development.

While trying to meet the overall needs of our nation's development, we will capitalize on the unique advantage of our financial services industry to develop offshore RMB business and boost our status as an asset management centre and a global financial centre that attracts capital and talent from within and outside China. In February this year, the HKMA issued a circular to banks on the supervisory principles and operational arrangements regarding RMB business, providing greater flexibility and scope for developing RMB business. I hope the industry concerned can grasp this opportunity and bring RMB business in Hong Kong to a new level.

On the development of industries, our development strategies are crystal clear. Under the principle of "market leads, government facilitates", the Government will provide the necessary support in such areas as land resources, human capital and incentives to facilitate under the market mechanism the development of the four pillar industries and the six industries with clear advantages. The Budget has proposed a number of specific measures for complementary purpose and these measures have already been rolled out.

The measures for revitalizing industrial buildings formally implemented since 1 April this year will release a large amount of land resources to support the development of various industries. A dedicated team has been set up in the LandsD to process centrally the related applications. At the same time, as we have noticed it, some cultural and creative industry bodies based in industrial buildings worry that their operation may be immediately affected during the transitional period when the revitalization measures are first rolled out. To ease their worries and provide them with assistance, the Government is actively

liaising with those owners of industrial buildings who intend to convert their premises. We encourage them to fulfil their corporate social responsibility and lease the converted units in their industrial buildings at concessionary rents during this transitional period, so as to provide support to the local cultural and creative industry bodies and individuals having the need to find new places for operation upon the implementation of the new measures.

I have announced in the Budget that the Government will take the lead in the revitalization of industrial buildings and consider relocating some government offices and facilities to old industrial buildings in which wholesale conversion can be carried out. Up till now, departments such as the Buildings Department and the Water Supplies Department have already indicated their support for this proposal. We will continue to follow up with these departments.

Moreover, the sites reserved by the Government for the development of medical services and education services are gradually being put on the market. Regarding private hospitals, we have received a total of 30 submissions in the expression-of-interest exercise on the development of private hospitals at the four reserved sites. The response is encouraging. Of these submissions, 21 are from local parties, seven from overseas parties and the remaining two from joint partnerships of local and overseas parties. We will formulate the relevant land disposal arrangements in the next few months, with a view to disposing the sites as soon as possible for the development of private hospitals.

Regarding education services, we have reserved six sites for development purpose. In March this year, we put up three sites for application by interested institutions under the Land Grant Scheme. At the end of this year, we will also invite expressions of interest from institutions to develop the site at the former Queen's Hill Camp. Depending on market conditions, we will consider making available the remaining two sites at the end of the year or later.

Furthermore, last month, the Hong Kong Council for Testing and Certification submitted an industry development plan. Apart from proposing a package of recommendations to promote the overall development of the testing and certification industry, it also recommended to focus efforts on developing four trades, namely, the Chinese medicine trade, the construction material trade, the food trade and the jewellery trade, and examine the potential of two emerging industries, namely the environmental protection industry and the information and

communications technology industry, for a further development of their testing and certification services.

Concerning the innovation and technology industry, this month, the Government launched the Research and Development Cash Rebate Scheme. We will also develop the Hong Kong Science Park Phase 3, focusing on the development of renewable energy and environmental technology. To promote creative industries, in addition to the \$300-million CreateSmart Initiative launched last year, last month, the Government invited proposals from the public on converting the former Hollywood Road Police Married Quarters into a landmark centre for promoting creative industries. As regards green economy, the Government is undertaking preparatory work for the setting up of the \$300-million Pilot Green Transport Fund to foster the development of innovative green technologies in Hong Kong.

On the one hand, our strategy is to provide an environment conducive to the development of industries to facilitate their diversification. On the other hand, we will leverage on the advantage of being a "big market" to bring market forces into full play, thereby promoting the development of industries. Ultimately, the scope and mode of development of industries will rely on their joint efforts and those of all the market participants and be decided in the most efficient manner under the market mechanism.

Some Members have remarked that the Budget only introduces one-off relief measures and lacks long-term planning for improving people's livelihood and alleviating poverty. I disagree with this view. In the Budget, I have already proposed short-, medium- and long-term strategies to address the poverty problem. In the short term, the one-off relief measures worth about \$20 billion as proposed in the Budget are targeted at alleviating the imminent burden to be faced by members of the public who have yet to benefit from the economic recovery and help them tide over the difficult times.

In the medium term, we must improve our personal quality through education and training to meet the challenges brought by globalization and enhance social mobility. In the Budget, I have proposed a number of measures to nurture talents and strengthen manpower training. They include enhancing after-school support and facilitating Internet learning for needy students, fostering the development of higher education by launching the fifth round of the Matching

Grant Scheme, injecting funds in the Language Fund and enhancing the employment services for young people with special employment difficulties and the unemployed. Many of these measures were suggested by various sectors of the community during the Budget consultation period and they indeed can provide the necessary assistance to members of the public, with the aim of encouraging self-advancement on the part of the aided persons through education and training, thereby escaping poverty.

In the long term, the best way for us to resolve the poverty problem is to promote economic growth and opportunities for wealth creation in the community. I have already talked about the strategies and measures for economic development, such as closer regional co-operation, investing in infrastructure and supporting the development of industries. We are committed to developing our economy, in order to provide opportunities for all the members of the public, particularly low-income earners, to create wealth and improve their standard of living.

We can see that between 2004 and 2008 when our economy was on an upturn, the number of low-income earners decreased and the income levels generally improved. More recently, after the financial tsunami began to subside, our economy resumed positive growth in the fourth quarter of last year. We see in parallel a general improvement in the income of the public at the end of last year. The wage index measuring the income of non-managerial staff, having declined for three consecutive quarters, rose by 0.8% year on year in late 2009. The average monthly salary for some low-skilled jobs even recorded a year-on-year increase of 2% to 4%. In fact, nearly 60% of companies indicated last December that their employees' wages had increased. This represented a substantial rise of 17% over last September and was the highest ratio since September 2008. All these figures show that economic booms can benefit a majority of the public, including the grassroots.

I wish to highlight that we do not rely solely on economic development to resolve the poverty problem. We promote economic development to create opportunities for the public to improve their livelihood. On the other hand, we also invest heavily in education and training to provide opportunities for members of the public to free themselves from poverty. As to the disadvantaged and people in difficulties, we provide them with a basic safety net through spending in areas such as housing, health care and social welfare. In times of economic

downturn, we will also introduce short-term relief measures to help them tide over their difficulties. We adopt a multi-pronged strategy, taking into account the short-, medium- and long-term needs.

As a matter of fact, the Government's recurrent expenditure reaches around \$230 billion in 2010-2011. This represents an increase of more than 15% over the recurrent expenditure three years ago. Of these recurrent, long-term resources, 56% will be used in education, health and social welfare services to provide a safety net for the disadvantaged and the grassroots and improve the public's standard of living.

The measures proposed in the Budget cover a wide range of areas. They include enhancing after-school support and facilitating Internet learning for needy students, improving public health care services (for example, those provided for cancer, cataract and renal patients), strengthening the training of nurses and expanding the Drug Formulary, strengthening primary care services and increasing the support services for the elderly, persons with disabilities, patients with mental illness, victims of domestic violence and job seekers. Last month, we announced measures to help students attending special schools extend their education. These measures will improve the lives of the public and benefit people from different classes.

I wish to reiterate that the Government has the determination and commitment to improve people's livelihood and alleviate poverty. Certainly, our work in this regard will not be limited to that set out in the Budget. In future, there is a lot of work for us to do. This includes legislating for a minimum wage, reforming the health care financing arrangements, introducing a competition law and reducing the burden of travel expenses on the working poor. We will continue to work with various sectors of the community and Members of this Council to build a caring society in Hong Kong.

Some Members are of the view that the Government has huge fiscal reserves, so more resources should be invested in projects for alleviating poverty and promoting economic development. First of all, I must clearly point out that we will commit our resources where necessary. In no circumstances will we sacrifice any essential projects, including those for improving people's livelihood and the economy which I have just mentioned, for the purpose of increasing our reserves.

During my three-year tenure of office, government expenditure has increased by over \$80 billion from about \$230 billion to over \$310 billion in 2010-2011, registering a rise of more than 35%, and the increase is much larger than the 5.7% nominal growth in the Gross Domestic Product (GDP) over the same period. In 2010-2011, I will still draw on the fiscal reserves to make up the Budget deficit of over \$25 billion to achieve the goal of consolidating recovery, developing our economy and building a caring society.

In the long run, the Government aims to maintain an adequate level of fiscal reserves. The meaning of the term "adequate" is to be determined by judgment. It is one of the factors for my consideration that our reserves must be able to provide sufficient resources to meet liabilities not provided for and cope with the pressure imposed on government finances by economic downturns, unforeseen events or changes in social structure. The five fiscal deficits occurred in the six years starting from 1998-1999 as a result of the Asian financial crisis has reduced our reserves by about \$200 billion. In a globalized economy and with the advance in technology, economic fluctuations and crises will become increasingly destructive. Without adequate reserves, Hong Kong will not be able to stabilize the economy and relieve the difficulties of the public in times of economic downturn.

Apart from providing a buffer, the fiscal reserves can also generate a significant investment income. It is a relatively stable source of revenue providing resources for us to invest in economic and livelihood projects. In 2010-2011, for example, our fiscal reserves are expected to generate an income of around \$30 billion, equivalent to about 75% of salaries tax revenue or approximately 40% of profits tax revenue. This is a sizeable income, without which, the Government will have to consider adopting other measures which may not be welcomed by members of the public and may even add to the burden of our next generation. Besides, we must also take into consideration that an adequate level of reserves can help the Exchange Fund maintain the stability of Hong Kong's monetary and financial systems.

According to the Medium Range Forecast, at the end of March in 2015, the fiscal reserves will be reduced to a level equivalent to 15 months of government expenditure or 21.7% of our GDP. This level of reserves is on the low side compared with the levels since the establishment of the Hong Kong Special

Administrative Region in 1997, which range from 14 to 28 months of government expenditure, or approximately between 22% and 35% of our GDP.

To conclude, I will commit our resources where necessary to essential projects for improving people's livelihood and the economy. On the other hand, I will maintain adequate fiscal reserves and adhere to the principles of prudent management of public finances and keeping expenditure within the limits of revenues to ensure that the reserves can meet the challenges ahead.

President, it is never easy to promote economic development and deal with issues related to people's livelihood. As our economy is highly developed, it is neither appropriate nor possible for us to sustain a rapid economic growth. However, with the development of society, the issue of resource allocation will very often cause many controversies, giving rise to grievances and complaints. To break this "zero-sum game" impasse, we need to explore new growth areas and foster a co-operative spirit to support the socially active "third sector" in seeking solutions to social problems through tripartite collaboration between the community, the business sector and the Government but not through the effort of just any one of them.

We have heard many views from the community on the Budget since its announcement. Some of them are positive, some critical while some contain concrete suggestions. We may find some of the criticisms acute and some remarks vehement. However, no matter whether they indicate support or otherwise, I am sure they have been made with strong affection for Hong Kong and the desire for prosperity and progress. In this sense, our goal is the same. While the Budget cannot respond to all the aspirations of the public, I am confident that we can definitely promote the prosperity and progress of Hong Kong with the spirit of co-operation and our affection for this place.

I wish to thank Members and various sectors of the community again for advancing their valuable views on the Budget. I hope Members will support the Appropriation Bill 2010.

Thank you, President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Appropriation Bill 2010 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.

(Members raised their hands)

Ms Emily LAU rose to claim a division.

PRESIDENT (in Cantonese): Ms Emily LAU has claimed a division. The division bell will ring for three minutes, after which the division will begin.

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.

Dr Raymond HO, Mr CHAN Kam-lam, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Kong-wah, Mr LAU Wong-fat, Ms Miriam LAU, Mr TAM Yiu-chung, Mr Abraham SHEK, Ms LI Fung-ying, Mr Vincent FANG, Mr WONG Kwok-hing, Dr Joseph LEE, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr CHEUNG Hok-ming, Mr CHIM Pui-chung, Prof Patrick LAU, Ms Starry LEE, Dr LAM Tai-fai, Mr CHAN Hak-kan, Mr Paul CHAN, Mr CHAN Kin-por, Dr Priscilla LEUNG, Dr LEUNG Ka-lau, Mr WONG Kwok-kin, Mr IP Kwok-him, Mrs Regina IP, Dr PAN Pey-chyou, Mr Paul TSE and Dr Samson TAM voted for the motion.

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Dr Margaret NG, Mr CHEUNG Man-kwong, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr Ronny TONG, Mr KAM Nai-wai, Ms Cyd HO, Mr CHEUNG Kwok-che and Mr WONG Sing-chi voted against the motion.

THE PRESIDENT, Mr Jasper TSANG, did not cast any vote.

THE PRESIDENT announced that there were 49 Members present, 32 were in favour of the motion and 16 against it. Since the question was agreed by a majority of the Members present, he therefore declared that the motion was passed.

CLERK (in Cantonese): Appropriation Bill 2010.

Council went into Committee.

Committee Stage

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

APPROPRIATION BILL 2010

CHAIRMAN (in Cantonese): In accordance with Rule 68 of the Rules of Procedure, the Council will consider the schedule first.

I now propose the following question to you and that is: That the sums for the following heads stand part of the schedule.

CLERK (in Cantonese): Heads 21 to 28, 30, 31, 33, 37, 39, 42, 44 to 49, 51, 53, 55, 59, 60, 62, 63, 72, 74, 76, 78, 79, 80, 82, 90, 91, 92, 94, 95, 96, 100, 106, 112,

114, 116, 118, 120, 121, 136 to 140, 142, 143, 147, 148, 151, 152, 155, 159, 160, 162, 166, 168, 169, 170, 173, 174, 180, 181, 184, 186, 188, 190 and 194.

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 sums for the heads stated stand part of the schedule. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

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

CLERK (in Cantonese): Head 70.

MS AUDREY EU (in Cantonese): Chairman, I move that head 70 be reduced by \$5,940,000 in respect of subhead 000.

Chairman, this is about the existing Capital Investment Entrant Scheme. Chairman, I wish to state from the outset that I do not object to people coming to Hong Kong through a business migrants scheme. This is because everyone — be they Hong Kong people or other people — have the right to choose the place they want to emigrate and many places do offer some methods or programmes allowing some people to settle there. This applies especially to Hong Kong, a place with great freedom, the rule of law and where reason prevails. Although

there may be problems like environmental pollution, many people from the Mainland would like to come to Hong Kong, for they like the freedom and the rule of law here. Of course, we welcome their coming here through various schemes. But why do I propose this reduction? Chairman, this is because the design of the existing Capital Investment Entrant Scheme is in fact a distortion of the demands in the market so much that wealthy people, especially the developers, will only become wealthier. The Scheme in fact benefits only this group of people, not in the interest of the public at all.

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

Deputy Chairman, what I wish to address is that the existing policy has not been amended to make it in line with the changes of the times. Therefore, we have pointed out in this Council many times that it should be amended. Both Ronny TONG and I have done so many times. But the Government seems to be deaf to our appeals. So we wish to give Honourable colleagues an opportunity to debate on this by seeking to amend the Budget and we also hope that the Government will revise this Scheme as soon as possible.

Deputy President, last month when the Government responded to questions raised by Members in the Finance Committee, it produced some figures. Over the past four years, the number of applications approved under the Capital Investment Entrant Scheme is 380 cases in 2006, 822 cases in 2007, 1 547 cases in 2008, and 2 606 cases in 2009. It can be seen that more and more people are coming to Hong Kong under this Scheme. A total of \$40.1 billion was attracted to Hong Kong and \$11.7 billion of this went into the property market, taking up 29% of the total investment made. The amount is next to the money put into the stock market, which is \$19.2 billion. Of course, there are other investment methods like Collective Investment Scheme and certificates of deposits. But these methods are not as attractive as that offered by real estate.

If we look back at 2008, we would find that \$3.2 billion was invested in the property market and \$3 billion of this was used to buy residential properties. In 2009, the amount increased to \$5.6 billion, and \$5.26 billion of this was used to buy residential properties. The rate of increase was as large as 75%. In a matter of just two years, the amount of money involved was \$8.8 billion,

accounting for 75% of the money invested in real estate under the Scheme which amounted to \$11.7 billion in the six years since the Scheme came into force. From this we can see that the surge during the past two years is as explosive as a volcanic eruption.

The Government gave us a letter explaining why it opposed a reduction in this or a review of it. Actually, the Government has said before that if we look at those figures again, we will find that they only take up 1% of the total turnover in the real estate market and they have a very small impact on property prices. Therefore, the Government is saying that most applicants investing in real estate would hold these properties over a long period of time and they do not speculate on them. Hence, the impact is minimal. But this is only a deceptive argument. Let us look at these figures again. The 1% which the Government talks about is actually a figure against the background of turnover from 2004 to 2009 and it cannot reflect the latest trend accurately. Nor can it reflect the situation I talk about just now of what has been happening over the past two years and which can be described as a volcanic eruption.

Besides, the figures are arrived at by calculating the real estate sector as a whole. But in retrospect, we will find that these business migrants have come here to buy some higher priced flats and these may even be luxurious flats. If we refer to a survey done by an estate agency, the Centaline, we will find that insofar as luxurious flats with a price tag of \$12 million or above are concerned, Mainland buyers take up 18%. This shows that mainlanders take part in the business migrants scheme by buying luxurious flats. The people of Hong Kong know very well that those speculators will eye a certain niche in the market before they go about with their speculative activities. So if they can see that this business migrants scheme can attract mainlanders to come here to buy luxurious flats, they will definitely speculate on these luxurious flats. This also emboldens people and they will venture into the market. This is because they think some people will snap up their flats. So if we look at the property market, we will find that the trend is always the luxurious flats taking the lead, followed by medium priced flats, and finally by low priced flats or those affordable to ordinary members of the public. As there is that engine of growth in the form of luxurious flats, the people of Hong Kong will have to bear with surging property prices.

In its letter to us, the Government also says that there are views that the Scheme should be amended to allow investors who invest in trades conducive to enhancing the overall competitiveness of Hong Kong to come here for settlement. The Government says that it has already got a General Employment Policy in place for entrepreneurs to come to Hong Kong to start businesses. But through this channel of coming here to establish or join business in Hong Kong, the applicants have to overcome many hurdles actually. They should have in the first place a good education background, then they need a Hong Kong resident to act as a guarantor, then there should be a detailed two-year investment plan proving that it will make significant contribution to the Hong Kong economy. If an applicant makes an application under this policy, he or she has to undergo a "2-2-3" arrangement and that is, he or she has to stay for two years, then apply for an extension. The applicant has to apply for an extension for three years after staying here for two years. Then he will have to normally reside in Hong Kong for no less than seven years before he can get the right of abode in the Hong Kong SAR.

Meanwhile, under the Capital Investment Entrant Scheme, an applicant after obtaining an approval in principle can come here as a visitor and live here for three months, then he or she can show proof that he or she is actively engaging in investment activities in Hong Kong. Then his or her visitor status may be extended for three months. Put simply, if only the applicant can succeed in buying luxurious flats or financial products within six months, the applicant can stay in Hong Kong. Provided that the properties or financial products they hold will not be used in speculative activities, they can become permanent residents of Hong Kong after seven years. So this is a much easier path to take.

When this Scheme was launched in 2003, it was at the time of the SARS outbreak and as we know, the property market needed something to prop it up and this Scheme precisely served that purpose. Now this is no longer necessary for our property market is Members can hear from the speech made by the Financial Secretary just now and also see from the Budget debate held last week that the property market is having enormous impacts on Hong Kong people. LEE Wing-tat will propose an amendment later requiring that the salary of Secretary Eva CHENG be reduced. Now the Government retains this Scheme which permits entrance to Hong Kong by buying a flat worth \$6.5 million and it refuses to conduct any review. This is adding fuel to the fire.

Deputy Chairman, other business migrants schemes overseas are unlike ours in Hong Kong. In Australia, the main investment item is some non-negotiable and irredeemable government bonds. In Canada, the main investment item is some non-negotiable, non-interest-bearing government promissory notes. In the United Kingdom, the main investment item is government bonds or share capital or loan capital of some companies with active business. In Singapore, applicants under the business migrants scheme may buy properties but they must be for the applicants' own use and their value cannot exceed half of the total investment made and applicants are also required to have business experience of more than three years.

For a period of time in the past, many Honourable colleagues in this Council have raised many questions of this sort. Up to now, I can see that the Government has taken on board views on increasing insurance products and more options in this area are offered. But for views on other areas, we do not know why it always refuses to accept them, especially those regarding the property market. This is actually affecting the general public because the investment made may stimulate the property market. Even from the perspective of the Government, though the amount of money is only 1%, it should not have been there in the first place. For apart from developers who stand to benefit, we fail to see what good it brings to the general public, not at all.

Dr Priscilla LEUNG suggested raising the amount from \$6.5 million to \$10 million, but it cannot solve the problem at root. It will only provide an excuse to push property prices even higher. So this is not a good idea. Dr LAM Tai-fai also raised a similar question when he spoke last week. Actually, many residential developments do not have to be marketed in Hong Kong now. They can attract a lot of potential business migrants if they are marketed on the Mainland. Seeing this, the people of Hong Kong get enraged because they do not see why the Government has done nothing to change this state of affairs despite its full awareness of its existence. The Security Panel of this Council has received letters from the public on this. I am sure other Members must have also got a letter like me from a Ms LAM. She raised some queries and asked us to tell the Government to do more on this. I have replied her by e-mail, telling her that we have said this many times but the Government seems to be unable to hear anything concerning these problems.

I said from the outset that we agree with the business migrants scheme and there is no question about it. We offer many investment options and they are more than just the stocks and Islamic bonds. We talk about developing social enterprises, the six industries with clear advantages and about developing the recycling of electronic waste. Then can factories be set up in Hong Kong for recycling of electronic waste? Technology is needed. So the development of the six major industries can attract foreign investors to come here and provided that they have the technology and the capital, they can come here for investment. We have just heard the Government say that it is intent on developing the six major industries. So this, while being beneficial to the public interest of Hong Kong, would dovetail with our economic development, but why does the Government only let developers enjoy the benefit and permit applicants to come here as business migrants when they have bought a flat worth \$6.5 million? Why can the Government not use the experience and capital of these applicants on something we need? Many funds can be set up in Hong Kong to develop say, movie-making, culture and environmental protection, or even football.

There is no reason why the Hong Kong Government is as barren in creativity as to only require an applicant to buy a flat worth \$6.5 million. It is not that there are not enough people in Hong Kong. If the people of Hong Kong stop buying flats, property prices would become affordable. We may think that it may sound sensible to attract people to come here to buy property as during the time of 2003, but today after all these years when it is now 2010, why can the Government not review this? Deputy Chairman, if the Government fails to do anything about it, it will only intensify the distrust of the people of the Government and they are more convinced that there is collusion between business and the Government. If this Scheme is not amended, the people will only see that certain people will always stand to benefit. If the Scheme is amended, they will not see any harm this may bring. For the people on the Mainland or those from other places, if they are unable to become business migrants to Hong Kong by using \$6.5 million to buy properties but they may have other means to create employment or help our industries develop, why can the Government not open up other channels for them? When we refer to figures for the past two years, we can see the rise in property prices, then why does the Government have to insist that the amount of capital put into the property market by these business migrants only takes up 1% of the total turnover in the property market? Anyone who is familiar with the affairs in Hong Kong will know that this argument does not hold.

So Deputy Chairman, I hope that Honourable colleagues will not let themselves affected by political differences and concentrate on the problems of this Scheme. Since the problems are there, the funding for it should be reduced and this will not affect the business migrants scheme at all.

Ms Audrey EU moved the following motion:

"RESOLVED that head 70 be reduced by \$5,940,000 in respect of subhead 000."

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

MR RONNY TONG (in Cantonese): Deputy Chairman, during the times of the TUNG Chee-hwa administration, someone once said that the property market was the lifeline of the Hong Kong economy and it must never be touched. Deputy Chairman, we do not subscribe to this view at all. That Hong Kong is an international financial centre as it is now owes to the fact that our economy is already very diversified and it needs rely on the property market for impetus. I think often the Government would use this theory to defend for the developers. It is in fact siding with them and helping them cheat. For Hong Kong people, buying a flat is an important decision to make and for many of them, their goal in life is to buy a flat that will enable them to live and work happily. And this may well be the greatest investment in their life, too. If there are distortions in the property market, the SAR Government should do its best to roll out measures to cope with the situation.

Deputy Chairman, the Civic Party has made many suggestions regarding the Budget this year in the hope that certain shortcomings in the property market of Hong Kong can be corrected. I am very glad that some of these suggestions have been accepted by the Financial Secretary such as those concerning stamp duty and withholding tax payment. However, on our suggestion about business migrants, unfortunately, the Financial Secretary has not given any reply.

In the speech made by the Financial Secretary earlier, great lengths are devoted to discussing the risk of a bubble forming in the property market. Obviously, the Financial Secretary is aware of the existence of this risk, but he

has not exerted his best to curb the emergence of a bubble in the property market. Deputy Chairman, the most important market that we refer to is not that of luxury flats with the highest prices. Ms Audrey EU has said that business migrants would aim at some high-price flats, but that is not necessarily the case. Maybe I will illustrate this point with some figures or examples later. Actually, flats that are most affected are those with a price tag of some \$6 million to \$7 million, or even above. This segment of the property market has the greatest impact on middle-class people like us, especially the professionals. There is also some trickle-down effect accounting for the rise in prices of flats with a lower price.

Deputy Chairman, I do not know if you would still recall that recently a couple who were professionals vented their grievances on the radio that although they are a medical doctor and a lawyer, they could not afford a home. Deputy Chairman, this is a most worrying trend. And the overall situation of our own country is also heading to worrying proportions. If Members read the newspapers, they will learn that the Mainland is now rolling out some very stringent measures to curb transactions in property, especially those of a speculative nature. Such measures would be very effective in countries where their systems are very different from those of Hong Kong and some instant effects can be seen. What are these effects? I would think that more people from the Mainland would hope that Hong Kong can become an ideal place for them to engage in property speculation. I think this is bound to happen very soon.

Deputy Chairman, let me cite another very simple example. Some estate agencies in a bid to meet the needs of Mainland clients organized group tours for prospective business migrants to view flats during the Labour Day golden week. It is scary to see people in these tour groups, for the members would bring in box after box of cash to buy flats, like buying groceries in a market. There was a buyer from Shenzhen who bought a flat on a high floor through an estate agency. The area of that flat was 903 sq ft and he paid \$7 million for it. And there was a buyer from Zhanjiang, Guangdong who bought a flat with an area of 901 sq ft through an estate agency at a price of \$7.12 million. At this time when responses are so overwhelming, the developers have said straightforward that other such tours would be organized during the Labour Day golden week this year and similar group tours would continue to be organized. Some newspapers have interviewed the mainlanders coming here to view flats who said directly that they wanted to buy flats to qualify for the business migrants scheme. We can

just imagine that the kind of investment they make will have a direct impact on the chances of Hong Kong people buying their homes.

A more serious problem is that since we have a business migrants scheme, then should applicants under it be allowed only to buy flats? I do not think so at all. If we look at overseas examples, we can find Canada a good one. The Canadian Government would require an applicant to submit a detailed plan on creating employment before his application is considered. What then is the difference? Deputy Chairman, the first one is these business plans which can create employment are investments of a longer term, not speculative in nature. After a speculative investor succeeded in applying for immigrant status, he or she will not have to work hard in Hong Kong and make investment commitments. This is the most important thing. Second, if the employment creation plan submitted can ease our employment problem, it would really serve to make concrete contribution to our economy. If people just take part in some bubble-like speculations in properties, some sort of deceptive signs in our economy may be seen and people are misled into believing that the economy has turned better. When more people buy flats, property prices will remain high. Those who already own properties would not worry about their homes becoming negative equity assets. But Deputy Chairman, this is only an illusion, for such activities do not help our economy so much and they do not inject any momentum directly to our labour market or job market. So I think the concept behind the business migrant scheme is not sound at all.

Also, we can see from some figures Ms Audrey EU has just talked about some figures provided by the Government. And we can refer to some more specific figures on that. Under this policy, the number of applications of a general employment nature was some 24 000 in 2006, and some 21 000 applications were approved. But in 2009, the number of applications dropped to 22 000 and the number of approvals also dropped to 20 000. The rate of the drop in applications from 2006 to 2009 is 21.8% and the number of approvals also dropped by 20.7%. In other words, the number of applications that can really create employment has been falling all the time and, in comparison, what is the situation of applications based on capital investments such as buying properties? It only numbered 800 in 2006, and the number of approvals was 380; but four years later, that is, in 2009, the number of applications received surged to 3 391. So the number of applications rose from 800 to 3 391. As for the approvals given, they rose from 380 to 2 606. These figures tell us in a

simple but forceful manner that if given a choice, these applicants under the business migrants scheme would prefer some projects that are simpler and faster and can make quick money. They will not choose some projects that require a longer time and those which require them to make commitment to boosting the Hong Kong economy. Given such a choice, many people will choose to buy flats in order to back up their applications. They will not think about an investment plan that will bring genuine benefit to the Hong Kong economy and really produce results to improve the employment situation here. These figures show that it is wrong to adopt a policy that permits property purchase as a part of the business migrants scheme.

Deputy Chairman, I need not trace back to things in 2006 or before and discuss whether this is part of the scheme that should be considered. Now there are serious warning signs of a bubble forming in the property market. In such circumstances, I think that the SAR Government should undertake a serious review of the existing scheme. The Government should examine whether any changes can be made so that the option to invest in properties can be removed. This will enable the scheme to focus on the original goal, that is, to attract foreign capital to ease the employment problem here and drive the development of our economy in a concrete way, instead of producing bubbles and illusions.

Deputy Chairman, I think there are actually some merits in this scheme, but they are overshadowed by the demerits. This problem must be addressed squarely. The Government may say, the money involved may not be that much. Earlier on, Ms Audrey EU cited some figures from the Government and they show that the amount of money involved only accounts for 1% of the total turnover in properties. But behind this 1%, apart from the unfair proportions which Ms EU has talked about, we should consider the fact that this percentage includes the impact on the transactions of commercial properties and up-market properties. The impact of this percentage is very substantial indeed on that segment of the market which includes flats with a price of \$6 million to \$7 million mentioned by me just now. This is because investments are targeted on this bracket, that is, flats in this price range. So I think that this 1% would be misleading and people would think that we are still very safe.

Deputy Chairman, I am convinced that this scheme must be given a full review. I do not think that it is a good way to discuss the issue in the way we

are doing now, that is, to urge that funding under this item in the Budget be removed. But unfortunately, in this Council, the attention of the authorities, even that of the public, is not drawn to certain issues of enormous import. So we cannot help but resort to this method of proposing amendments. Deputy Chairman, I think that the method is questionable, but the issue behind it is significant. I hope Honourable colleagues will consider whether or not to support this amendment by looking at the central issue behind it. Thank you, Deputy Chairman.

MR LEE WING-TAT (in Cantonese): Deputy Chairman, actually, this policy touches on a yet greater area in the population policy of Hong Kong, that is, apart from the daily quota of 150 immigrants coming here on grounds of family union, we also have a business migrants scheme and an admission of talents and professionals scheme. The Democratic Party has all along been thinking that despite the fact that we are bound by a giant framework in the form of the Basic Law, the Hong Kong Government should have greater autonomy and liberty with respect to business migrants and the admission of talents and professionals.

This is because, as we all know, ever since the popularity of the so-called free flow of capital and talents, or globalization, if any country can adopt policies in this regard and hold a liberal attitude, this will benefit the increase in the number of talents in that country as well as its national strength. I have always said to my friends that I do not know if the Americans are really that great. What I am saying is that I do not know if the American people are that capable and smart. I really do not know. But there is one thing at which they are most adept and that is, they do like to take in talents. So when compared to other countries like Japan, it can be seen that the latter are very narrow-minded in the eligibility criteria in the admission of talents into the country. Therefore, sometimes when I chat with friends, I would predict that within 30 years, the national strength of Japan will stay in a non-growing position because it imposes great limitations on the admission of talents from all over the world.

Therefore, the Democratic Party holds a rather positive attitude with respect to business migrants — I do not mean "questions" although the word may sound like "migrants" in Cantonese — that is, with respect to the obtaining of the right of abode by foreign people through investments in Hong Kong and the

admission of talents into the territory. Insofar as the overall direction is concerned, the question remains: how should this be carried out in terms of policy?

Of course, we are not talking about professionals now. With respect to the policy regarding professionals, we think that it can be made more liberal and there can be more professionals for us to choose from. However, with respect to the form of business migrants, we think that there are a lot of workable ways. First, it is like the current practice, that is, it is quite free and does not have too many restrictions. Another way is that, as some members of the public have discussed it before and that is, since these people want to invest in Hong Kong, they should be required to run businesses here. For example, they may be required to hire 10 workers or that they should start businesses in a specified trade, such as environmental protection, film-making or some other labour-intensive trades. They should then come under some sort of regulation. We in the Democratic Party have discussed the suitable ways of the latter category.

Certainly, this can work in terms of policy, but what would be the results after it is put into practice? It will be that those who do not know about say, the design trade, will have to choose it. Or those who know very little about certain specified trades will not choose Hong Kong for capital investment. So in the long run, would it benefit Hong Kong? This warrants discussion. In other words, the more the regulations, the greater restrictions will be placed on those who want to take some money to invest in Hong Kong in order to get the right of abode. So basically, we do not have much to say against the present arrangements. Only that we hope that there can be some way with fewer restrictions to facilitate the inflow of capital.

What we are discussing now is that there are a certain number of business migrants from the Mainland who love to get the right of abode in Hong Kong by buying properties here. We can see that in the first method mentioned, where few restrictions are imposed and which is the easiest way to get the right of abode here, is buying securities funds or buying flats. This is because these people can spend that sum of money without having to consider running what kind of business. It is the easiest option for the majority of business migrants.

Much information shows that due to this reason, 48% of the business migrants put their money in the stock market and 29% put their money in the real

estate market. Of course, the amount of investment required would result in more money going to the transactions of certain kinds of properties, hence pushing up the turnover. But as we have discussed within the Democratic Party, we are not sure if this accounts for factors blowing up the bubble in the property market. I can only say that this will work indirectly such that more capital is put into this process of bubble-forming. My analysis is that a bubble has already formed — the main reason is that supply is far too small. But the Government does not think so, it only says that bubbles will be formed. This is a simple principle in economics. Nothing can alter the expectations of people in the market, unless there is a marked increase in supply.

Over the one month or more since the Budget was delivered, I have said to the Financial Secretary, the Secretary for Transport and Housing and the Director of Lands that the biggest problem now is that they have not changed market anticipations. Is the Under Secretary responsible for financial services in attendance now? If she can tell me that the price of gold will certainly rise tomorrow, there is no reason why I will not borrow money now to buy gold. Market anticipations are vital in changing any market participation behaviour. This applies to speculators, developers or members of the public who want to buy a home. They are all affected. If every person, including those who want to buy a flat for self-occupation, thinks that according to market anticipations, the supply of flats in the latter half of the year will likewise be scanty, then property prices will rise and the present rate of increase in property prices will be considered as not excessive.

The Financial Secretary put it very well earlier that property prices had risen by 5% during the first quarter and the rate of return was not bad. If we put \$1 million into a bank, we cannot even get 1% of interest. But there was 5% during the first quarter. Add to this the leverage effect, then there will be a return rate of 15%. This is how it is worked out by our common sense. Wow, it is 5% in the first quarter and it means 20% in one year. When the leverage effect is added, it will mean a rate of return as high as 80% for one year. So why should I not buy a flat?

I do not buy one because I really do not have the money. If, within one or two months after the Financial Secretary's announcement of these measures, the market anticipations are not altered, then the fact is market players, like speculators, developers and members of the public all think that property prices

will still rise. Then it will prove that the measures on property prices adopted by the authorities have failed. The reason for failure is not that no restrictions are imposed on this business migrant policy — though we should discuss that as well. But that is not the most important point. The reason for failure is that there is not enough supply or that there is no attempt to employ other financial instruments for regulation. The Financial Secretary has asked whether or not confirmor sales should be banned. But will a ban imposed on confirmor sales curb this rise in property prices? I have great reservations about that. I still hold on to the basics, and that is, it is only when supply is increased by a great margin that market anticipations can change.

If the people know that the present situation is not what we are saying, that there are only 55 000 new flats in the next five years — that is, as the Financial Secretary said, there would be only some 10 000 new flats a year, then they would never know that supply is so tight, that it is fewer by a few thousand flats than the average number of 20 000 new flats per year over the past decade. If I were a developer, when I have some new residential developments for sale, why should I not mark up the prices like the development in Tai Wai to \$8,000 or \$9,000 per sq ft, or the one on First Street to \$17,000 per sq ft? If I were a developer, I would also do that, for after all, developers are not there to do charity.

But if I tell Members that there will be only 15 000 flats for this year, but they should not panic, for there will be 25 000 flats next year, and there will be 25 000 flats the year after next, and that we may even put up these development projects for sale in the market sooner, such that the supply of uncompleted flats will increase more quickly. In that event, we should just wait for one more year and there will be more development projects for us to choose. Then we can wait for one more year.

But sorry, Deputy Chairman, the measures taken by the Government during the past couple of months are not enough to alter market anticipations. The developers are grinning and they do not follow these measures at all. The speculators continue with their speculations. The Financial Secretary deliberately did not tell us that figure. But the fact is the number of confirmor sales has increased. Although the rise is not sharp, we all know that there is a rise. This is because we know that during that period of time conditions were so favourable to confirmor sales, and so why not? The people are worried, and in

fact everyone is worried, that if they do not buy a flat now, the price at the end of this year will be much higher.

So Deputy Chairman, with respect to this amendment by Ms Audrey EU, I am not saying we will oppose it completely and necessarily. I would think that some thorough discussion can be held to discuss whether this method is the best one to avert speculations and the so-called market anticipations. I do not think it is. I would think that there is no other solution than pumping up the supply. This includes increasing land for private residential developments, the supply of private-sector flats and the supply of HOS flats. With respect to this, I can say that the Government has done close to nothing. So after listening to the speech by the Financial Secretary, I do not think I need to say anything more and I do not have to ask the Deputy Chairman or any Honourable colleague for their views. There is no reason why the Democratic Party should support this Budget.

About this kind of business migrants, some people have suggested to me before that they should be barred from buying flats of certain prices or they should be barred from buying local properties. Of course, this is a method. I said to SHIH Wing-ching who raised this view when he debated with me that of course he could say that, but as we know, buying a flat in Hong Kong needed not necessarily be done through a person, it can be bought by a company or a company registered in BVI. Having said that, I do not know if a person can get the right of abode in Hong Kong by making investments that way. Or can a flat be bought through an agent? I think we have to attend to the fine details in this issue. My worry is that once this way is used, some sort of result is expected, but the result cannot be readily seen.

I think a point made by Ronny TONG just now merits discussion. It is about the amount. Honestly, this sum of \$6.5 million, sorry, is in fact not a sizable sum these days because there are too many flats valued at this price. A flat in Tai Wai can be as expensive as \$8,000 to \$9,000 per sq ft, or even \$10,000 per sq ft. If someone wants to buy a flat of 700 to 1 000 sq ft, he has to pay \$10 million. So there are more and more people in Hong Kong who own a flat worth \$10 million. I therefore agree with Honourable colleagues and Ronny TONG who ask whether or not the sum should be discussed or a review of that sum be conducted. If we let these potential migrants buy flats, should we

require them to buy flats of a higher price so that there can be a difference between what they buy and what other Hong Kong people buy? But I have another view, that even if these people are separated from the other Hong Kong people, when the price of luxury flats rises to a certain level, flats at the medium to low price ranges will also be affected. But it would be good to at least separate these people from the rest of the Hong Kong people.

Finally, Deputy Chairman, I wish to say that we agree that a full review of this practice be conducted because this policy has been in place for some time and we do not know if it is effective. As some Honourable colleagues have said, we should see if there are any specific trades or any other forms of investment that can achieve some social goals that merit consideration. Our position remains open on that.

What we in the Democratic Party feel to be a big headache is we have not had a full analysis on this issue because it would be a review of a big scale. So it is hard for us to support this amendment. But still we put forward our views on that for we hope the Government can approach the problem seriously and make amendments and conduct a review as it has caused concern in the public.

There are some signs that we can see. Although these may not come under this policy, as I said in the last debate, some inaccurate messages are sent to our Mainland compatriots as they are encouraged to come here to buy properties. A director of Cheung Kong Holdings has talked about the development called Festival City. He said that a businessman from Mongolia was talking with him about buying a block of building from him, but the transaction of that block of building has not yet been completed even to date. Then matters like this are in fact Under Secretary, this is no business of yours, and it does not fall into this policy area but there are lots of such things and they make people think that developers are doing things way over board. Put it bluntly, it is criminal offence for people to cheat on the weight of things bought in a market, like vegetables and barbecued pork. It is a fine on the first offence and a prison term for repeated offenders. Developers in Hong Kong are floating false news and selling flats with deceptive measurements, but they are never prosecuted. How could this world be so absurd? I really cannot find anything more absurd than that.

When the people see all this kind of things, they will develop hatred for that. This may not be something that comes under the scope of this policy, but the overall impression one gets is one of outrage. We hope that the authorities will conduct a review of that not because of policy needs but because they can see that people are cheated by developers in all sorts of unscrupulous ways. These developers are not only making reasonable profits, but they are also cheating, stealing and luring people into scams. When the people see these, they will never want to accept them. So I hope that the Under Secretary will not think that we will agree to all these, because we still have reservations about a lot of things. But today, we feel it necessary to call on the authorities to review that. Thank you, Deputy Chairman.

MR FREDERICK FUNG (in Cantonese): I think this amendment involves three issues. First, Mainland residents hope to obtain the right of abode in Hong Kong through investment. Second, as rightly pointed out by Ms Audrey EU, the scheme has been in operation for many years, and we can observe the trend that many applications are based on property investments. And, since residential units are also a basic necessity of people apart from being mere commodities, such investments have impacted on Hong Kong people's livelihood and led to housing problems. Third, there is a point that was not mentioned by any Member speaking before me. I think the Accountability System for Principal Officials will also be affected, leading to the question of who should bear the responsibility. The present amendment proposes to delete the total annual salaries of the 13 staff members of the task force in the Other Visas and Permits Section of Immigration Department responsible for vetting applications under the Capital Investment Entrant Scheme. But why should all these staff members be held responsible? This is open to discussion.

I shall now give my views one by one. I do not know what kinds of mainlanders want to come as capital investment entrants, nor have I done any studies on this. However, this reminds me of my personal experience. In the 1970s, I went to England for my studies. I could not make any capital investments as a student, so during the summer holidays, or practically every day, including Saturdays and Sundays, I must work in order to earn some meagre income to meet my living expenses. Some fellow students of mine were also Hong Kong people. They were really something, for they bought residential units for self-occupation immediately upon arrival. Since they had money, they could of course buy residential properties. After three years, I was heavily in

debt because I had gone there for my studies with merely £2,000. How about them? They succeeded in graduating by the time they left, and not only this, they even returned to Hong Kong with several thousand pounds because they managed to sell their properties for profits after holding them for three years. This form of investments might have enabled them to get money for their tuition fees and save rental costs. The reason is that while I had to pay rent, they did not have to do so because they had bought their own residential properties.

Capital investment entrants come from a variety of background, and they may not necessarily be engaged in speculative activities. Some of them may only want to get the right of abode, so that they can apply for a Hong Kong passport for travelling to other countries. Others like to live in Hong Kong and love the freedom here, but they may not want to set up any business in Hong Kong. In some cases, the father may even remain in the Mainland to run his business while the wife and the children come to live in Hong Kong. As for how the family members of capital investment entrants live in Hong Kong after their arrival, we really have no way of knowing. In such cases, I reckon that normally and naturally, a person who has come with several million dollars as a capital investment entrant will want to find the safest forms of investment for his money. What are the safest forms of investment? I do not know because I do not make any investment myself. However, in the context of Hong Kong over all these years, people will most immediately think of stocks and properties as the safest and most profitable vehicles investment.

Some people may not really know how to make investments. Therefore, if they are forbidden to invest in properties and only allowed to establish cafes like those social enterprises operated by Frederick FUNG If they are required to establish 100 cafes, there will be great problems. If they do not know how to establish cafes, what are they going to do? The establishment of a factory may offer jobs to 100 workers. But if they do not know how to establish factories, what are they going to do? If capital investments are rigidly confined to certain areas, and if people are required not only to make a one-off investment but also to actually run their businesses, there will be difficulties, because they may not know how to run any businesses. We must not think that Mainland academics nowadays are poor. As far as I know, Mainland universities are also engaged in various businesses these days, and the professors responsible for running such businesses are offered bonuses. That is why Mainland professors

may even be richer than us. If such professors want to migrate to Hong Kong, what is to be done? What I mean is that since we do not know the backgrounds of capital investment entrants, we must not confine their investments to any specific areas. Is such a practice reasonable to capital investment entrants? Some people do not want to make any investment, do not want to engage in speculative activities and do not want to run any businesses. They only want to emigrate. But this practice cannot cater for the needs of such people.

Second, we have been saying that Hong Kong is a free market with the least intervention. I agree that the free market should be upheld, for it is Hong Kong's economic lifeline. But when I talk about housing later on at this meeting, I will point out that there should be a second market in Hong Kong. If we are talking only about the free market, I agree entirely that the Government should minimize its intervention, or should simply refrain from intervening. But if we talk about the second market, I think the Government should intervene and step in directly. Well, then, should the Government intervene in the free market? If we know clearly that it is a free market, especially a market of investment and speculative activities, I also agree that the Government should intervene as little as possible. Therefore, on these three areas, I do not quite agree with the several Civic Party Members in their suggestion about applicants must be required to invest in those industries or other areas that can create job opportunities. Should we instead allow capital investment entrants to freely choose their areas of investment on the basis of their personal knowledge? This is the theme of the first area.

As for the second area, I suppose it is not the topic of discussion today. But since things are interrelated, I must also mention it. However, I may not be able to fully express my views. I believe that further discussions can be held at the meetings of the Panel on Housing, or later on at this very meeting, when the reduction of appropriation for the Secretary for Transport and Housing is discussed. I have time and again said that property prices may be affected, but that the impacts will be confined to the high-priced and speculative markets. To me, housing is not only something belonging to the free market. Rather, I think it is actually the sides of the same biscuit. It is a commodity and at the same time — at the same time, I must stress — a necessity of people. As a commodity, it should be traded freely. There should be no intervention, and prices should be left to fluctuate. However, when it is a necessity of people, I

think the Government should not leave it to the market because in that case, there will be no need for any government. If the Government cannot even help people with their necessities, how can it still call itself a government? Therefore, in this regard, the Government must make direct and determined efforts to ensure that people do not need to face any housing problem. Whether housing quality is good is of course a separate issue. But there should not be any housing problem in the very first place, especially because Hong Kong is such an affluent society where the annual per capita income is more than US\$30,000. How can we allow anyone in Hong Kong to face any difficulties in securing basic housing? If there are no difficulties in securing basic housing, that is, if all people can have a dwelling place, I would think that there should be a second market where investments, speculation or price fluctuations will only produce very light impacts. There may be some impacts, but such impacts are so minimal that the second market is able to resolve people's difficulties in obtaining this basic necessity to satisfy their basic need in living. Some sort of channels may of course be provided to link up the second market and the primary market, but speculative activities in the latter must not be allowed to spill over to the former, and there must be no speculation in the second market because speculative activities will in effect render the second market useless. The proposal on revitalizing the secondary market of Home Ownership (HOS) flats will instead devitalize the secondary market. I therefore do not agree to this proposal.

Under such a situation, what we need to realize is that the faster prices in the free market rise, the greater will be the need for us to provide different tiers of HOS flats, especially when some people are not even able to enter the second market, that is, the HOS market (I even think that sandwich-class housing should be provided). If the market is stable, it will not be necessary to provide too many tiers of HOS flats because the faster the market rises, the bigger will be the sandwich class. When the sandwich-class people are unable to buy HOS flats, I will have to ask the Government why there should be such difficulties in securing housing. This is the principle underlying my views on housing. Under this principle, if housing properties are only a kind of commodities in a free and speculative market, I simply will not care, even if the price per sq ft goes up to \$10,000 or even \$100 million due to speculation. Anyone who has money can engage in speculation by all means. But when the property market collapses, they must not request any assistance from the Government because this is the problem and consequence of speculative activities.

However, we must ensure that in the free market, there are certain price levels at which anyone who can meet the income ceiling for HOS flats will not be rendered unable to buy the necessary commodities to satisfy their basic needs. Under such a situation, the Government's regulation of the market should not be regarded as intervention. If we still have any faith in the laws of supply and demand, we should increase supply and set down various conditions on the timing of flat sales and completion, the floor areas to be sold and even the volume of supply by stating, for example, 20 000, 30 000 or even 80 000 units will be supplied annually in the next five years. Afraid? If yes, the quantity may be reduced to 50 000, 30 000, 20 000 or 10 000 units a year. Actually, the volume of supply should be related to some sort of market game theory, rather than being determined rigidly at 85 000 units a year, as what Mr TUNG did. It was really a terrible policy, and he got sore legs as a result. Such is a classic example of how supply and demand are related to the market game theory. I look at the market from exactly this perspective, rather than saying that since capital investments account for 1% and produce such and such impacts on the market, it is necessary to conduct discussions and reviews, or that they have plunged our market into such a state, so there is a need for review. Owing to many uncertainties, I do not think that anyone should argue that investments have created housing problems. It is much too hasty to draw such a conclusion.

Owing to the time constraint, I must now discuss the third area, that is, the Accountability System for Principal Officials I am sorry that I have a sore throat. Why do I want to mention the accountability system? First, this present proposal involves 13 staff members of the Immigration Department. What kind of officers are all these staff members? To me, they are career civil servants. Their superiors assigned them to the new posts responsible for handling capital investment entrants, and they must obey. However, if the Legislative Council really says "no" to the appropriation, they may all be dismissed the following day or deployed to other posts. I often say that one's wife and children must not be punished for one's misdeeds. The Capital Investment Entrant Scheme itself is indeed open to discussions, but even if this policy is really very improper and someone must be held responsible, should the 13 staff members be made to bear the responsibility?

In 1998, shortly after Mr TUNG's assumption of office, the Hong Kong Association for Democracy and People's Livelihood (ADPL) recommended to

him that a ministerial system should be introduced in Hong Kong because the situation at that time was already different from that in the pre-1997 colonial era, when the Governor was appointed by Britain. We explained that even though the Chief Executive was returned by a coterie election, he still had an election platform and a governing team to translate his political platform into concrete policies. For this reason, we explained, the 100 000 or 200 000 civil servants must be turned into career civil officials. Whoever is in power, be him TUNG Chee-hwa, CHAN Chee-hwa, CHEUNG Chee-hwa, LI Chee-hwa or FUNG Chee-hwa, career civil officials should not be held responsible, because it is the governing team that administers Hong Kong. No matter what happens, all should be the responsibility of the Chief Executive, the Bureau Directors and even the Under Secretaries and Political Assistants, rather than that of career civil officials.

If we accept that all civil servants in Hong Kong are career civil officials, there is all the more reason for us to agree that they must have nothing to do with any policy decisions and political consequences. Civil servants must realize that the present system is different from that before 1997, in the sense that Bureau Directors are now responsible for policymaking. Career civil officials may offer advice, suggestions and reminders to Bureau Directors, and they may also provide Bureau Directors with various possible options, but ultimately, Bureau Directors are the ones who make choices. In that case, why should we delete the expenditure earmarked for paying the total annual salaries of the 13 staff members? Under the present Accountability System for Principal Officials I have very great disagreement with other pan-democrats because I think that civil servants are career civil officials who are not involved in politics and policymaking. Therefore, along this line, even if Members do not agree But the present situation is like this. The 13 staff members are innocent.

Initially, I thought it was a problem with the Financial Secretary or, maybe, the Secretary for Security because if it is a problem with the Security Bureau, the salaries of the Secretary for Security should be deducted. And, if the problem is with housing, the salaries of the Secretary for Transport and Housing should be deducted. I thought that there was a deduction of the salaries of the Financial Secretary or the Secretary for Transport and Housing. But I could not find any. Therefore, I think that given the accountability system, the 13 Immigration

Department staff members should not be made scapegoats. The relevant Bureau Directors must be held responsible. I therefore do not agree to the amendment relating to the three areas. Thank you, Deputy Chairman.

DR PRISCILLA LEUNG (in Cantonese): Deputy Chairman, the amendment under discussion involves the Capital Investment Entrant Scheme introduced by the Government in 2003. When the Scheme was put in place in 2003, the Administration requested applicants to each make an investment of \$6.5 million before they could come to Hong Kong for settlement. Years ago, \$6.5 million was a very large sum of money to Mainland people. I suppose this was the reason for the Government's decision of setting this amount.

At that time, the Government hoped that with the inflow of capital investment entrants, it could attract Mainland capitals and at the same time arrest the economic decline of Hong Kong following the SARS outbreak in 2003. I know many such Mainland professional talents and business people who are interested in using Hong Kong as their first stop of emigration. In some cases, the several generations of their families, that is, their entire extended families, are also interested. It is quite like what happened in the 1980s, when some places in the rich residential areas of California were home to people from Hong Kong with the same family names. Uncles, aunts and the generations before and after them all lived in the same area. I can notice the same trend these days, perhaps because Chinese people like to buy properties. Initially, they may not really want to engage in speculation. However, why do they prefer Hong Kong to Singapore as the first stop? Because the Chinese society in Hong Kong is really a blend of East and West, and it is also close to the Mainland. The emigrant families of Hong Kong, the so-called "astronaut families" in the past are quite similar to these families nowadays.

(THE CHAIRMAN resumed the Chair)

Recently, I have made friends with a person whose entire family — comprising the generation of grandparents, his own generation (the most active "breadwinners") and also his children who are still in high school — have immigrated to Hong Kong. They made three applications for immigration, each

on the strength of different capital investment amounts. From this, we can guess that apart from convenience, the factor of flexibility is also a reason for their interest in the status of Hong Kong Permanent Resident, because even after emigrating to the United States, they may still retain the status of Hong Kong Permanent Resident. This is permitted under the Basic Law. Although they hold a foreign passport, they may still apply for permanent residency in Hong Kong. I believe that to the new generations of Mainland people, especially entrepreneurs, the appeal of this status must be the convenience it offers, something that gives them free movement between both worlds. This indeed offers great appeal to them. Naturally, there is also the reason that Hong Kong upholds the market economy and allows the free flow of capital. Honestly, these people do not come to Hong Kong with the sole purpose of engaging in speculation. Rather, they also find that Hong Kong is most appealing in terms of freedom of investments and other aspects. That is why their children will also stay here. These children may study in local senior secondary schools or international schools, or they may go to the United States for studies. There are many such people. As rightly pointed out by Mr Frederick FUNG, some of these people are university scholars. Many of them have \$6.5 million because even their residences may each worth \$4 million or \$5 million. It is not at all difficult for them to make a capital investment of \$6.5 million.

This is quite like what happened in the 1980s. I can remember that at that time, any Hong Kong resident who had \$2 million could emigrate to New Zealand. After the passage of some two decades and as a result of currency depreciation, \$2 million is now a small sum of money. Over the past seven years, China's economic take-off has been faster than the imagination of anyone, thus making all these people cashed-up investors in both China and Hong Kong. They are really cashed-up investors, rather than speculators, because they all like to buy properties with cash. We know many such people. They do not like to take out any mortgage and borrow any money. Instead, they like to make purchases with hard cash. That being the case, should we restrict them in buying properties with cash as a form of investment? Is this a solution to the problem of soaring property prices in Hong Kong? I do not think so. I think Mainland people's property purchases in Hong Kong are only one of the reasons for soaring property prices. I maintain that Hong Kong should seek to preserve its own appeal and refrain from imposing too many restrictions on the free flow of capital.

Mainland people have a very strong ego. They think that they were looked down upon by Hong Kong people in the past. If such restrictions are imposed, they will not come here for investment and will instead turn to Taiwan or Singapore. Very certainly, this will affect not only the property market but also the retail trades and other industries. The consequences will be far beyond our imagination. I therefore think that if any review based on an "across-the-board" approach is conducted, one likely result may be the deletion of the category of capital investment entrants. I have reservation about this. Actually, Mainland people are not the only capital investment entrants. I also know many European friends who have immigrated to Hong Kong in this way. They invest in bonds. Or, they may simply buy properties because this is after all a form of investment that can better preserve capitals in Hong Kong. To these people, the property market of Hong Kong is quite appealing. Undeniably, and I agree, that property prices in Hong Kong have soared to levels that worry the ordinary masses, making them think that it is difficult to "buy their first homes". There are difficulties, but can the scrapping of the Capital Investment Entrant Scheme serve as the ultimate solution? Personally, I have very great reservation. I think that rather than being able to solve the problem once and for all, the scrapping of the Scheme will only ruin the inter-dependent segments of Hong Kong economy and those industries that have actual needs of such capitals.

I am therefore more on the side of being conservative. I agree that it is necessary to conduct a review. But the review should only focus on what I mentioned a moment ago, that is, the fact that \$6.5 million is no longer a large sum of money but just an amount that even an ordinary person can afford. It may be necessary to raise the amount by 20% to \$8 million, or \$10 million, or even a larger amount. But we must proceed step by step and must not do it "across the board", lest irreparable damage may result. Besides, men all have self-esteem. Hong Kong people who emigrate to other countries such as Canada and their friends and relatives there may have also faced the ostracism of the local people, because immigrants have caused rises in local property prices. In the case of some rich immigrants, their entire extended family may buy properties in the same community. I do not think that we can do anything about such a situation. We are not supposed to stop people from doing so. But how can we tackle the problem of high property prices in Hong Kong? As I mentioned during the Budget debate, the root cause of the problem is land supply. I even put forward the specific proposal that the Government should thoroughly and seriously consider the possibility of increasing the annual land supply by 20% to

30%. I have discussed this proposal with various real estate developers and professionals of this particular sector. They all think that this figure is "OK". They even think that lands should be designated for the construction of medium- and low-priced private residential properties, because they are still inside the sector and can create many different types of jobs. I therefore believe that once there is a stable supply of medium- and low-priced residential units, people or small investors who are simply not fit for property investment can be prevented from plunging into the property market in a woolly-minded way.

Speaking of medium- and low-priced residential units in Hong Kong, I must say that I have many friends whose properties belong exactly to this category, valued around \$8 million to \$10 million. Most of them will not put all the eggs in one basket, and they will buy one more residential unit for renting to others. In the past, they used to be conservative investors. But, today, 10 years down the line, why have they become high-risk investors all of a sudden? Actually, these people do not have any spare time. They do not have any time for monitoring the stock market frequently. Therefore, they will also purchase properties as a form of investment. But they may not always buy many properties. They may buy only one residential unit for renting to others, because they are worried about inflation in future. For example, a residential unit in the 1960s was just priced at something like \$20,000. But now, the price is \$2 million. One cannot know the conditions of the economy and inflation in the future. Therefore, there are always such people. I have talked to these people, and they have told me of their worry about the scrapping of such schemes or about the imposition of various conditions requiring capitals to be invested only in social enterprises, or even certain industries and charity funds. Actually, this may not necessarily help the middle classes. Rather, this may even ruin them. I therefore do not think that we should consider the matter in this direction. If we are to raise the threshold, I think it is possible to set a higher one. For example, considering their financial strength, we can actually set the threshold at \$20 million. Market surveys may also be conducted on how to reduce the incidence of buying in large quantities — cases where \$60 million is used to purchase 10 residential units each valued at \$6 million, \$8 million or \$10 million, for example.

I maintain that land supply is the crux of the problem. This is the first point. The second point is the need for reviewing the investment amount that I

mentioned just now. I remain convinced that we should "test the water" step by step. The third point, one which is also of central importance to me, is about the population policy. At present, rich people are not the only ones who move to Hong Kong from the Mainland. The situation is rather polarized, in the sense that even the poorest Mainland people also immigrate to Hong Kong. These immigrants need huge quantities of welfare services and housing. I must repeat this very same remark: the Government has turned in a blank answer sheet in terms of population policy, because under the present policy, we are not quite sure what we should do. We are discussing the property market. What should be the level of subsidized housing provision that can satisfy people's housing demand without ruining the property market? Such a question is necessary because the population policy is made up of many segments and closely related to the provision of welfare, education and health care services.

On the development of new towns, I think the Government should make efforts as soon as possible. That day, I also listened to the radio programme, in which a professional couple, a medical doctor and a lawyer, said that even they could not have the means to buy a residential unit. I wish to ask a number of questions here. I also know many young lawyers. Most of them live in the New Territories. In many cases, the first home bought by such a lawyer is located in Tai Po or Sha Tin. The properties they chose are not any deluxe housing units, and honestly, one needs not choose such a unit at the very beginning. In order to find out more about this problem, I have read some magazines on home purchase. Actually, it is not true to say that there are no medium- to low-priced listings in these magazines. Only that such units may be rather old in age or located in remote areas.

I also wish to disclose that I live in the New Territories, and I must commute to Central for work every day. When I first started working, I too liked to live in the New Territories, and I had to work in Kowloon at that time. Therefore, all is just a question of personal choice. I must therefore ask three questions here. Where are the properties to be purchased? What types and sizes of the units are we talking about? Are the buyers young people, and how long have they been working in society? We cannot jump to a conclusion simply on the basis that one is a lawyer and the other is a medical doctor. The reason is that this will affect not only property developers but also many middle-class people. And, many people who have already "bought their first homes" are similarly concerned about the Government's current policy. What I

have said is truly what I think, and I do not mean to say that we need not address the current problem. Rather, I wish to point out that it is all the more necessary for us to explore in which areas we should construct more medium- to low-priced housing units for "first-time" home buyers. The Government was very enterprising many years ago, and in places such as Sha Tin and Tsuen Wan, it constructed many housing units in both private residential buildings and also public housing estates.

Furthermore, we can predict that immigration to Hong Kong will not stop. Hong Kong is so attractive that both rich and poor people all flock to it. How should we tackle this problem, so that the conditions and interests of existing Hong Kong residents will not be affected? Therefore, the development of new towns is the definite direction. The Government should identify a large piece of land for the construction of public housing estates and provide the residents there with transport subsidy. Sufficient employment opportunities should be created to cope with the Government's annual immigration quota, and major government departments may also be relocated to the New Territories. I do not think that there are any problems, for the Government also did so when developing Tsuen Wan and Sha Tin many years ago. Sha Tin is now a quality living area with many public housing estates. We can instead rely on these areas as a means of support, rather than cramming all people in individual districts in response to requests for "*in-situ*" resettlement. This has actually led to huge grievances.

The Government must formulate long-term planning with enterprise and ample resources. There must be co-ordination among different Policy Bureaux. I believe that in this way, all problems in life — those relating to birth, ageing, sickness, death, clothing, food, accommodation, transportation, and even columbarium niches — can be solved. Nothing like the price of a columbarium niche going up to some \$100,000 or even several hundred thousand dollars will occur again. All these problems are caused by a lack of co-ordination. I hope that the Government can really formulate detailed planning and designate some new sites. And for the new land on the Application List, I have consulted Mr Abraham SHEK, who knows the situation well, asking him whether there will be a 20% increase after counting the 50 000 to 60 000 units. But he replied that the percentage was very low. What we ask for is just a stable supply every year. I believe that this can give people sufficient knowledge of what to expect, and they may thus refrain from buying properties in the meantime. Provided that there

are other policies to teach ordinary investors how to make investments, I actually do not mind introducing the present proposal of encouraging them to invest in the various industries. This is "OK", and I also think that the proposal should be implemented. The new capitals can best be used for increasing employment opportunities in Hong Kong, so that the development of the six major industries will not become mere empty talk. I agree that studies can be conducted in these directions. However, we must not scrap the Capital Investment Entrant Scheme. Rather, the Government should roll out other measures to support the overall planning and consider all factors together.

Therefore, I cannot agree to Ms Audrey EU's amendment. But I hope that the Government can really heed my advice. Right now, people are all panicking because of soaring property prices. But the efforts made by the Government are not vigorous enough. Even in the case of land supply, the 4.25% mentioned just now is hardly a strong deterrent for luxury apartments valued at \$20 million. Therefore, the Government should tackle the problem at root by increasing land supply and developing new towns to absorb new immigrants from all social strata and to protect the existing interests of Hong Kong people. It must not allow property prices to go up and down like a roller-coaster. Everybody now says that Hong Kong has reached the peak of the roller-coaster. They are therefore panicking. How the Government is going to bring forth a "soft landing" rather than a "hard landing" for the property market is also a very, very important matter. I hope that the Government can have the enterprise to maintain a sound property market, so that "ill-informed" buyers can be prevented from purchasing what may become negative equity assets and seeking help from us later on. The reason is that people are not conversant with investment. Therefore, in this regard (*The buzzer sounded*) The Government is duty-bound to formulate a sound policy

DEPUTY CHAIRMAN (in Cantonese): Dr LEUNG, time is up.

DR PRISCILLA LEUNG (in Cantonese): Thank you, Chairman.

MS MIRIAM LAU (in Cantonese): President, Ms Audrey EU's amendment today urges the Government to perfect the Capital Investment Entrant Scheme

(the Scheme), and she also expresses the hope that the Government can consider increasing the investment threshold under the Scheme. On 16 April, Ms Audrey EU issued a letter to every Member, trying to persuade us to support her amendment today. In this letter, she cites various views, trying to show that many political parties and groupings, including the Liberal Party, also have proposals similar to hers. I must first thank Ms EU for agreeing to the views of the Liberal Party in such a rare fashion.

Admittedly, the Liberal Party has been advocating the perfection of the Scheme, and we also agree that the current investment environment is different from that seven years ago. Therefore, after seven years of implementation, we think that the Government needs to review the existing Scheme. But this does not mean that we can support Ms Audrey EU's amendment today.

To begin with, Ms Audrey EU's amendment actually seeks to reduce head 70 by \$5.94 million in respect of subhead 000. This is in effect the same as deleting all the 13 Immigration Department (ImmD) staff responsible for operating the Scheme.

If Ms EU thinks that it is no longer necessary to implement the Scheme because it has already achieved its purpose and done a good job, I can understand her point. What I mean is that if it is no longer necessary to implement the Scheme, it will be better to delete the posts concerned instead of asking them to sit there idly. This viewpoint is still logical. But Ms EU obviously does not think that way. She has put forward many points. Besides requesting the Government to consider the idea of raising the investment threshold, she has made many other requests. First, she asks for a review of the types of investment projects in the direction of requiring investments in projects conducive to the long-term development of society, such as those that can create jobs, one example being the development of social enterprises. Second, she asks for investments in technological research, university research or recognized research funds. Third, she advocates investments in the company shares of enterprises engaged in the six major industries. Fourth, she requests the Government to foster the diversification and product development of the Hong Kong financial markets for the sake of achieving market stability. In other words, she thinks that a lot of work needs to be done, and she has also put forward many opinions and requests.

If she thinks that way, I frankly cannot understand. On the one hand, Ms EU wants to remove all the staff members of the task force of the ImmD responsible for the Scheme, but on the other, she raises many requests, telling the ImmD how it should reform the Scheme. In that case, how can the Scheme continue to operate? How can she suggest the removal or deletion of all the 13 members of the task force? Perhaps, she simply thinks that the Director of Immigration PEH Yun-lu should spare time from his tight schedule to do all the work.

The Liberal Party thinks the Scheme is quite successful. According to the statistics of the ImmD, just last year (2009), as many as 2 606 persons were issued an immigrant visa under the Scheme. This represents an increase of nearly 70% when compared with the 1 547 persons in the year before last (2008).

And, from the inception of the Scheme in October 2003 to 2009, nearly 6 000 persons (5 953, to be exact) made the investments required by the Scheme. The total amount of investments in Hong Kong stood at \$42 billion.

This shows that the Scheme is a very useful means of attracting capitals to Hong Kong. Its implementation must continue, and not only this, it must even be expanded. This is precisely why the Liberal Party thinks that certain concepts must be reviewed. The Liberal Party thinks that there is no free lunch on earth. One simply cannot ask others to do so many things, make so many improvements and expand the Scheme One simply cannot expect a starving horse to do a good job. The Liberal Party cannot agree to such idealism.

Chairman, Ms Audrey's amendment mentions that the hot money brought about by the Scheme has led to soaring property prices. It also pointed out that Hong Kong's investment projects focus too much on the stocks and realty markets, and this has intensified market speculation. She therefore urges the Government to review the types of investment projects under the Scheme and shift the focus to projects conducive to our long-term social development, such as the creation of employment, technological research and the six major industries. I have already mentioned this point.

By saying so, Ms Audrey EU seems to suggest She did not mention stocks when she spoke just now, but in her letter, she also criticizes that since

they will fan speculation, they are not desirable and must be removed. As for the property investments, she makes it very clear that they must be removed. And, she is not so clear on stocks. But she still thinks that it may be necessary to make some improvements by establishing more social enterprises rather than relying too much on stocks. From the standpoint of Hong Kong people, I simply think that this will ruin our own strength, tantamount to telling investors that while they should make investments in Hong Kong, they should not invest in our most important sector, that is, the financial, stocks and property sectors. To Hong Kong people, property investments are also very important. People frequently say that "bricks" are very important, but now they are going to tell others that they need not invest in these types of investment projects.

Regarding stocks, Hong Kong is a financial centre, and we are a top capital-raising centre in the world. Last year, our capital-raising amount was unrivalled in the world, standing at \$240 billion. The market worth of Hong Kong stocks was \$18,000 billion. Last year, the average daily turnover of the stocks exchange was \$62.3 billion, and stocks stamp duty constituted a major source of revenue to the Treasury.

And, needless to say, the Framework Agreement on Guangdong-Hong Kong Co-operation can also make us realize that as a financial centre, we in Hong Kong should seek to consolidate its leading position. We must therefore further promote Hong Kong's financial and stocks sector, and encourage both the Mainland and other countries to invest more in the stocks market of this financial centre of ours.

Chairman, Ms EU also thinks that many capital investment entrants have chosen to invest in the property market, thus leading to the problem of soaring property prices that we are facing. She lays all the blame on those who buy properties under the Scheme. Actually, according to those statistics which have already been mentioned, the money spent by capital investment entrants on buying properties only accounts for 1% of the total transaction of the property market.

We note that the Chief Executive of the Hong Kong Monetary Authority, Norman CHAN, once disclosed that according to market data, Mainland investors accounted for 10% of the property market transactions last year. Now, if capital investment entrants accounted for 1% and Mainland investors accounted for 10%,

it will mean that 9% of the property transactions last year were made by Mainland people who were not capital investment entrants.

I myself have acted for several capital investment entrants who bought properties in Hong Kong under the Scheme. My understanding is that under the existing mechanism, many such capital investment entrants can choose among stocks, financial products and properties. In many case, they have such choices. But since they have immigrated to Hong Kong, they think that they need a home after all. Therefore, buying residential units for self-occupation is very appealing to them. Besides, some of these investors are wary of investing in stocks, fearing that stocks may one day become mere "wallpapers". They are apprehensive of such investments, so they have greater confidence in property investment. In many cases, they buy properties not for speculation but self-occupation. They think that since they have come to Hong Kong, they need a place as dwelling. I think there is nothing wrong with making investments in the property market. There is no reason Since they only produce a very light impact on the overall property market, I do not think that it is fair to impose any deliberate restrictions on them.

Therefore, I wish to add that the Liberal Party agrees that the Scheme needs a review. I have already mentioned that our review must not aim to remove the existing types of investment items, such as financial products and properties. Rather, some fine-tuning should be made. This is perfectly possible. However, we also wish to introduce more elements to the Scheme. I may, for example, discuss the threshold first. We think that while the present threshold of \$6.5 million is not low, we may actually raise it slightly after the passage of seven years. For instance, we may consider increasing the threshold to \$10 million.

According to the statistics provided by the ImmD in December last year, the minimum amount of investment under a similar scheme in Australia is A\$1.5 million, or HK\$10.8 million. In Singapore, the minimum amount is S\$2 million, or HK\$11.3 million. In Britain, the minimum amount is £750,000, or HK\$9 million or so.

We therefore hold the view that an increase of the threshold will not affect the appeal of the Scheme. This may even induce more people to bring their capitals to Hong Kong. This is killing two birds with one stone.

Besides, the Liberal Party also agrees that the Scheme should not be limited to pure investment projects. Thoughts can be given to investments in industries that can create actual employment opportunities. During the consultation on the Budget last year, the Liberal Party recommended the Government to create a category called "start-up business entrants", so as to facilitate business start-up. An investor who makes investment in this category needs not always invest \$6.5 million. The amount of investment can be lower. We propose that consideration can be given to setting it at \$2 million or \$3 million. A business thus established can fulfil the requirement if it can employ at least five Hong Kong residents for a period of two years. As for whether any social enterprises should be established, I do not think that there is any great problem. The most important thing is for them to come to Hong Kong for investment, starting up businesses and providing employment opportunities. I believe this will be very useful and hope that the Government can actively consider the idea.

Besides, at present, investors can only invest in stocks, properties, bonds, collective investment projects, deposit certificates and subordinated debts. The Liberal Party thinks that the types of investment projects under the Scheme are honestly rather limited. The Government should study the possibility of increasing the types of investment projects, such as insurance products, so that investors can have more choices and more industries can be benefited.

Therefore, we do actually support the many recommendations made by Ms Audrey EU in the letter she sent to us to lobby our support for her amendment. For example, we agree that it is desirable to invest in technological research and the six major industries. We hope that the Government can explore such an idea.

However, since Ms EU's amendment seems to suggest the removal of property investments, stocks investments and financial investments, which will affect our free economy, we do not think that the idea is desirable.

Furthermore, Ms EU's amendment seeks to delete the 13 posts relating to the Scheme. We think that there is something wrong with logic here. People are expected to work, but they are barred from doing so. This really baffles me. The Liberal Party therefore cannot support her amendment. Thank you, Chairman.

MR ANDREW LEUNG (in Cantonese): Chairman, I also have many doubts about Ms Audrey EU's motion.

The first point is that to begin with, Ms EU says that she does not oppose the Capital Investment Entrant Scheme (the Scheme). But she also wants to delete all the 13 posts. In other words, there will be no one to enforce the Scheme. But she still says that she does not oppose the Scheme, and that the Administration can continue with its implementation.

The second point is that we can actually observe that there are similar schemes in many other countries and regions. Naturally, different criteria and standards are adopted. But the purpose is invariably to attract people who can make contribution to the local economies. An applicant must first have a specified sum of money. Then, he will migrate to the place concerned, like Hong Kong. He must first have a dwelling place and a job. He is supposed to make investment, work and even create job opportunities. This will bring benefits to Hong Kong economy.

According to statistics, as at 31 December last year, there were 5 953 approved applications. Of all the applicants, 4 600 were Chinese citizens with the right of abode in other countries. They invested a total sum of \$42 billion. The money invested in properties only stood at \$12.3 billion. As rightly pointed out by Ms LAU just now, this accounted for less than 1% of the total transactions of the local property market. If just 1% can already boost property prices in Hong Kong, I do think that the economic contribution of all these people is really very great. In that case, we must induce more of them to come. It boils down only to a question of housing supply and demand, and there is nothing to do with any speculative activities. Supply in Hong Kong is scarce, so the prices of properties are high. Moreover, since the outbreak of the financial tsunami, some \$600 billion of hot money has flown into Hong Kong, a sum much larger than the aforesaid \$42 billion or \$12.3 billion investment in properties.

Hong Kong is an open economy where anyone can make investments in stocks and properties. We cannot impose any restrictions on inward investments from foreign countries, nor can we forbid anyone to buy properties or invest in stocks. Hong Kong is an open financial centre in Asia, not a place which forbids investments. I think that in the midst of the present financial crisis, the

inflow of such hot money can actually help Hong Kong and stabilize its financial markets. There are of course some negative impacts.

In his speech, the Financial Secretary also admitted that there were some potential problems with Hong Kong's property market, and that investors must be cautious. The reason is that once interest rates start to rise, the problem of rising mortgage instalments will emerge. I think that if one agrees to the Scheme, there is no reason for one to reject the allocation of funding to the Government for the purpose. I frankly cannot understand the rationale behind. I hope the Government Since the Scheme has been in place for six years, it is due for review. I think it is always a good thing to carry out a review after a scheme has run for a certain period of time. Can the Scheme meet the present need of Hong Kong? Is it necessary to raise the investment threshold? Should investors be permitted to invest in a wider range of areas? Is it necessary to make adjustments, so that they can create better conditions for the Hong Kong economy? We hold an open attitude towards all these questions.

I think that there are established procedures in the Legislative Council. We can ask the Government to carry out a review through the relevant panels. So, we should do it in the proper way. We may go about this task by holding discussions with the Secretary. We should not say, "I agree to the Scheme. I want the Administration to carry out a review. But I also want to cut the relevant funding." If Ms Audrey EU's motion is luckily supported by all Members, what are we going to do? What will become of the Scheme immediately?

I think Members must think before they act. Thank you, Chairman.

MR LAU KONG-WAH (in Cantonese): Chairman, when Ms EU first put forward this motion, I thought that she must want to remove and abolish the whole Scheme, and that only this could explain why she requested deletion of all these posts. For this reason, I listened very attentively to her remarks. I certainly share other Members' feelings. Ms EU is really something. On the one hand, she does not oppose the Scheme, but she also requests to delete the posts. In her conclusion, she even remarked that the deletion of the posts would not affect the Scheme. Chairman, you are very good at logic. But I frankly cannot see Ms EU's logic. What I mean is that while she does not oppose the

Scheme, while she supports it, she wants to delete the posts. What is her logic? She says that the deletion of the posts will not affect the Scheme. What is the logic? On the basis of my own logic, I think Ms EU is a bit muddled.

Furthermore, I strongly agree with Mr Andrew LEUNG. This topic has been discussed in the Panel on Security many times before. This Council is by now quite close to reaching an agreement on this. I shall come back to this later on. Therefore, it is totally possible for us to continue with our studies in the Panel. In the Panel, we can likewise conduct motion debates and continue to urge the Government to conduct a review. It is a pity that Ms EU has chosen the approach of deleting the posts. I therefore think that as in the case of the constitutional reform review, she has gone down the wrong path. The deletion of posts this time around is equally in the wrong direction.

Chairman, Mr Ronny TONG has just left the Chamber. When he spoke just now, he did not appear quite convinced by Ms Audrey EU's remarks. He was not convinced by Audrey EU One of them is the Chairman and the other Vice-Chairman of their political party. But he remarked that nothing else could be done because the Government never listened to the legislature. So, he said, they must adopt this means to force the Government to do something. Chairman, we maintain that the Government must be very prudent on this issue. This is very important. Whenever any major changes are contemplated after a policy has been formulated, we must make careful assessment and listen to the opinions of all sectors.

Chairman, I have read the Government's reply in respect of this motion. The reply gives me the impression that there may be some changes. The reply says, to this effect, "Depending on the situation, we may consider making amendments to the relevant arrangements to ensure that the Scheme can bring maximum benefits to Hong Kong as a whole." The points here are: first, whether the Government makes any amendments, the Scheme should aim at the maximum benefits of Hong Kong as a whole; second, speaking of "depending on the situation", the present situation is perfectly suitable for making amendments. I hope that the Government can hear the advice of Members expressed in the Panel and now. I hope that it can introduce some changes. Mr TONG said that he was not convinced but he had to support the motion. This is largely unnecessary.

Chairman, the Scheme was started in 2003 during the SARS outbreak. Most Members at that time were supportive of the Scheme. I think that it is still necessary to have this Scheme now. It may fail to keep abreast of the times if no changes are made. But if drastic changes are made, that is, if all the posts concerned are to be deleted as proposed by Audrey EU, I would think that there are no justifications. A desirable approach should be to introduce improvement measures on the present basis. I believe that this is the direction desired by the Government and the public. I think it is very important to maintain the Scheme.

It seems that the several Members who spoke just now all consciously related the Capital Investment Entrant Scheme directly to the overheated property market. Chairman, I cannot agree to any argument that attributes the overheated property market in Hong Kong entirely to the Capital Investment Entrant Scheme, and that the Scheme is the direct and sole cause. In his speech just now, the Financial Secretary listed the causes of the overheated property market: first, low interest rates; second, large amounts of liquid capitals; and third, low supply. I think his assessment is accurate. The overheated property market is the outcome of a combination of different factors. The Financial Secretary also tendered a piece of advice to Hong Kong people. I think his advice is timely. Therefore, I think the argument that the Scheme is the only cause of the overheated property market is a bit exaggerated.

However, I also think that there is an urgent need to make some changes to the Scheme. The Secretary or the Government did provide many statistics in past meetings of the Panel. The figure most frequently cited by us is that capital investment entrants only account for 1% of the investment in the property market. It is said that even the proportion is higher than that, it is still a very small percentage. But we must not forget that people will form impressions, and when impressions are formed, they may be treated as real. Not only the property market, Chairman Recently, my office has received a letter and a direct phone call from two persons. They did not talk about the property market (Some letters about the property markets were indeed received). They talked about formula milk, saying that formula milk was also expensive. When properties and formula milk are both expensive, for example, people will start to form impressions. I must emphasize the word "impressions". And, they will put the blame on external factors. I therefore think that the Government needs to squarely address such public sentiments. It must not ignore them.

I therefore think that the Government must make some changes to the Scheme this year. Several Members have already pointed out the directions. Only two issues are involved. First, how large should the investment threshold be? Besides, what types of investments should there be? Speaking of the investment threshold of \$6.5 million, its real value in 2003 must be different from that in 2010, seven years down the line. This is a fact we all know. I have suggested the figure \$10 million in the mass media. This may not be an accurate figure. But if we look at the factors determining the amount of \$6.5 million years ago, we may see that this should be a reasonable figure.

Another point is that under the present Scheme, investors are free to invest in properties, stocks and financial products. I do not think that such investment forms should be deleted. However, should we add more investment types, such as the business start-up investment mentioned by Ms Miriam LAU? When the Government puts forward I think business start-up investments can attract some capitals to Hong Kong. Such investments can create employment opportunities. I believe the broad masses will agree to and support this idea, especially the development of the six major industries advocated by the Government.

Personally, I think the six major industries are very important. But in talking about the six major industries, the Government must not talk only about land. There must be support in terms of land, talents, capitals and policies. At least, we must be shown that all policies are formulated in an integrated manner. But so far, I have failed to see how this Scheme can be linked to the development of the six major industries. Therefore, the Government should carry out a review, and make efforts to let people understand that capital investment entrants can help improve Hong Kong's employment situation. That way, the public will feel differently.

Chairman, I have one expectation concerning the staff responsible for the Scheme. I hope that their posts will not be deleted, and not only this, they can even engage in discussions with other Policy Bureaux and departments. As I mentioned just now, if the Scheme is to be linked up with the six major industries, the staff members and various departments concerned should have more co-ordination, right?

Finally, Chairman, in all places in the world, in the present-day world, while the flows and needs of capitals are important, competition, that is, the competition for talents, is also very important. Honestly, I see that the Security Bureau Naturally, the staff of the Security Bureau alone cannot possibly cross over to other areas. But I personally think that the flows of capitals and talents are both what we need badly.

The usefulness of the two schemes implemented by the Security Bureau to attract talents has been discussed several times in the Panel on Security. It is observed that they cannot give us any great edge. But the work on capital investment or capital investment entrants seems to be quite successful. It may be necessary to spend \$5 million on the staff, but as much as \$50 billion has been attracted. The Scheme is quite attractive, or even successful. In the first two months of this year, the number of capital investment entrants showed a 100% increase over the figure for the same period last year. This will continue to grow like a snowball. But when the talents come to Hong Kong and find that they cannot afford the property prices and cannot stay here for long periods, they may go elsewhere. Therefore, policy co-ordination is an important matter that warrants of attention within the Government.

Chairman, overall, I oppose Ms Audrey EU's illogical amendment. Hers is also an untimely deletion. I will encourage the Government to improve the Scheme on the existing basis. This will be beneficial to Hong Kong in terms of job creation and the long-term interests of the general public.

Chairman, finally, I must advise Ms Audrey EU that sometimes, reform is better than radicalism. And, this will be more beneficial to Hong Kong as a whole. Thank, Chairman.

MR CHIM PUI-CHUNG (in Cantonese): Chairman, the topic under discussion today involves three aspects actually. First, there is a formal request for reducing the expenditure by \$5.95 million. Frankly speaking, our discussions are only intended as an excuse. The reason is that \$5 million is only a very small amount when compared with the total expenditure.

My personal views relate to two aspects. First, it is immigration, the capital investment entrant policy. The other is the fluctuation of property prices.

Therefore, apart from using this discussion on the \$5.94 million as an excuse, if possible, and on the basis of the present success of the capital investment entrant policy, I would argue that the amount should increase 10 times to \$59.4 million. Of course, under the existing laws of Hong Kong, this is not permitted.

Therefore, I want to make clear at the very beginning that Members can all hold their own opinions. One merit of this legislature is that everybody can put forward topics for discussions. After discussions, no matter who is right, no one should criticize others for being wrong. If one thinks that his opinions (including political opinions) are correct, one can continue to express them.

President, I understand that it is absolutely necessary for Hong Kong to absorb capital investment entrants. It can be said that Hong Kong has acted too late. All places in the world, especially Hong Kong, are made up mainly of immigrants. In the early days after the Liberation, there were only some 1 million people in Hong Kong. Then, the population gradually increased — before the population increase, people from the outside were called illegal immigrants. In China, these immigrants were like policemen watching over themselves. They approved their emigration to Hong Kong. In reality, they smuggled into Hong Kong. Therefore, Hong Kong Government has never got any interests from any immigrants direct. Rather, it must even create more jobs for them.

We can see that immigration policies all over the world are very lenient, especially these days. In the past, the Australian Government adopted the White Australian policy, virtually stopping all immigration from other places and countries. But it now welcomes immigrants from China very, very warmly. Therefore, the second issue involving the appropriation of funds is about the capital investment entrant policy. I personally think that the Government needs to review the current system because it simply does not allow Chinese Citizens to invest directly in Hong Kong for immigration. What do Chinese Citizens do then?

This is actually an open secret. Even if they have money, they cannot immigrate to Hong Kong as capital investment entrants. They must seek help from unlawful channels in Hong Kong or Macao, so that they can first get the right of abode from some African countries. These are not formal passports. They are similar to passports, and they are only meant for showing the

Immigration Department of Hong Kong that they have obtained foreign passports. Then, they can apply for immigration to Hong Kong. Actually, travel agencies have already told them that such passports are useless. In case they are detained in other countries, the issuing countries will not pay them any attention. Therefore, the Immigration Department of Hong Kong can only make do with the situation. Its officials are aware of the situation. But under the law, Chinese Citizens (with the exception of a few technical talents) cannot directly apply for capital investment immigration to Hong Kong as Chinese Citizens.

Naturally, whatever the reason may be, there is a need for review. Why? First, under the current practice, Chinese people are despised and looked down upon. There are too many of them. If we approve their applications or enable them to come easily, there will be too many of them. Second, Chairman, most Hong Kong people are not happy with the automatic approval for 150 mainlanders to come to Hong Kong every day. The Administration must carry out a review. We must not discriminate against or despise others either.

Third, some Members have pointed out that the capital investment threshold aside, applicants must also be required to really create jobs in Hong Kong. If there is a good plan that can create 100 jobs, and if there is a suitable investment amount, and if supervision under a government department is possible, priority should be accorded under the present situation, I think,

Therefore, Chairman, rather than introducing any reduction because of Ms Audrey EU's request, the Government should, more importantly, allocate more resources at suitable times, so that the department can bring more benefits to Hong Kong people.

Chairman, some even suggest to improve the immigration policy by allowing some elderly persons to sell or transfer their right of abode, that is, to indirectly sell their Identity Cards. If persons aged 70 or above think that Hong Kong is not a suitable living place for them, why can we not allow them to sell their right of abode in Hong Kong to others at reasonable prices, so that they can obtain some money? If others can meet the requirements, they can create more jobs and wealth in Hong Kong. With this money, say, \$1 million or \$2 million, an elderly person can emigrate to China, buy properties there and even do other

things. In this way, there can be a win-win situation. The proposal may not be accepted by the departments concerned, but it should merit our studies.

Chairman, the third issue is about property prices. We must not blame the Capital Investment Entrant Scheme and the number of immigrants for the situation of the local property market. This is far too hasty a conclusion. Chairman, 60 years ago, when the Kuomintang fled to Taiwan, Taiwan was very poor. It had nothing. Why did the Taiwanese become rich later on? It was all because the land there was valuable. This led to the economic take-off of the whole place. Some Hong Kong people cannot realize how fortunate they are. Actually, Hong Kong people are the envy of many foreigners. Why are Hong Kong people so rich? Because properties in Hong Kong appreciate all the time. But after appreciation, there are grievances from people who complain that they cannot buy any properties and therefore do not have a shelter.

Chairman, what needs to be reviewed is that property purchases are very expensive. Not all people can become landlords and employers. Nor can everybody possess the apartment he or she is living in. Housing is a need of the people. But in order to become an owner and own the wealth, one must make efforts and struggle before one can achieve the goal. No one who has just started working in society can expect society to give such wealth to him. He cannot ask society to provide him with housing as a matter of obligation and duty. Even if society really does so, the housing unit should not belong to him. There are some very misleading noises in society. It is said that the "post-80s" have this request. But how about the "post-90s"? And, can those born in 2000, for example, also ask for palaces as their homes. All these must be obtained through one's efforts and struggles.

Chairman, the other side of the argument is that capital investment entrants have not caused soaring property prices in Hong Kong. As I have said, Hong Kong people must realize that they are very fortunate. The reason is that even though one owns only a very tiny flat, he can still get a lot of money if he is brave enough to sell it and move to other places. In some countries, property prices never rise because they uphold socialism. Therefore, their property prices rise slower than those in Hong Kong. People can still buy properties and live in these countries. Why don't they make positive comments? Why do so many Mainland people bring cash to buy properties in Hong Kong in recent years? Similarly, it is all because the land there is valuable. Although the State's land

policy is to curb property and land prices and it has even issued orders, there must be social and economic conditions to make it possible to achieve the effect today.

Chairman, undeniably, property prices in Hong Kong are among the highest in the world. The SAR Government can unnoticeably get more revenue because of the high prices. But at appropriate times, it must also take appropriate actions. It must do so at appropriate times even if it is only going to issue verbal reminders. If the people do not listen, the fault is all theirs. And, everything will be recorded, telling people that the Financial Secretary and the Secretary for Transport and Housing already issued advice, suggestions and reminders on a certain day. If people pay no heed, they cannot blame others. Chairman, Members must realize that in case something is desirable, warning will not be heeded. Nor will people remember any warning at all. Everybody will just rush ahead, leading to a sum-zero game in the end. There is no doubt that the Government should balance the demands of all in society at appropriate times. But it can force the market to drop as soon as it wants. Is the Government really so powerful? Absolutely no.

Therefore, our discussions on this reduction are only meant to bring out one issue. The Government must strengthen itself in this area and also other areas. It must improve the capital investment entrant policy, and the housing policy is yet another policy. At the same time, the capital investment entrant policy will surely affect Hong Kong's financial sector, and the financial sector will necessarily involve the stocks. Similarly, fluctuations of stock prices cannot be described as the result of the capital investment entrant policy. In this regard, undeniably, the policy of the SAR Government is to make some capital investment entrants invest their wealth, cash and assets in Hong Kong for longer periods as Hong Kong's alternative resources.

We of course do not hope that Hong Kong can grow stronger only because of the capital investment policy. After looking at the whole world, the Government should realize that the best self-strengthening policy for Hong Kong should be one that can make Hong Kong people strive for improvement and struggle continuously. Such spirit requires the co-operation of all sectors. The labour sector must not always point the spear at capitalists, accusing them of collusion between the Government and business. They must not follow others and criticize capitalists for being too fat to pull up their own socks. They do not wear any socks now. They have endless wealth and resources. Their wealth is

enough for several generations and even several "lifetimes". Why do they still need to make investment, only to be accused by the labour sector of being unfair? As a matter of fact, excessive confrontation — with divergent political views, people need to argue and this leads to confrontation — will affect Hong Kong greatly as an industrial, commercial, financial and property development centre. This will only do injustice and harm to Hong Kong people.

Therefore, President, it is really very nice this time around, because I have 15 minutes to speak and use the discussion as an excuse of saying so much. But after all, insofar as these policies are concerned, I will not criticize anyone for being wrong. I ask the people to be observant and discerning and make their own evaluations of social progress and development. Naturally, as Legislative Council Members, we are all so eloquent and have been trying to state our grounds. Whether the motion can be passed, society will still pass its own comments. I may as well assume that Ms Audrey EU's motion cannot be passed. This does not matter, as long as one can have a clear conscience. Perhaps, her purpose is just to give Members an opportunity to express different views. I will not render my support, but I have still used 15 minutes (This may be kind of a waste). Anyway, I have expressed my personal opinions.

MR LEUNG YIU-CHUNG (in Cantonese): Chairman, I speak in support of Ms Audrey EU's amendment.

Over lunch earlier, a colleague asked me why I supported Ms Audrey EU's amendment. He said that many countries also had such a policy in place, so why would there be problems? That is right. Chairman, during the many years serving as a Member, I would argue with the Government on policy issues, and even urge the Government to amend or enact some Bills. Very often, I would also quote some foreign experiences or practices, asking why the Government does not follow what the foreign countries are doing.

However, Chairman, I hope you will understand that even when I quote some foreign experiences, I personally think that we should not blindly apply them to Hong Kong, and instead, as other people are applying them, we need to consider if they are suitable for Hong Kong. If suitable, we will apply them; if not, we must not adopt such proposals or policies.

So, I now think that even if other countries allow business migrants to invest in real estate or financial products, we cannot do so in Hong Kong in the light of our own circumstances, as we can see that it has really caused the incessant price surge in the property market, just like boats rising with the swells, and members of the public are disappointed and upset as they are unable to own their cosy homes. This is precisely the most serious problem.

I think this is a very serious issue if we ignore it and just ponder mechanically why we do not do as other people do. If the policy objective of the Government is like this, I think it will be too simple and naïve, that is simple-minded — if the Government does so — I believe the Government will not do that, and I also hope that the Government will not do that.

Actually, the point is, when we look at a policy, we need to consider how deep, how big and how wide its impact will bear on the community. When we discuss the issue of investment migrants, the most important consideration is: what is "investment"? Investment can bring some effect on a community, but what effect can it bring about? Actually, the difficulties and troubles that are now plaguing Hong Kong most are the issues of disparity between the rich and the poor, unemployment, low wages, and so on. What investment migrants can help us is to solve these problems, rather than aggravating them. What worries me most is the disparity between the rich and the poor, which is one of the problems actually coming up constantly and being worsened or seriously aggravated directly or indirectly by such policies. I think we need to consider these problems.

Actually, in view of the recent speculative sentiments in the property market (I cannot but say that the problem really exists), sometimes when I talked with the driver about the property market while taking a taxi, he said that 70% to 80% of the flats of The Arch — everybody knows the prices of The Arch are very expensive — are bought by mainlanders, and that very often they would purchase the flats with a large amount of cash in hand. That makes people think that they are really something, hence the property prices surge incessantly. As a result of the effect of boats rising with the swells as I have just mentioned, not only are the prices of The Arch rising, but those of other properties in the district are also going up endlessly, thus driving up the prices of the medium-priced properties

and the general property prices of the district as a whole, and shutting the doors on some ordinary citizens aspiring to home ownership. So, I think the Government must address the problem squarely. Actually, I am not the only one demanding that the Government face it squarely, many surveys, opinions and academics have also told the Government that the recent grievances of the people coupled with the poll findings that the Chief Executive should not stay on the job indicate that one of the reasons for the problem is the rising property prices, which has led to such a result.

If the Government does not start to think about this problem and continues to act like an ostrich, leaving the problem unattended, I think the Government is only digging its own grave. As everyone knows, the amendment proposed by Ms Audrey EU today is not really meant to achieve any result. A colleague said just now that Ms Audrey EU was really contradictory, as on the one hand, manpower had to be slashed, and on the other, business migrants were needed to create employment opportunities. So, is she contradicting herself? How can this be achieved if we have to cut manpower and need people to do the work at the same time?

Actually, we all know that firstly, Ms Audrey EU understands all too well that her amendment will definitely not be passed, or we can say the chances of it being passed are very remote. However, secondly, by proposing the amendment, she actually wants us to have some discussions on the issue. As our Government is an executive-led government, many policies will be enforced as proposed without any need to secure our consent. There is no role for the Legislative Council to play. So, she has taken this opportunity to propose the amendment so that we can discuss it, and I think this will have some effect. In the meantime, she has actually raised another important point, namely, we hope we can resolve the quagmires currently faced by the community, and only by resolving them will the proposal be worthwhile.

I have just said that our existing quagmires include the problems of unemployment, low wages, and so on. It will be a good thing if investment migrants can bring more employment opportunities. Why do we not work in this direction? I think the proposal will only have value and meaning if we can achieve this; if not, why do we need to take them in? These investment migrants can realize the benefits of killing two birds with one stone, meaning that they can

make profits and not losses after investing their monies for a few years, and in the meantime obtain the right of abode in Hong Kong so that they can choose whether or not to reside in Hong Kong.

Regarding these problems, I feel that the Government is creating opportunities for people to make money. Whose money do they earn? It is our money, not other people's money, and this is where the problem lies. I think that we must do some soul-searching about the problem. Mr CHIM Pui-chung has just said rightly that we may take this opportunity to propose amendments for discussion, in the hope that the Government will reflect on and review the issue. Most importantly, I think the Government really needs to reflect on and review the issue, and should not let it continue in disregard of its negative impacts on the community.

I support the amendment proposed by Ms Audrey EU today. Of course, it will be the best if the amendment is passed; even if not, it has given us the opportunity to urge the Government to review the policy anew. I so submit, Chairman.

MS CYD HO (in Cantonese): Chairman, I speak in support of Ms Audrey EU's amendment about reducing expenditure. The proposed expenditure cut today is not personal for we do not know the 13 civil servants in the office concerned, we do not know who they are, and we are not pinpointing accountability officials insofar as the expenditure issue is concerned. The motion debate today pinpoints policies and the political structure. Within the Legislative Council, we actually do not have a lot of opportunities to discuss with the Financial Secretary or various Directors of Bureaux how to induce the formulation of policies on public expenditure or prevent the emergence of certain livelihood issues. Therefore, we should also conduct a review, and I hope that, in the coming year, various parties and groupings will not wait until November or December when the Financial Secretary conducts a review to express their views. In fact, we can now discuss how money in the Budget next year should be allocated and used, and we do not need to wait until then for we will then be forced to reduce expenditures under various heads. Chairman, as there is actually a structural problem with our political system, we must hold discussions pinpointing policies through this procedure.

Today, we do not intend to deal a blow to investment migrants; all cities actually welcome investment migrants. We have to say that we do not want the conditions for investment migration approval to include more factors that will have catalytic effects on the property market bubble. In spite of the fact that not too many investment migrants buy and sell properties, and the number accounts for only 1%, there is a leverage effect. As we all know, when many people enquire about property prices, the offer of properties for sale will immediately be frozen, and the prices will certainly increase upon the relaunch of the sale. Thus, the transaction percentage and the effect on the property market will not be directly indicated by the figures. This policy will have a leverage effect in warming up the property market, and a catalytic effect on the increase in the prices of luxury and moderately priced flats. And it will also push up the prices of very small flats of lower prices, so the sequelae will be much greater than \$5.94 million.

The Financial Secretary and the Chief Executive have mentioned several times that there was an influx of \$680 billion hot money into Hong Kong last year, which would create a bubble in the investment market including the property market. Actually, a plutocrat has publicly told people to act according to their capabilities and not to buy flats casually. However, the Government is still unwilling to construct Home Ownership Scheme (HOS) flats, still less building more public housing flats to cool down the property market. But it has left a gap in the implementation of the Capital Investment Entrant Scheme and allows such acts as investments in properties to be conducted under the investment scheme. So, the Government allows such acts system-wise. On the one hand, we say that we care about people's livelihood but we are unwilling to introduce more measures to increase housing supply, and on the other, we have put in place certain procedures to allow the influx of hot money from outside the territory into Hong Kong, and continue to warm up the property market bubble. That being the case, how can we say that there is people-oriented governance?

Chairman, the Chief Executive has told us not to be afraid, saying that there are two property markets in Hong Kong, but sorry, this is not what is happening in reality. Certainly, the prices of Skyhigh on the Peak have already risen to almost \$200 million, yet, purchasing them would only be the extravagant hopes of ordinary people because only very few people from the privileged class could afford them. As a matter of fact, the current prices of many flats are at

five-digit amounts per sq ft — I am not talking about the areas in the Southern District on Hong Kong Island facing the sea, or a few buildings in Central Kowloon, or flats with harbour or bay view — even flats in Yuen Long are sold at \$8,000 per sq ft. How can the Government still say that there are two property markets? If the prices of luxury flats increase continuously, the chain effects should affect everybody.

Let me talk about the Central and Western District again. Financial Secretary, the price of a flat in a building aged 30 to 40 years in the Central and Western District with a saleable floor area of only some 300 sq ft has already increased to \$2.8 million. The flat could be purchased at \$1.5 million three years ago — it could be bought at some \$800,000 before the construction of the MTR West Island Line (WIL) extension was announced — given the combination of various factors now, the prices of these old buildings aged 30 to 40 years that people intend to buy as shelters have risen to \$2 to \$3 million, how can we still say that there are two property markets? When there is an influx of so much hot money into Hong Kong, the property prices have basically failed to reflect the purchasing power of the public or the affordability of the public in terms of housing expenses. Therefore, apart from increasing charges in the transaction process and introducing additional measures to cool down overly heated property speculation by buyers, in connection with the Capital Investment Entrant Scheme, I hope that the Government will review the relevant procedures, thereby cooling down the property market. Quite a number of Members have said that we have different means to attract investment migrants, and there are quite a few examples in foreign countries. For example, the investment migrant scheme of Canada requires an applicant to create a specified number of job opportunities within a certain number of years. Actually, quite a number of Hong Kong people have made investments in Canada with all their savings subject to certain restrictions and they have to carry on businesses at which they are not adept. Although they may lose all their savings within two to three years, the policy has positive effects on the job opportunities there. For this reason, I hope the Financial Secretary will not just focus on the point that making investments through property purchase will more probably create a bubble; instead, he should consider if there are other ways to enable the money brought by capital investors into Hong Kong to create more job opportunities.

Chairman, high property prices will actually drive inflation. High property prices will directly affect people who need to purchase flats and also the

tenants who are renting flats. When the prices of flats upstairs become higher, the rents of shops at grade will not be low, and a gradual increase in all business costs will give rise to inflation. Regarding inflation, the Financial Secretary said that he has already given Hong Kong a warning. Now that he has noted the problem and given a warning, I hope that the warning will also work for him, and I hope that he would conduct a review of the Capital Investment Entrant Scheme. Thank you, Chairman.

SECRETARY FOR SECURITY (in Cantonese): Chairman, Ms Audrey EU has proposed an amendment to the Appropriation Bill 2010, that head 70 be reduced by \$5,940,000 in respect of subhead 000, thus cancelling the financial provision for 13 posts in the Immigration Department (ImmD) in relation to the Capital Investment Entrant Scheme. The Government opposes this amendment.

Since its implementation in October 2003, the Scheme has brought to Hong Kong investments of around \$50 billion, directly or indirectly driving the development of various sectors in Hong Kong, especially the economic activities of the financial services sector; not only creating more job opportunities but also strengthening our position as a financial centre.

Hong Kong welcomes investments from all places. In fact, the applicants under the Scheme include not only Chinese people who have acquired permanent resident status overseas, but also people from various parts of the world such as Canada, the United States, Australia, Japan, and so on.

An Honourable Member thinks that these investors should not be allowed to invest in local properties, or limits should be put on the value of the properties in which they invest. As we pointed out in the Legislative Council in the past, information showed that the investments in properties under the Scheme only accounted for around 1% of the total trading volume of the local property market. According to the observation of the ImmD, it seems that those applicants investing in properties have rarely engaged in speculation.

Hong Kong is an open and free economy, so investors outside Hong Kong can make investments in Hong Kong including buying properties through many channels other than doing so under the Scheme.

A Member has proposed that, apart from investing in the financial area and properties, the applicants should invest in sectors conducive to enhancing the overall competitiveness of Hong Kong. Certainly, we welcome the investments by applicants under the Scheme in industries where Hong Kong enjoys clear advantages. The Scheme is just one of the channels through which foreign investors can settle in Hong Kong for foreign entrepreneurs can apply under the General Employment Policy (GEP) for starting businesses and settling in Hong Kong. Under this policy, the ImmD will consider the applications on the basis of the economic benefits to be brought by an applicant to Hong Kong, such as whether the applicant's investment can promote the development of the industries where Hong Kong enjoys clear advantages.

Another Member also proposes setting the investment level at more than \$6.5 million. At present, under similar schemes in Canada, Singapore and the United Kingdom, the specified investment level ranges from some \$3 million to \$10 million. The factors of consideration in determining whether the minimum investment level should be adjusted upward include whether the scheme is attractive to investors.

We are very grateful to Honourable Members for their opinions. The Government will review from time to time the arrangements under the Scheme, and we will carefully consider Members' suggestions in respect of the Scheme to ensure that the greatest benefits will be brought to Hong Kong as a whole.

I implore Members to support the Government and oppose Ms EU's amendment. Thank you, Chairman.

CHAIRMAN (in Cantonese): Ms Audrey EU, do you wish to speak again?

MS AUDREY EU (in Cantonese): Chairman, I am very disappointed after listening to the Under Secretary reading from the script. He does the same each and every time; government officials will read out the established government policies on each occasion and then say that they have heard a lot of opinions and will consider them further.

However, Chairman, I have to thank the nine Honourable colleagues for speaking on my amendment today. The most important point is not whether or not they support the amendment, but, as you have observed, they have made a lot of points in their speeches and they have stated the reasons and rationale for the necessary review of the existing policies.

Chairman, putting it simply, my amendment today pinpoints the policy under which there is complimentary resident status for property purchase. If Hong Kong people are told today that there is complimentary resident status for property purchase, I believe all of them will become very angry. Now that there is a property market surge, doing so will be just like adding fuel to the flames.

Actually, Mr LAU Kong-wah made a very good point about this, and he cited formula milk as an example, telling the Government that it should care about people's feelings. I heard the Under Secretary reply that it does not matter for the investment only accounts for around 1% of the total trading volume. In other words, he has heard nothing, and pity you, LAU Kong-wah. As he just said, we had discussed the issue for numerous times at the meetings of the Panel on Security. Chairman, we have not proposed all of a sudden that the issue be discussed. We had already discussed the issue at Panel meetings, and we had discussed a lot and made many points before we proposed a debate. Nevertheless, Chairman, the Government gives the same response every time, and I am really not sure if he understands how the public feel.

Therefore, I expressly said from the outset that I was not pinpointing the 13 civil servants. I did not intend to reduce their salaries, I was not pinpointing the Scheme, and I did not want to disallow investment migration. Instead, I was pinpointing complimentary right of abode for the purchase of flats with \$6.5 million. This is such an abnormal practice, but the Government refused to listen despite our remarks.

Chairman, many Honourable colleagues have spoken today, and nine of them actually agree that this policy really needs a review for it is outdated. Even the gentlest Honourable colleague said that this policy is outdated. Some Honourable colleagues have asked if the Scheme is problematic, Chairman, I would like to tell the Democratic Party — no Democratic Party Member is

present now — in particular, LEE Wing-tat indicated in his speech just now that the Democratic Party also agreed that a review was necessary, but the blame for the problem of the property market could not be put on investment entrants.

Chairman, I have not said that this Scheme has caused a property market surge; I surely understand that there are many other factors contributing to it. Nonetheless, this policy really adds fuel to the flames. So, LEE Wing-tat will later propose an amendment to reduce the monthly salary of Eva CHENG, and we can continue to discuss other issues related to the property market. Yet, why have I moved this amendment today? Chairman, in fact, my amendment and the three amendments to be moved by Mr Albert HO on behalf of Mr James TO later on have different approaches but they will achieve the same results. All of us should remember that James TO will propose similar amendments in the context of the Budget each year to reduce the informant's fees to be paid by the police and about the Independent Police Complaints Council (IPCC). His purpose is not to abolish the Complaints Against Police Office (CAPO) or to seek the independence of the IPCC, and he is definitely not refusing to pay the informants. He does not mean to do all this. But why does he propose such amendments in the context of the Budget each year? It is precisely because Legislative Council Members can definitely adopt this method to compel the Government to do what they would like it to do. According to the Rules of Procedure, Members can definitely use this method to constantly remind the public to demand the Government to improve its policies, and that is a method that a Member from the non-ruling coalition can employ.

Furthermore, Chairman, that is actually also the case with the parliamentary assemblies of many other places. If a member of the non-ruling party wants to compel the government to do something, he can raise opposition when a budget is proposed with a view to reducing expenditures and compelling it to make policy changes; otherwise, members do not have any power. We can basically do nothing within the framework of the Basic Law. Thus, we can only tell the Government that it must do certain things by proposing reductions in government expenditures. For the same reason, I hope the Democratic Party would later consider that; the number of votes in support of my amendment at the end does not matter. I only hope that the Government will really receive the messages given by Honourable colleagues.

Mr Andrew LEUNG asked what should be done if it is fortunate enough — perhaps this is unfortunate from his perspective — that my amendment was passed. Chairman, I would like to tell Mr Andrew LEUNG — but he is not present at the moment — not to be afraid for the \$5.94 million proposed reduction is a very small amount, just a small part of the overall expenditure of the ImmD. If the reduction is successful, the 13 civil servants may not become unemployed; their jobs are secured and the entire government envelope can definitely cope with this amendment involving an amount of some \$5 million.

Yet, why must I do this? Chairman, putting it in a way that is unpleasant to hear, the Government "will not weep until it sees the coffin", in respect of a lot of issues many Members from the democratic camp have said that I have discussed this numerous times but to no avail. It is not true that nobody has ever raised this issue or this Council has not reached a consensus; today, the democratic and pro-government camps have said that this policy is outdated. As it has been implemented since 2003, a review is necessary. Nevertheless, having listened to the Secretary's response just now, I find that the result remains the same and the Secretary has just talked about the same old things, which is most disappointing to us. This explains why a Member from a non-ruling coalition and a non-ruling party has to do so.

In addition, I also wish to respond to the remarks made by LAU Kong-wah because he sympathized a lot with Ronny TONG. But I have to tell him not to worry about Ronny TONG because, first, LAU Kong-wah has mistaken; Ronny TONG is not the Vice Chairman of the Civic Party. Also, he does not need to worry about Ronny TONG because Ronny TONG has a unique personality and a very strong sense of independence; he cannot be forced to support anything that he does not agree to. Indeed, he also thinks that complimentary resident status for property purchase is an inappropriate scheme, and he has also said so many times in this Council. Pity him that the Government has not listened to him. Therefore, he just said that this is not the most satisfactory way to deal with this issue. If the Government is willing to heed Members' advice, we actually do not need to waste so much time arguing about this. We may hold the same views on this issue. Yet, when the Government always refuses to listen — as I have just said — we can only use this method which is also used in other parliamentary assemblies.

Hence, Chairman, after this discussion, I hope the Government will especially when a lot of Honourable colleagues have put forward many innovative ideas today; for example, Miriam LAU suggested that more investment options should be given. I agree with her and I have to ask her not to worry. I have not said that the stock market should be removed from the investment items; I have no such intent. I certainly encourage offering other investment items so that there will be more options.

Furthermore, I have to tell LEUNG Yiu-chung that the Government had copied from foreign countries, only so very badly. LEUNG Yiu-chung said earlier that the Government must be very simple-minded in copying from foreign countries. I would like to tell LEUNG Yiu-chung that I will not be so worried if the Government is ready to copy from foreign countries; as I said when I spoke for the first time, the approaches of other countries do not simply include complimentary resident status for property purchase. Taking Singapore as example, its Government allows investments to be made through property purchase but such purchase can only accounts for half of the investment amount. The investors cannot directly invest in properties for they also need related business experience. Thus, in other places, there are other requirements besides property purchase, unlike the case in Hong Kong where the immigration requirements can be met so long as \$6.5 million is spent on property purchase.

I have also heard many Honourable colleagues suggest that the amount should be increased, that is, the investment level should be raised from \$6.5 million to \$10 million. Chairman, I am concerned that this may conversely stimulate a property price hike to benefit property developers. This is not what I would like to see, and I hope that an overall review would be conducted. We have said many times that we do not simply want complimentary resident status for property purchase; instead, we hope that this investment migration scheme can complement other government policies and become more innovative.

Chairman, I thank the many Honourable colleagues once again for their remarks, and I hope that the Government will really "submit its homework" as soon as possible after this discussion. Chairman, I am afraid this amendment on expenditure reduction may not be approved; in that case, I am not sure if, as Mr CHIM Pui-chung said, the Government would increase the estimates of expenditure in this connection for the deployment of more staff to optimize this

investment migration scheme. If so, my objective may be achieved in an indirect manner. Thank you, Chairman.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by Ms Audrey EU be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Ms Audrey EU rose to claim a division.

CHAIRMAN (in Cantonese): Ms Audrey EU has claimed a division. The division bell will ring for three minutes.

(Mr Paul TSE raised his hand to indicate his intention to speak)

CHAIRMAN (in Cantonese): Mr Paul TSE, what is your point?

MR PAUL TSE (in Cantonese): Chairman, I would like to declare an interest. I have provided legal services in relation to the business of investment migration consultancies.

MR PAUL CHAN (in Cantonese): Chairman, I would like to declare an interest. The company with which my wife works provides services related to investment migration.

MS MIRIAM LAU (in Cantonese): I may also have to declare an interest. As I mentioned when I just spoke, I have assisted some investment migrants in property purchase, that is, in completing the formalities in law.

MRS REGINA IP (in Cantonese): Chairman, I would also like to declare an interest because I was responsible for implementing this Scheme when I was an official.*(Laughter)*

(The division bell stopped ringing)

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

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

(Mrs Regina IP raised her hand in indication)

MRS REGINA IP (in Cantonese): Chairman, I pressed the wrong button, can I press the right one now?

CHAIRMAN (in Cantonese): Mrs Regina IP, what is your voting intention?

MRS REGINA IP (in Cantonese): I opposed this amendment.

(The Clerk showed the voting result to the Chairman)

Functional Constituencies:

Dr Margaret NG and Mr CHEUNG Kwok-che voted for the amendment.

Dr Raymond HO, Mr CHEUNG Man-kwong, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Mr

Abraham SHEK, Ms LI Fung-ying, Mr Tommy CHEUNG, Dr Joseph LEE, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Mr CHIM Pui-chung, Prof Patrick LAU, Mr CHAN Kin-por, Mr IP Kwok-him and Dr PAN Pey-chyou voted against the amendment.

Dr LAM Tai-fai, Mr Paul CHAN and Mr Paul TSE abstained.

Geographical Constituencies:

Mr LEE Cheuk-yan, Mr LEUNG Yiu-chung, Ms Audrey EU, Mr Ronny TONG and Ms Cyd HO voted for the amendment.

Mr Albert HO, Mr Fred LI, Mr CHAN Kam-lam, Mr LAU Kong-wah, Ms Emily LAU, Mr Andrew CHENG, Mr TAM Yiu-chung, Mr Frederick FUNG, Mr WONG Kwok-hing, Mr LEE Wing-tat, Mr CHEUNG Hok-ming, Mr KAM Nai-wai, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Sing-chi, Mr WONG Kwok-kin and Mrs Regina IP voted against the amendment.

THE CHAIRMAN, Mr Jasper TSANG, did not cast any vote.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 24 were present, two were in favour of the amendment, 19 against it and three abstained; while among the Members returned by geographical constituencies through direct elections, 24 were present, five were in favour of the amendment and 18 against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

MS MIRIAM LAU (in Cantonese): Chairman, I move that in the event of further divisions being claimed in respect of the other provisions of the Appropriation Bill 2010 or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

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

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 respectively of each of the two groups of Members, that is, those returned by functional constituencies and those returned by geographical constituencies through direct elections, who are present. I declare the motion passed.

I order that in the event of further divisions being claimed in respect of other provisions of the Appropriation Bill 2010 or any amendments thereto, this Council do proceed to each of such divisions immediately after the division bell has been rung for one minute.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the sum for head 70 stand part of the schedule.

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 sum for head 70 stand part of the schedule. 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): Since Mr James TO is absent because of illness, he has withdrawn his notice of an amendment. I have granted leave for Mr Albert HO to move three amendments without notice at this stage. The three amendments to be moved by Mr Albert HO are the same as the three amendments originally proposed by Mr James TO.

CLERK (in Cantonese): Head 122.

MR ALBERT HO (in Cantonese): I move that head 122 be reduced by \$44,920,000 in respect of subhead 000. This item is related to the expenditure of the Complaints Against Police Office (CAPO).

Chairman, the police complaints system in Hong Kong has been a subject of criticisms for a long period of time mainly because the CAPO within the Hong Kong Police Force (the Force) is solely responsible for the important procedures of receiving complaints, investigating complaints, making decisions and taking disciplinary actions. This system of "investigation by peers" utterly lacks credibility, frequently giving rise to the adverse results of shielding police officers who abuse power and jeopardizing the public interest.

Today, the Democratic Party has proposed an amendment to a Bill related to appropriation for the 11th year to delete the expenditure for the CAPO. In 2008, the Administration introduced an Independent Police Complaints Council (IPCC) Bill to make the IPCC a statutory body and to change the Chinese name of the IPCC to "監警會". Under the Bill, the new IPCC has just taken on a shell, for its powers in respect of investigation, drawing conclusions and taking disciplinary actions have not increased and no progress has been made in improving the police complaints system. During our deliberations on the Bill, Mr James TO moved 82 amendments with a view to increasing the powers of the IPCC, but all of them were negatived. The Democratic Party resolutely opposed the passage of the Bill at the Second and Third Readings.

To perfect the police complaints mechanism, the Democratic Party thinks that the Government must be compelled to relinquish the system of the CAPO under which investigations are conducted by police officers. Instead, the IPCC should take full charge of receiving all police complaint cases and it should be given powers in respect of investigation, drawing conclusions and taking disciplinary actions. Therefore, the Democratic Party proposes a reduction in the Budget estimate for the CAPO.

In the past, the Government opposed any reduction in the expenditure for the CAPO and insisted that the CAPO should handle police complaints because the CAPO and other teams responsible for front-line work and operations belonged to different departments under the administration of different commanders, and the complaint cases will be subject to independent review by the IPCC. Chairman, the Government's argument is obviously unconvincing because the CAPO is under the Force establishment, so police officers in the CAPO may be deployed to other posts within the Force and police officers from other posts may be deployed to the positions in the CAPO. Given such a delicate relation, there may be countless ties among investigating officers and the police officers under complaint, involving various probable and intangible interests. Basically, investigations can hardly be conducted in a fair and impartial manner, let alone giving the public an impression that investigations can be conducted fairly and impartially.

Even though the statutory IPCC can review the cases investigated by the CAPO, it cannot directly receive complaints by the public and it cannot conduct independent investigations. There were cases in the past where the IPCC and

the CAPO arrived at different investigation results; the former considered that a complaint was established while the latter considered that it was not established; or, the former considered that the disciplinary actions were too lenient while the latter just gave oral or written warnings. However, the officers being complained were promoted as usual, and some were even promoted to the highest management of the Force and took charge of the CAPO. An example well known to all Honourable colleagues is what happened to the former Commissioner of Police, Mr Dick LEE, years ago. He was complained for playing Beethoven's music very loudly on the Reunification Day to drown out the noises of protesting complainants or demonstrators. At that time, we regarded his action as inappropriate, and the then IPCC actually considered that his act was an intervention in the freedom of demonstration. In any case, the police did not agree with such a conclusion at that time. As we all now, Mr Dick LEE was eventually promoted as Commissioner of Police. Many people had highly appraised Mr Dick LEE but this incident was really a blemish on his reputation. Even so, we all know that this had not had much effect on his career.

Chairman, these problems already emerged 10 years ago. In 1992, the former Legislative Council passed a motion demanding that the CAPO be made independent of the Force; and in 1996, the former Legislative Council successfully amended the Bill introduced by the Government to make the IPCC a statutory body. The IPCC became a statutory body, given the power to initiate investigations. In spite of the fact that the IPCC could conduct independent investigations when the investigations by the CAPO were deemed as problematic, it was a great pity that the Government was still such a bad loser. At that time, it chose to withdraw the Bill during the Committee Stage, completely shelving the proposal to make the IPCC a statutory body.

In the international arena, the United Nations Commission on Human Rights already indicated specifically in 1999 that the IPCC in Hong Kong did not have any or sufficient power to ensure that the police complaint cases would be positively and effectively investigated. In 2006, the Commission again requested the Hong Kong Special Administrative Region to ensure that the investigation of police complaint cases were handled by an independent body and its decision should be binding on the authorities concerned.

Despite that, the Government turned a deaf ear to the international opinions including the views of the United Nations Commission on Human Rights just

mentioned, and it refused to carry out due reforms or make improvements. In the course of the deliberations on the IPCC Bill, IPCC Chairman Ronny WONG attended a meeting of the Bills Committee and gave his remarks. He said, "the original intention of the Bill is to make the IPCC independent, but if the background of the IPCC is considered carefully, merely establishing an independent IPCC will just turn it into an organization to safeguard the abuse of power by the police." He also said that the so-called independent IPCC — "deals with the abuse of power by many police officers, and completely eliminates all such abuses."

Chairman, a statutory IPCC evidently lacks the power to stop the abuse of power by the police, and it also gives the authorities concerned a better excuse to continue to allow the CAPO to conduct investigations by peers; the IPCC can stamp the words "not established" on the relevant complaint papers during its review of the cases, and continue to wink at the abuse of power by black sheep in the Force. We have repeatedly emphasized that, under the existing system, proposing amendments to a Bill relating to appropriation is the only way to compel the Government to look squarely at the issue. If our amendments are passed, people will not have no means of lodging complaints, as the Secretary for Security said before, or a while ago. As we all know, the present CAPO is basically performing no function.

Hence, the Government must drum up its resolve to hand over all CAPO cases to the IPCC for investigation. Certainly, we also need to enact legislation to empower the IPCC to conduct investigations, draw conclusions and take disciplinary actions in a reasonable and sufficient manner. In that way, people will really benefit from a credible police complaints mechanism which will genuinely serve public interest. Thank you, Chairman.

Mr Albert HO moved the following motion:

"RESOLVED that head 122 be reduced by \$44,920,000 in respect of subhead 000."

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

DR JOSEPH LEE (in Cantonese): Chairman, this time, Mr James TO has moved an amendment, or Mr Albert HO has moved an amendment on behalf of Mr James TO, to reduce the provision for the CAPO. First of all, I should declare an interest here, I am Vice Chairman of the IPCC ("警監會") (*someone interposed a remark*) it should be the IPCC ("監警會") as the Chinese name has been changed. I have made a mistake even though I am reading from the script because I have been calling it the IPCC ("警監會") for many years; I am really sorry.

I believe this is not the first time such an amendment is not moved, and it has already been moved many years ago. If we reduce the provision for the CAPO, it will be impossible to operate, or it has to hand over all complaint matters to the IPCC for handling. Let us take a look at the existing legislation. The IPCC actually has the statutory power to monitor the operation of the CAPO, but, as we currently see, the IPCC though the Legislative Council passed the Bill in circumstances that were not satisfactory and turned the IPCC into a statutory body, given the existing resources of the IPCC, it really may not be sufficiently able to monitor all the procedures or details of the handling of complaints by the CAPO, which is disappointing. Nevertheless, if we agree at this time to reduce the provision for the CAPO, we have to consider how we can have a more effective body in Hong Kong to monitor police complaint matters. Based on this logic, I think it is certainly most satisfactory for the Government to hand over the police complaint matters in Hong Kong to an independent body for handling, but before this can be done under the existing legislation, the Secretary or Under Secretary for Security may have to provide the IPCC with more resources so that it will have sufficient staff to carry out comprehensive monitoring of the work of the CAPO so that all complaints will be handled fairly and openly. At present, the IPCC has the ability to initiate investigations or conduct hearings on some police complaint cases that it regarded as requiring or deserving monitoring. Nonetheless, as its new Chairman, Mr JAT Sew-Tong, has repeatedly said, owing to the lack of resources, manpower deployment may not be able to achieve this currently.

I believe I will not support this amendment on this occasion. If the amendment is passed with our support, the CAPO for handling police complaint cases will disappear in Hong Kong while the IPCC may not have adequate resources or statutory power to monitor or handle police complaint cases. This will further confuse the situation.

At this moment, I also hope that the Administration will seriously consider providing the IPCC with more resources to make it an independent statutory body with sufficient abilities and resources for monitoring the work of the CAPO. Of course, it would be ideal if the Government can reconsider the establishment of an independent body in Hong Kong for handling police complaint cases. Thank you, Chairman.

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

MS EMILY LAU (in Cantonese): Chairman, I speak in support of Mr Albert HO's amendment.

Mr HO has just referred to the previous views or denouncement of the United Nations Commission on Human Rights. Chairman, the Government is now drafting a report for it is about time for it to submit a report to the United Nations. I believe the Government will certainly boast about the enactment of this law, but I think it will not be acceptable to the Commission on Human Rights. As Mr HO has just said, the Commission has stated time and again that investigations should be conducted by an independent body, and the recommendations to be made by the body after investigation should be binding. It is just a joke to draw a comparison between this body and the IPCC on the basis of this standard.

So, Chairman, Members will understand why Mr James TO had to propose this amendment in each of the past 11 years. If his amendment is not passed this year, he will still propose such an amendment next year. Dr Joseph LEE is a member of the IPCC, is he Vice-Chairman? He is Vice-Chairman and he said that there is insufficient funding and the IPCC is in straitened circumstances.

Chairman, information shows that there were some 4 200 police complaint cases in 2009 and some 2 700 in 2008; down the years, there were some 2 000 cases as recorded in 2005, 2006, 2007 and 2008, and the number surged to some 4 000 in 2009. How many resources are there for their work? Also, they are just monitoring rather than conducting investigations.

My office has recently received certain complaints. Chairman, a member of the public was extremely furious; after he had lodged a complaint, the officer in the CAPO read out the relevant provisions in the ordinance and told him what should or should not be reported, then he was told that his complaint did not apply to both cases and would not be entertained. That was why the complainant found it very exasperating. Chairman, all of us in the then Bills Committee actually did not quite understand it. After all, the complainant only noticed that the Government was doing something but he was told after a short while that his complaint would not be entertained. Thus, he queried what the Government was actually doing.

People really do not understand why there is no independent and impartial channel for handling complaints. In the Government's letter to Honourable Members asking us to oppose this amendment, one of the reasons given is that there are observers and IPCC members can carry out surprise observations. Even in the course of our deliberations on the Bill, the Government mentioned surprise observations again and again. Chairman, you actually know how much spare time the observers or IPCC members has. In light of the thousands of complaint cases, I would like to ask the Under Secretary to tell us later the number of cases in which surprise observations or monitoring have been conducted.

Actually, we do not want such a system. Now that there is a system under which surprise observations can be conducted, everything should work fine, but advance notices should not be given. Chairman, there is an example in which a surprise observation was unsuccessfully conducted because there was no parking space. If parking spaces are requested, surprise observations will definitely not work because the vehicles would be parked there. In fact, we should employ some full-time officers with the experience and abilities to conduct investigations. Perhaps officers who have retired from the disciplined services should be employed to carry out investigations instead of relying on those who are concurrently holding several public offices or performing other tasks to carry out half-hour surprise observations during their spare time after meals.

For this reason, this is a most unsatisfactory system. Repeating what we said before, Chairman, Hong Kong does not want any novelty and we do not have the ability to surpass the United Kingdom and catch up with the United States. However, let us look at the United Kingdom, the United States, Australia or

Canada; all these countries have independent mechanisms for the investigation of police complaint cases. We have been striving for this for so many years, why does the Government remain adamant? Is the Government unwilling to do so or do the police disallow that? I am not saying that the police are right on every occasion, but, Chairman, if there are such complaints, they had better be handled by an independent and impartial mechanism. The Government should really take this into consideration now that other countries already have such mechanisms. Why can Hong Kong not have such a mechanism?

I trust that the new IPCC Chairman, Mr JAT Sew-Tong, wants to do something, yet, there is a lack of funding and sufficient power is not given under the law. I would like to ask IPCC Chairman, Mr JAT, or IPCC Vice-Chairman, Dr LEE, how much time they can spare to carry out surprise observations? I think that relying on this mechanism is a waste of effort. We want to have a full-time system under which experienced officers can conduct investigations once complaints have been received, instead of waiting for people who have spare time to carry out surprise observations.

Furthermore, I hope the Under Secretary will give a response to this question later. Now that the Under Secretary has pointed out that there is insufficient funding, how can the system be satisfactory?

Hence, I support the amendment. Thank you, Chairman.

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

MR LAU KONG-WAH (in Cantonese): Chairman, this amendment moved by Mr Albert HO is similar to the amendment moved by Ms Audrey EU earlier. In other words, he may not really want to scrap the CAPO and he just wants to make his appeal this time or pursue certain ideas put forward in the past which have not been realized. I fully understand that.

However, the case now is that there is a need for the CAPO and the CAPO has its value of existence. People want to express their views through the CAPO; I do not think it appropriate to rashly scrap the CAPO now. Of course,

the CAPO will then hand over some cases to an independent IPCC. If we have views on its function, operation and resources, I think that we must conduct a review. As a matter of fact, regarding the IPCC Ordinance, several Honourable colleagues including me have held detailed discussions in the past. In fact, the existing IPCC has an independent secretariat and it operates independently, so progress has already been made. We have also commented a lot on the observer system. After the IPCC has operated for a year, we will request the IPCC and the Security Bureau to discuss with us in this Council the details, guidelines and operation which were our concerns in the past. Thus, we cannot say that it is all over. I hope that the Security Bureau would have already put on record the views of the members of the Bills Committee, and I also hope that the IPCC would take the matter very seriously and return to this Council for discussion of the items one by one.

From our observation, there has been a rather astonishing rise in the number of cases handled by the CAPO. In 2008, there were 1 162 cases about dereliction of duty; in 2009 (last year), the number of cases increased to 2 112, that is, more than doubled. Regarding complaints against police misconduct or impoliteness, there were 758 cases in 2008, but the number rose to 1 281 last year. About other kinds of complaints, there were 752 cases in 2008, but the number reached 864 last year. The total number increased from 2 600 cases to 4 200 cases, and we must admit that the rate of increase is astonishing. Certainly, the numbers may not tell us all the problems. Precisely for this reason, we hope the IPCC and the Security Bureau can acquire detailed information on the reasons for the rise in numbers. They cannot just say that most of the cases are about trivial matters, complaints against police misconduct or impoliteness. The Government must understand that trivial matters in its eyes or in the eyes of the Force may be important matters in the minds of people, including the police's respect or disrespect of the public. I think this is a very important point.

Thus, I wish to draw a very explicit conclusion here. Actually, I have not yet seen a detailed report, but I hope the two bodies can analyse in this Council whether the increase in the number of this kind of complaints is really because of more police conduct problems or because the public have a higher level of confidence after the establishment of an independent IPCC, thus they have lodged more complaints that are meant to be tests. I hope that a conclusion could be drawn later on. In any case, an independent IPCC has been established and it is

now in operation regardless of our disagreement or dissatisfaction. We earnestly hope that it will continue to operate independently and we also hope that it will give the Legislative Council and the public an account of its work.

I consider that the amendment today seeking to scrap the CAPO is inappropriate, so we will vote against it. Thank you, Chairman.

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

(No Member indicated a wish to speak)

SECRETARY FOR SECURITY (in Cantonese): Chairman, Mr Albert HO's amendment to the Appropriation Bill 2010 proposes that head 122 be reduced by \$44,920,000 in respect of subhead 000, that is, the Hong Kong Police Force (Police Force) "Operational Expenses" subhead. This in effect means removal of the funding for the CAPO. The authorities hold that this amendment will lead to very serious consequences. I therefore call upon Members to vote against it.

During the Legislative Council's scrutiny of the Appropriation Bill in the past few years, Mr James TO invariably put forward a similar amendment. The passage of the amendment today will not improve the existing police complaints mechanism. Quite the contrary, the resultant lack of funding will render it impossible for the CAPO to continue to handle public complaints against members of the Police Force. Besides, investigations underway must also come to a halt.

The present two-tier police complaints mechanism has built in effective checks and balances. Under this mechanism, the CAPO is specifically tasked with handling and investigating complaints lodged by the public against members of the Police Force. Operationally, the CAPO is independent of the rest of the Police Force. This is to ensure that all investigations can be conducted objectively and impartially. The outcomes of investigations are referred to the Independent Police Complaints Council (IPCC) for monitoring and examination.

The Independent Police Complaints Council Ordinance (the IPCC Ordinance) came into effect on 1 June 2009, and the IPCC began to operate as an independent statutory body on the same day. The IPCC Ordinance expressly provides the two-tier police complaints mechanism with a legal basis, and stipulates that the IPCC shall exercise the power and perform the function of monitoring investigations into reportable police complaints handled by the CAPO. If, in the course of examining a complaint, the IPCC has any doubts about the CAPO's investigation, it may request the CAPO to provide more information or conduct the investigation anew. It may even refer the complaint and its recommendations to the Chief Executive for consideration.

In examining investigation reports submitted by the CAPO, the IPCC may propose to the CAPO to re-classify the investigation results based on the information available. In 2009, the IPCC raised 276 queries of this kind with the CAPO. As a result of these queries, the classification in 154 allegations was changed and endorsed by the IPCC. For the remaining 122 queries, the IPCC endorsed the CAPO's classification following the latter's explanation and clarification.

Under the IPCC Ordinance, the police have the statutory duty to comply with the IPCC's requests. In addition, the IPCC Ordinance also empowers IPCC members and Observers to attend all interviews conducted by the police in relation to reportable complaints, with or without any prior arrangements at their own choices. IPCC members and Observers are also empowered to observe the collection of evidence by the police during their investigation into reportable complaints.

The Observers Scheme is an important vehicle through which the statutory IPCC can perform its monitoring function. At present, besides the 18 IPCC members, the authorities have also appointed 91 Observers to perform the monitoring function through scheduled or surprise observations.

The IPCC has formulated the procedures and guidelines on the conduct of observations by IPCC members and Observers pursuant to the IPCC Ordinance. To further improve the Observers Scheme, the Security Bureau has, since August 2008, required all newly appointed or re-appointed Observers to perform at least four observations a year. In addition, the IPCC has also urged Observers to perform more observations, in particular, surprise observations. In 2009, 1 808

observations were conducted, among which 331 were surprise observations. Compared with 2008, the annual number of observations conducted in 2009 has increased by over 200%, and the number of surprise observations has also increased, showing that the relevant measures are effective.

If a complaint is substantiated and found to involve criminality after police investigation, the police will consult the Department of Justice before deciding whether there is sufficient evidence to initiate prosecution action against the member of the Police Force involved in the complaint. If it is decided that criminal charges will not be instituted, or if the complaint is substantiated but does not involve any criminality, the police will consider whether disciplinary proceedings should be initiated against the relevant member of the Police Force.

In the complaint investigations endorsed by the IPCC in 2009, internal disciplinary proceedings were instituted against 172 members of the Police Force.

This shows that the IPCC Ordinance can help enhance the checks and balances under the present mechanism, thus enabling the IPCC to monitor the handling of reportable complaints by the police in a more effective manner.

The Police Force have always attached great importance to communication with the public and is committed to preventing any avoidable complaints. In 2009, Regional Complaints Prevention Committees were set up. They work in co-operation with the Force Complaints Prevention Committee to implement various initiatives to support the complaints prevention work of the Police Force. The CAPO will ensure that front-line officers and commanders are aware of the latest trend of complaints through visiting front-line formations and other communication channels. The Police Force will also strengthen the professional sensitivity and communication skills of officers through various training courses. Besides, the CAPO will also strive to enhance public understanding of the law-enforcement areas of the Police Force through the media and other interest groups to avoid complaints caused by misunderstanding.

The Police Force attach great importance to the personal integrity and honesty of law-enforcement officers. Besides the prevention of complaints, it will also continue to ensure a high level of integrity among its officers through

the four prongs of education and integrity building, governance and control, enforcement and deterrence and rehabilitation and support, so that all members of the Police Force will maintain a high standard of professionalism in performing their duties.

The authorities will continue to ensure an appropriate supply of resources to the statutory IPCC so that it can discharge its functions. At the same time, we must ensure that the CAPO of the Police Force will continue to receive the funding required for its smooth operation. If Mr HO's amendment is passed, the CAPO will be rendered unable to operate due to the lack of funding. This is tantamount to scrapping the entire police complaints mechanism. This is highly irresponsible and obviously runs counter to public interest. I implore Members to support the Government and oppose Mr HO's amendment.

Thank you, Chairman.

CHAIRMAN (in Cantonese): Mr Albert HO, do you wish to speak again?

MR ALBERT HO (in Cantonese): At the outset, the Secretary gave a warning that, if the CAPO were scrapped, there would be very serious consequences and all investigations will come to a halt, thus jeopardizing public interest.

However, Chairman, I precisely said at the very beginning that if the investigations lack credibility and basically fail to meet the basic expectations of the public, that is, complaints are handled in a fair manner; the system will perform practically no function. Now, all that has been done is just window-dressing and making public relations arrangements, telling people that the CAPO is there to handle complaints. Actually, what difference does it make whether there is the CAPO or not? People can lodge complaints with the commanders of the police officers concerned in certain districts, so, what is the difference? I cannot see any difference.

Yesterday, I got a telephone call from Zachary WONG who was my colleague in the former Legislative Council. He accompanied a complainant in lodging a complaint at the CAPO against a very unreasonable investigation conducted by the North District Traffic Wing. After they had arrived, the

officer responsible for the investigation told them that he had just been transferred from the North District Traffic Wing and knew the situation very well, and he also knew all those officers mentioned by the complainant. The case will be handled soon. May I ask the Secretary if the complainant would be prepared to make a statement in that case? The answer is very obvious; he told Zachary WONG that it would be pointless. So, how can we say that it is independent? The complainant wanted to lodge a complaint against a department, but he only knew on arrival at the CAPO that the investigation would be handled by an officer also from the department of the police officers concerned.

Most of the Secretary's remarks today have actually told us that it does not matter even if the CAPO is not independent because we have the IPCC. Well, the IPCC Dr Joseph LEE has actually raised some questions about insufficient funding, and so on, and I am not going to dwell on those points. Ms Emily LAU said that many members are really busy; they hold various public offices, with duties to perform. In other words, they conduct monitoring as amateurs, thus it goes without saying that there are lots of restrictions and constraints.

Let us look at the IPCC system again. Besides a lack of investigation power, I am not sure how effective it will be if it is asked to carry out investigations anew. I am going to give the Secretary some information. When IPCC Chairman, Mr JAT Sew-Tong, initially assumed office, he met me on one occasion and I told him that there was a complaint case which had yet to be closed six years since the CAPO started handling it; the complaint was lodged in 2003. Why did the case have yet to be closed? Because the former IPCC had all along disagreed with the methods adopted by the CAPO to handle cases or other matters, thus the case had been tossed around. I subsequently told Chairman JAT that he should personally look into the case because it would become a laughing stock and bring the IPCC into disrepute. Chairman JAT asked me to give him some time, but I had not heard from him ever since; so I wrote to him again. Around six months ago, maybe four to five months ago, he gave me a reply indicating that there should be an answer. I received his reply a few months ago and it has now been seven years since the complaint was lodged. I would like to ask the Secretary why we still do not have an answer in respect of a complaint lodged in 2003. Maybe you can tell me the complaint is not established and the case is closed, but, as it turns out, the two departments are passing the ball between them. If I am asked, I will certainly say that I trust the

IPCC because it is more independent and I also believe in its new Chairman. Just like the former chairmen, he has the heart to do something but he lacks the strength. What can he do about it? When it disagrees, it will not conduct an investigation anew if it is asked to do so. What can be done? All of us will feel indignant at the situation. When the new IPCC Chairman attends a meeting here later on, I will certainly ask him to disclose the details of the relevant case and explain why an account of the investigation into that case has not yet been given.

Moreover, it is said that many of the Observers are very enthusiastic, but what are the results? One of the Observers who is a professor in the Faculty of Law of the University of Hong Kong has complained to me — he voluntarily works as an Observer — that he needs not do anything during a surprise observation, and he just needs to sit down and wait for three hours; unless arrangements have been made, in which case an Observer may be received and guided around the place. If nobody is sounded out in advance, that is, a surprise observation as the Secretary mentioned is conducted, an Observer will not be received by anybody after he has waited for three to four hours for they may first want to find out who the Observer is.

Chairman, insofar as this system is concerned, please do not mislead the audience any more and tell them what can be done. Honestly, I have just mentioned a small part; there are now discussions within the IPCC about whether or not the Observers serve any functions because there are discontents after observations. I believe not all the meetings are open, how can these problems be handled? Frankly, the Secretary is not aware of what is happening, and he is just reading from his script. Does he know the internal operation very well?

Dr Joseph LEE is the Vice-Chairman of the IPCC, therefore, he may just want to discuss a lot of matters at IPCC meetings. Nevertheless, I can tell him that, if I speak carelessly in front of him, he will immediately stand up and rectify me, and make clarifications. I can tell him that more than one IPCC member are dissatisfied; a lot of members still want to make efforts and do not want to make the situation so bad. Yet, they lack the strength although they have the heart to do something.

Mr LAU Kong-wah said that I actually only want improvements and I do not really want the provision to be removed. Let me say that I have no worries at all in seeking the reduction of expenditure under this subhead for I think that there will not be any difference even if the abolition is achieved. Why? People can continue to lodge complaints. Where can they lodge complaints? They can lodge complaints with the commanders of the police districts concerned or with the Chief Executive's Office, which may be better. If a complainant lodges a complaint with the CAPO, he will only be told that his complaint is not established after he has made a statement. In respect of various issues, the process may drag on for several months, and people lack confidence in the arrangements for the complaint process.

Chairman, if some independent persons who are zealous within the IPCC want to achieve results, the right direction is to remove the CAPO from the existing establishment so that it will become an independent body under the IPCC. The IPCC will become a management board and a secretariat will be set up, turning the present CAPO into an administrative department, in order that some results would be achieved. I will absolutely agree if some \$40 million can be utilized this way. Yet, the current practice is subject to various constraints and the staff members of the CAPO may be transferred. A newly transferred staff member may handle the relevant case, and even the colleague sitting next to him may be handling the case. How can independent investigations be conducted?

Chairman, after our discussion today with a lot of arguments harping on the same old tune, honestly I know that my amendment will not be passed. Nonetheless, I can tell Honourable colleagues that, in our debate each year, we will give them the latest information and tell them that many Honourable colleagues in this Council have kept an interest in whether there is sufficient monitoring of police powers, and whether people have access to reasonable compliant channels throughout the years. On this topic, a number of Honourable colleagues are dissatisfied with the present system, that is, the so-called two-tier structure. Given the relevant arrangements, both these tiers have become disabled, and a group of people with the power will not have the heart to do their work owing to the structural limitations while a group of people who have the heart to achieve something lack the abilities. They would be juggled around as they lack the power.

I call upon Honourable colleagues again not to bother about the Secretary's alarmist talk intended to scare people. He has warned that once the CAPO is scrapped, Hong Kong people who have been treated unjustly will have no complaints channel. Yet, that is not going to happen. In fact, the situation has not improved at all. Only by passing this amendment will we be able to compel the Government to face up to Hong Kong people, the international community and the United Nations Commission on Human Rights, to straighten out the system anew, make the CAPO independent of the Police Force, and to make it an administrative body under the existing IPCC. We will then be able to handle the relevant matters in the right and effective directions. I so submit.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr Albert HO be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr Albert HO rose to claim a division.

CHAIRMAN (in Cantonese): Mr Albert HO has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong and Mr CHEUNG Kwok-che voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Ms LI Fung-ying, Dr Joseph LEE, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him and Dr PAN Pey-chyou voted against the amendment.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Ms Audrey EU, Mr LEE Wing-tat, Mr KAM Nai-wai, Ms Cyd HO and Mr WONG Sing-chi voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr Frederick FUNG, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin and Mrs Regina IP voted against the amendment.

THE CHAIRMAN, Mr Jasper TSANG, did not cast any vote.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 20 were present, two were in favour of the amendment and 18 against it; while among the Members returned by geographical constituencies through direct elections, 23 were present, 11 were in favour of the amendment and 11 against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

MR ALBERT HO (in Cantonese): Chairman, I move that head 122 be further reduced by \$14,798,400 in respect of subhead 000. This item is related to the creation of 100 new posts within the Police Force (the Force) for counter-terrorism work.

In the Budget this year, the Administration creates 100 new posts within the Force, mainly responsible for the protection of very important persons (VIPs) or carrying out counter-terrorism work. The estimated expenditure as I have just said is around \$14 million. Among these new officers, 34 will be deployed to the Security Wing of the Force while the remaining officers will be deployed to other departments of the Force.

In a written question raised at a meeting of the Finance Committee, we asked the Security Bureau the reasons for adding 100 officers to the establishment. For example, is there any datum or information indicating that terrorist activities have reached more dangerous levels? But the Security Bureau refused to provide any such information. We have checked the international risk levels of terrorist attacks, but we have not found any problems in Hong Kong, that is, we have not found any signs of higher risks that worried us.

Also, the Police Force have all along had an establishment for counter-terrorism work and protection of VIPs, and the Government has never said that there is inadequate staff for this kind of work — it has never said so at meetings of the Panel on Security — so, why is there suddenly a shortage of 100 staff members? We think that the Government has not worked in co-operation with the Legislative Council or provided reasonable and relevant justifications for supporting the staff expenses of almost \$30 million this year. The proposed reduction of \$14 million amounts to half a year's expenditure by the Government in this connection.

Chairman, it is worth noting that 34 officers will be deployed to the Security Wing of the Force as I mentioned just now. Since the reunification, the establishment of the Security Wing has remained at around 411 officers, and its expenditure has remained at around \$127 million. But, starting from 2007, as we have seen in the Budget this year, the establishment and expenditure of the Security Wing have substantially increased year on year. In this Budget, the establishment of the Security Wing is 662 officers, and its expenditure reaches \$220 million, an increase of more than 70% compared with 2007.

Although the nature of the Security Wing's work is extremely sensitive, its transparency is extremely low. All along, the Government has only been willing to disclose certain aspects of the Security Wing's work such as the protection of VIPs, and preventing and combating terrorist activities. The Government has uniformly refused to answer questions about the details of the Security Wing's work, additional staffing and equipment and so on, under the pretext of preventing criminals from getting clues about the details of the operations of the Force and its abilities to enforce the law, thereby evading legal sanctions. Therefore, we are facing a black box, and the Government has even refused to provide information on its establishment, the number of staff members responsible for counter-terrorism work and those responsible for other tasks.

The predecessor of the Security Wing was the Special Branch during the British-Hong Kong colonial era, specialized in political surveillance activities that could not be disclosed such as phone tapping and covert surveillance. In consideration of the fact that the establishment and expenditure of the Security Wing have substantially increased year after year, we have reasons to believe and doubt if the Government has the intention of restructuring the Security Wing with a view to practically carrying out political surveillance in the name of internal security of Hong Kong.

Chairman, as Legislative Council Members, one of our most important functions is to monitor the expenditures of government departments. We think that it is actually unnecessary to have 100 additional staff members for the new posts responsible for VIP protection and counter-terrorism work. At least, we have not been convinced or given information causing us to firmly believe that there is such a need. After all, the Government's work in this connection completely lacks transparency.

At present, the Government seeks the Legislative Council's approval for its establishment and expenditures; this is a departmental budget that has been increasing year after year, but the details of the work of the department are not disclosed in any form. The Democratic Party considers such an act irresponsible, and we have proposed an amendment asking Honourable colleagues to support the deletion of this item of expenditure on the proposed establishment of 100 officers. I so submit.

Mr Albert HO moved the following motion:

"RESOLVED that head 122 be reduced by \$14,798,400 in respect of subhead 000."

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

MR LAU KONG-WAH (in Cantonese): Chairman, we cannot accept Albert HO's proposed deletion. Although Hong Kong is now a safe place, every member of the public hopes the Government and the Police Force would prepare for the rainy days ahead. Terrorist activities have been occurring all over the world and no one can predict when these activities will take place. Disregarding the 911 incident which happened quite some time ago, the recent terrorist attacks at the metro stations in Russia may also happen at any time to any metropolitan city, including Hong Kong. Therefore, if Mr Albert HO's proposed deletion is passed today, there will be no one in the Police Force to facilitate preparedness against terrorism. In the event that Hong Kong is subject to terrorist attacks, the same Member may then blame the Government for not making necessary precautions. As such, I consider this proposed deletion, in Mr Albert HO's wording, irresponsible.

Chairman, I personally consider that there will not be any warning before a terrorist activity or attack occurs. If there is a warning, it will not be a terrorist attack at all. Therefore, Mr Albert HO's justification for his proposed deletion, which is that there has never been any problem in the past, does not hold water. In disease prevention, it is said that prevention is better than cure; and insofar as terrorist attacks are concerned, I think precaution is always better than remedies. Therefore, we will vote against this amendment.

Incidentally, the anti-terrorism legislation was enacted a long time ago. Some Members of this Council once said certain provisions of the relevant code would not come into operation even after the enactment of the law. However, with the Government's introduction of the code of practice into this Council, a subcommittee has been formed to scrutinize it. Therefore, anti-terrorism should be complemented by legislation, codes of practice, manpower and resources. Without manpower and resources, the law and codes of practice will, precisely as

Mr HO said, only be misnomers. Under this circumstance, I think it is necessary for the Government to strengthen such work.

After all, Hong Kong is a blessed place, and I hope terrorist activities would never come close. However, this is only my wish. We have witnessed quite a number of terrorist attacks in our country over the past two years. Much as we wish to live in a safe place, we still have to prepare for the rainy days in good times and make preparations to protect the life and properties of the people of Hong Kong. As Members of this Council and the legislature, we need to support the work of the Government and the Police Force in this respect all the more. Thank you, Chairman.

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

MS EMILY LAU (in Cantonese): Chairman, I speak in support of Mr Albert HO's amendment. The subject under discussion now is that the Government intends to allocate funding to create 100 posts to undertake anti-terrorism duties. However, only very little information has been provided by the Government. The only thing we know is among the 100 staff, 34 will be deployed to the Security Wing of the Police Force which, as mentioned by Mr Albert HO just now, was formerly the Special Branch during the colonial era — Chairman, I believe you or your friends might also have been its investigation subjects, and many people were. Actually, Regina IP should speak on this. Chairman, everyone is very concerned because the Security Wing or formerly the Special Branch is or was responsible for interception of communications — which was not subject to regulation by law back then — and covert surveillance. Now, the recruitment of over 30 additional staff is proposed for no reason. Chairman, I believe many people sitting here in the Chamber are targets of monitoring and surveillance because there is actually no transparency at all. Chairman, do not think that all of you will not be subject to monitoring. All of you may also be subjects. The problem is this work cannot go "unsupervised". When such a large amount of money will be spent on it, should the public not be given an account of it?

We have repeatedly pointed out that for certain issues, such as security and intelligence, we accept that it may not be necessary to make them really public.

However, the majority of other places and countries have put in place an independent statutory committee, either within or outside the legislature, to oversee such work. Chairman, however, we have nothing like that at all, and we are asked to trust it all the same. Should we simply approve the funding proposal in this way and allow investigations to be carried out on us? Has anything gone wrong?

Therefore, I think Mr TO proposes this amendment every year — as he is feeling unwell today, it is proposed by Mr Albert HO instead — because of this (among others reasons) rather than because counter-terrorism who would disagree to taking counter-terrorism measures? When it comes to counter-terrorism work, I have never seen the authorities providing much information to the Legislative Council and society, pointing out that terrorist threats are worsening or the warning level in Hong Kong has suddenly risen, thus necessitating the allocation of more resources and manpower to handle the situation. When only so little information is provided by the authorities what is it mainly about? Chairman, it states that "100 posts will be created to pursue various counter-terrorism enhancement initiatives, and these additional posts will be deployed to extend the scope of protection (there is no knowing who will be protected), enhance the overall counter-terrorism capability of the Police Force and implement the counter-terrorism strategy of the Police Force in a more effective manner." I consider this most inadequate. How can they ask for a funding of over \$10 million with just these few dozen words?

Therefore, Chairman, I hope you will appreciate the public's concern. Members of the public think that it may be necessary to take certain measures, but the authorities have to make themselves transparent and accountable by explaining to the public why these measures are required and which political figures or what people are under surveillance now. They have to give a clear account of these before the Legislative Council can approve the funding proposal. Therefore, I support this amendment.

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

(No Member indicated a wish to speak)

SECRETARY FOR SECURITY (in Cantonese): Chairman, Mr Albert HO's amendment to the Appropriation Bill 2010 proposes that head 122 be reduced by \$14,798,400 in respect of subhead 000, that is, the Hong Kong Police Force (Police Force) "Operational Expenses" subhead. This in effect means the deletion of the provision pertaining to the 100 additional posts to be created by the police for counter-terrorism work.

The police have been striving to maintain the stability and security of Hong Kong, with great importance attached to counter-terrorism work. Currently, the counter-terrorism work of the Police Force covers the formulation of counter-terrorism contingency plans, co-operation with governments and law-enforcement agencies outside Hong Kong, monitoring of international trends, intelligence exchanges, timely assessments of terrorist threats, counter-terrorism drills, upgrading of counter-terrorism training and various security operations on land and sea. In a bid to enhance public awareness of counter-terrorism, various police regions have been making promotional efforts through their community networks.

Since the 911 incident, terrorist activities have been occurring all over the world rather frequently. As a matter of fact, the terrorist threat faced by Hong Kong is currently assessed to be medium, that is, level 2 under the three-level alert system. This means Hong Kong may become a target of terrorist attacks. The recent terrorist attacks at the metro stations in Moscow serve as a reminder for us to maintain a high level of alertness at all times.

At the level of international obligation, the Security Council of the United Nations passed a resolution on combating terrorism and imposing sanctions on a number of countries in a bid to combat terrorism and target on countries supportive of terrorist activities. In accordance with this resolution, Hong Kong enacted the United Nations (Anti-Terrorism Measures) Ordinance in 2002. Besides, the Asia-Pacific Economic Cooperation (APEC) has also confirmed terrorist activities as one of the threats faced by its members in the course of economic development. As a member of APEC, Hong Kong has the duty to adopt measures in collaboration with other members to combat terrorist activities. In order to discharge our counter-terrorism obligation towards the international community, the Police Force must set up an effective operational framework for counter-terrorism.

For this reason, the Police Force propose the creation of 100 posts in the 2010-2011 financial year for the purpose of implementing a number of counter-terrorism measures. The new posts created will mainly be responsible for extending the scope of protection, enhancing the overall counter-terrorism capability of the Police Force and implementing the counter-terrorism strategy of the Police Force in a more effective manner.

At present, police officers of various formations in the Police Force are engaged in counter-terrorism work in varying degrees. The creation of the 100 posts to undertake counter-terrorism duties will enhance the capability and efficiency of the Police Force in responding to terrorism and strengthen the protection for all strata of society.

In his speech, Mr HO expressed the concern that the authorities' manpower increase proposal might be meant for establishing an organization similar to the former Special Branch. Here, I must clarify that the Security Wing is responsible for matters relating to Hong Kong's internal security, including VIP protection, prevention and handling of terrorist activities and co-ordination of risk assessments for large-scale events. The proposed manpower increase aims to enhance the counter-terrorism capability of the Police Force. This is vitally important to the protection of public security and does not involve other purposes. The Security Wing does not carry out any political surveillance.

Given the complexity of the existing counter-terrorism situation in the international community, Hong Kong, being an international metropolis, needs to continue to enhance the overall counter-terrorism capability and awareness of the Police Force and follow the overseas arrangement by setting up a dedicated and specially trained operation unit to perform counter-terrorism duties effectively, extend the scope of protection, enhance the overall counter-terrorism capability of the Police Force and implement the counter-terrorism strategy of the Police Force in a more effective manner. If Mr HO's amendment is passed, the capability of the Police Force to deal with terrorist threats will be seriously hampered, thereby jeopardizing public security. Therefore, I implore Members to support the Government and oppose Mr HO's amendment.

CHAIRMAN (in Cantonese): Mr Albert HO, do you wish to speak again?

MR ALBERT HO (in Cantonese): Chairman, the Secretary's response just now was still very general. He said as terrorist incidents would continue to occur all over the world, the police would have to continue to strengthen its capability to deal with them. However, it has completely failed to address the queries raised in my speech earlier.

As Members must be aware, it has almost been nine years since the 911 incident took place. Back then, we established this structure and deployed resources to complement the implementation of international conventions. It was believed that the resources were adequate to meet the needs. With the developments so far, the Government has kept demanding additional manpower, and most serious of all, the expenditure suddenly increased by as much as 70% over the past two years. Why is a clear account lacking? What changes to the circumstances have necessitated such a significant increase in expenditure? I am now talking about recurrent expenditure rather than one-off expenses required for the introduction of certain new equipment and devices. Why is so much additional manpower required to expand the establishment? What changes to the circumstances have taken place or what special needs are there? These are the questions we raised, but they have not got any answers.

Certainly, if Members adopt the attitude mentioned by LAU Kong-wah, that is, the provision would be used for security and counter-terrorism which are vitally important, then what else can we say? We certainly have to support it. If such an attitude is adopted, there would be no need to raise any questions at all. Nor is it necessary to provide any information. In the future, LAU Kong-wah would give his approval even for the proposal of an additional provision of \$1 billion or \$2 billion as long as "security and counter-terrorism" is stated in the item. He thinks no question should be asked because it is a very important area of work, the disclosure of which may impact on its operation. How can we look at it with this logic? If this is not the logic used by LAU Kong-wah, as he himself has claimed, then have we fulfilled our responsibilities? How many questions have we raised? This is the most important point.

We certainly appreciate that some information may be sensitive. Therefore, Mr James TO, as the spokesman on security matters for the Democratic Party, has repeatedly said in the past that first, the Government has to provide some specific information anyhow. If it is inadvisable to make the

information public, closed meetings and closed-door briefings should be conducted, as in some previous cases. Actually, this practice was adopted in the past and the operation of the police has never been affected by any leakage of information. In the past, the police would conduct closed-door briefings in the course of handling certain special cases in order to give Members an account of such cases to put their minds in peace. Now, the Government is proposing to create 100 additional posts, some of which would be created in the Security Wing, even without making such effort. How could the Government expect us to accept *in toto* such a proposal without asking questions? How should we explain to the public? If the creation of another 100 posts is proposed next year, what can we do? What would Mr LAU Kong-wah do? There is no alternative but to agree to it because it relates to security and counter-terrorism. I hope the Government would understand that we, as Members, have our stance and the responsibility to monitor the Government. If we do not ask even the most fundamental questions and simply allow the Government to dismiss us with such hollow responses, we will fail the expectations of the people.

Today, this item will be passed again. Frankly, how many people are listening to our debate? No one is. Even Members are not very interested in it because they have already decided on their stances. However, I would like to reiterate that this problem will not be resolved if the Government maintains this attitude. We will keep on proposing a deletion every year, and we will tell the Government through different means in future that if there is a lack of transparency on the Government's part, Members will not be able to support it. No matter how desirable the objectives and intentions are, and how worthy of support the measures are, the Government will not be able to secure the trust of the legislature. For the Government, it is a dereliction of duty not to achieve the basic degree of transparency. How can the Government fulfill the basic responsibility of holding itself accountable to this Council as required in the Basic Law?

Chairman, the Secretary's remarks just now were hollow, as usual. If Mr LAU Kong-wah's remark was made on behalf of all those people who support the Government, then it means that as long as the objective is right, there is no need to ask about the details. This is the impression I got. It seems that his reply is: "What are you asking these questions for?", because the details are sensitive and involve significant interests.

Therefore, I am not going to repeat. I only want to stress again that such a relationship between the executive and the legislature can hardly be improved. If the Government really thinks that as long as it has secured enough votes, there is no need to tell us the basic details, not even taking expedient measures, such as holding closed meetings to reasonably brief Members who are well-versed in and concerned about these issues, so as to put their minds in peace, knowing that this sum is worth spending, and after listening to the Government's explanations, believing and agreeing that the funding allocation is correct, we will also base on we understand that there may really be such a need and not all the details can be made public. If the Government really adopts this approach, I think its credibility will be enhanced. Unfortunately, however, the Government is so stubborn that it still maintains this attitude. Today, I would like to call on Honourable colleagues again to oppose this proposed expenditure.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr Albert HO be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr Albert HO rose to claim a division.

CHAIRMAN (in Cantonese): Mr Albert HO has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong and Mr CHEUNG Kwok-che voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Ms LI Fung-ying, Dr Joseph LEE, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Mr CHIM Pui-chung, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Dr Samson TAM voted against the amendment.

Mr Paul TSE abstained.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Ms Audrey EU, Mr LEE Wing-tat, Mr KAM Nai-wai, Ms Cyd HO and Mr WONG Sing-chi voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr Frederick FUNG, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin and Mrs Regina IP voted against the amendment.

THE CHAIRMAN, Mr Jasper TSANG, did not cast any vote.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 23 were present, two were in favour of the amendment, 20 against it and one abstained; while among the Members returned by geographical constituencies through direct elections, 23 were present, 11 were in favour of the amendment and 11 against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

MR ALBERT HO (in Cantonese): Chairman, I move that head 122 be reduced by \$80 million in respect of subhead 103.

Chairman, the Police Force propose the estimates of expenditure for subhead 103, that is, the "Rewards and Special Services" subhead, in the Budget every year. Apart from disclosing that the expenditure will be used for combating terrorist activities, serious crimes, narcotic offences and security, the Government has all along refused to provide Members with any basic information. The mass media usually refer to the expenditure of the Police Force under the provision for "Rewards or Special Services" as "informer's fees". As far as I know, in the British-Hong Kong era, this expenditure, which is commonly known as "informer's fees", used to be the expenditure for the then Special Branch. Now, it is still used as expenditure for the Technical Services Division (TSD) of the Police Force. It should be stressed that it is not entirely correct to refer to the expenditure for subhead 103 as "informer's fees" because only part of it is actually used as rewards for informers. As for the rest of the expenditure, it is believed that a considerable amount would be used for interception of communications and covert surveillance undertaken by the so-called TSD of the Police Force. To my understanding, the provision for "Rewards and Special Services" does not include expenditure which will be made public, for example, the expenditure of about \$220 million on the establishment of 662 staff in the Security Wing of the Police Force; neither does it include the expenditure of almost \$200 million on the establishment of 643 staff in the Intelligence Bureau; and nor does it include the salaries costs for the 133 staff in the establishment of the TSD specifically tasked with the interception of communications, which amount to about \$40 million.

Apart from the above expenses, what is the annual public expenditure of as much as \$80 million under the provision for "Rewards or Special Services" actually used for? Is it still used for the so-called political surveillance conducted by the former Special Branch? We, being representatives of public opinions, have no way to find out about it because the Security Bureau, as usual, has refused to disclose any information on it up to this very moment. Actually, the Government has repeatedly undertaken to disclose information which can be made public under this subhead after the completion of the review of the legislation on the interception of communications. However, this promise has been something like a rubber cheque. The Government has hitherto refused to

give even the most basic information, such as information on staff number or the procurement of equipment. This shows the Government has all along lacked any sincerity to provide or disclose all or part of the information on that item to this Council.

Actually, Chairman, intelligence agencies in countries in Europe and America, such as Canada and the United Kingdom, are subject to the monitoring of elected members of parliamentary assembly pursuant to the statutory procedures set out under a regime with due regard given to national security, transparency and accountability. Take the United Kingdom as an example. Under MI5, which is an intelligence agency, the Intelligence and Security Committee comprising MPs from different political parties was established in 1994 under the law. It is empowered to monitor the expenditure, administration and policies of the departments in the intelligence agency and may from time to time submit reports to the Prime Minister direct. In Canada, there is a similar independent security and intelligence monitoring body known as the Security Intelligence Review Committee. It also comprises MPs and is responsible for monitoring government intelligence agencies. It has considerable power to peruse confidential documents. The Research and Library Services Division of the Legislative Council Secretariat compiled a report in 2008 on *Parliamentary Monitoring Mechanism on Intelligence Agencies in Selected Places*. From the report, we can see that intelligence monitoring legislation in Hong Kong is very backward. This warrants reflection by all Honourable colleagues in this Council.

From our observation, in countries which practise democracy and accountability, the expenditures and operation of intelligence agencies are governed by legislation and subject to public monitoring. This aims to strike a proper balance between respecting human rights and freedom and protecting public security, enhance the transparency of public expenditures and public acceptability. On the contrary, the SAR Government has indicated that even in confidential meetings, it will not disclose to Members the most basic information on manpower and equipment under the provision for "Rewards and Special Services" mentioned just now. Under the existing system, the Police Force do not have to be accountable at all to the Legislative Council or the public for the \$80 million provision for "Rewards and Special Services", and there is nil transparency. If we continue to condone this expenditure, I think we should

genuinely ponder and ask ourselves whether we have performed our duties. If my amendment is passed today, the capability of the Police Force to maintain law and order in Hong Kong will not be undermined because the Government may seek funding provision again within the shortest time possible as long as it can satisfy some basic requirements, and that is, to provide some fundamental information. We are also prepared to attend closed meetings, if necessary, to listen to the briefings provided by the police or the security authority. However, we hope the Government will also know that we, as Members, are duty-bound to ensure that the money is spent in a reasonable and proper manner and for necessary purposes.

This is the 11th year the Democratic Party proposed similar amendments to reduce this expenditure item. I hope Members will give thorough consideration to our demand and the justifications I gave just now and support this amendment so that our intelligence agency can operate effectively and be subject to the reasonable monitoring of elected Members. Also, it can ensure that the so-called accountability officials will at least exercise the minimum diligence required of them.

Mr Albert HO moved the following motion:

"RESOLVED that head 122 be reduced by \$80,000,000 in respect of subhead 103."

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

MS EMILY LAU (in Cantonese): Chairman, I speak in support of the amendment proposed by Mr Albert HO.

Chairman, in respect of the last amendment, the Secretary's remark that the Hong Kong Government does not carry out political surveillance caused an outcry of "wow" among many people. Much as we would wish to believe in the Government, we find it very hard to do so. Chairman, may I ask whether such work is undertaken by the Ministry of State Security? Actually, all of us know this work is carried out in many societies, but we think it should be subject to monitoring. Therefore, when the Government seeks a funding provision of \$80 million as "informer's fees" for no reason, even if it is subject to monitoring

by the relevant committee on interception of communications and surveillance with a Judge as its commissioner, we are still concerned whether the committee can monitor the overall situation, though I can see that it is already working very hard.

Chairman, actually we need a statutory mechanism to monitor the authorities' work on intelligence and security. Mr Albert HO mentioned a closed-door approach, but as this is only an expedient approach, I do not prefer it. Even if it is adopted, the authorities will not provide any information to us. I think the Legislative Council should, at the level of the system, set up an independent organization, either within or without this Council, by way of legislation and require the authorities to provide information to it. Mr Albert HO mentioned just now that the Secretariat had done some research on overseas practices, which shows that such an organization is in place in the United Kingdom, France, Canada and Australia. However, the authorities have refused to set up such an organization, while only seeking funding provisions. Why, Chairman? Because there are these royalist Members who would give approval to funding proposals of a few tens of million dollars or even more without asking for the reasons as long as the proposals are put forth by the authorities. How can they act in this way?

Chairman, this is a document provided by the authorities. The Secretary stated that stringent vetting and approval as well as monitoring procedures in respect of the "Rewards and Special Services" subhead are in place. Chairman, how stringent are they? He said the utilization of funds would require vetting and approval by a designated senior officer. May I know how senior the officer would be? He also said that from time to time senior police officers would — Chairman, what would they do from time to time? Again, they would conduct blitz checks on the expenditure. I do not know how these blitz checks on the expenditure will be conducted. Now, blitz checks have become a shelter for the authorities. Chairman, the authorities would conduct blitz checks on whatever they do. Will they be conducted just in the same way as I, being a Justice of the Peace, conduct blitz checks to the prisons? This approach may not be effective. Given the importance of the matter, how can we rely on blitz checks? Will the Secretary tell us later how many blitz checks have been conducted and what their outcomes are?

Chairman, the Secretary also pointed out that the Internal Audit Division of the Police Force will conduct annual audit on the expenditures, and the expenditures are also subject to independent audit inspections by the Director of Audit. Chairman, special meetings of the Finance Committee were held last month. The meetings lasted for one week, during which no Council meeting was held. The Director of Audit was present at the meetings. When Mr James TO asked him whether he had conducted any detailed audit inspections of the expenditures, given that he has the power to do so, he replied in the negative. Mr James TO posed many questions to him, including why he did not inspect the expenditures and whether he could do so. As we are not allowed to inspect these expenditures, we have requested the Director of Audit to inspect and give a report on them. If the Director of Audit considers, after inspections, that there is no problem with the expenditures, everyone would rest assured. However, he did not do so, and no one knows the reasons.

Therefore, if the Director of Audit is listening, I hope he has released a report today, and I hope he will release a report in the future explaining how these expenditures are used. The Government should not give people the impression that transparency and accountability are totally lacking. Chairman, it always concerns me that the money would be spent on carrying out surveillance over us. Therefore, I will definitely not agree to allocating provisions for this purpose.

MR LAU KONG-WAH (in Cantonese): Chairman, this is the 11th year in which the Democratic Party proposes to delete the "informer's fees" — exactly the 11th year. This amendment, if passed, will do harm to society.

Chairman, besides a highly professional team, the law-enforcement agencies in every society also need the help of other people or even use "informer's fees" to obtain intelligence to combat serious crimes in society or crimes which are detrimental to the life and properties of every member of society. If this Council does not approve the funding proposal of \$80 million put forward by the Police Force, I believe our society will not agree with it. This is why I said the passage of this amendment will do harm to society. Certainly, I also heard the two Members express many ideas, doubts and

speculations, but these are only their doubts and speculations. Actually, we cannot deny that the "informer's fees" are helpful to the police in combating crimes in some measure. If all of us admit this, why do we have to delete the "informer's fees"?

Chairman, we do not mean to be so adamant on every issue, but regarding issues which would jeopardize the law-enforcement capability of the police or undermine their capability in combating crimes, we have to handle them with great care and caution. During the scrutiny of the legislation on the interception of communications, plenty of debates were conducted. Certainly, Members are aware that regarding the "informer's fees", it was finally decided that the police are required under the legislation to report to Justice WOO, and the figures provided in the report have to be submitted to this Council. However, do we, Members of this Council, need to know the details of every single case very clearly in order to take follow-up actions? I think this practice involves certain risks and may not be appropriate.

There are after all differences in the functions of the executive authorities and the legislature. Even in the Police Force, not every single police officer or senior officers will know all the details of every case. Sometimes, it is really necessary for the police to carry out operations in secret, and it is purely for the sake of public interest. Some Members mentioned just now that this Council may also adopt confidentiality measures or conduct closed meetings. I do not have reservation about every issue, but insofar as this one is concerned, I think certain risks are involved. Add to this the fact that there are often leakages of information from closed meetings held by this Council, which have happened time and again, I therefore think that this approach may not be feasible.

In the past, the Government was able to provide this Council with such information as overall figures, total amounts, total number of cases and the types of crimes involved. I personally consider this very crucial and adequate. I think it is not necessary to require the police to provide this Council with information on every single case, and it is even a very dangerous move to delete the \$80 million "informer's fees" by reducing the provision in respect of this subhead in the Budget. Therefore, I advise the Democratic Party not to move similar motions in the future, or else it would be rather irresponsible to society. Thank you, Chairman.

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

(No Member indicated a wish to speak)

SECRETARY FOR SECURITY (in Cantonese): Chairman, Mr Albert HO's amendment to the Appropriation Bill 2010 proposes that the provision of \$80 million in respect of subhead 103 under head 122, that is, the Hong Kong Police Force (Police Force) "Rewards and Special Services" subhead, be deleted. The authorities strongly oppose this amendment.

The expenditures under the "Rewards and Special Services" subhead involve covert operations of the police, such as operations to combat terrorist activities, serious crimes and narcotic offences. These expenditures include rewards and "informer's fees" as well as expenditures required for the acquisition and maintenance of some necessary equipment for law enforcement, which are essential for the police to maintain public security and the law and order of our society. I have to reiterate that the expenditures under this subhead are definitely not used for political purposes.

We totally agree that the executive authorities have to be accountable to the Legislative Council and the public for the use of public money, and we also understand that Members wish to obtain more information on the expenditures under the "Rewards and Special Services" subhead in order to enhance monitoring. However, given the covert nature of the operations, we must be very careful to ensure that making information on the expenditures of these operations public would not enable criminals to know, through analysing the allocation and trend of expenditures, the operation strategies of the police, thereby allowing them to elude justice or even jeopardizing the safety of front-line police officers and informers providing intelligence to the police. As such, the authorities have been striving to strike a proper balance between making such information public to maintain the transparency of police expenditures and protecting the covert operations of law-enforcement agencies to ensure effective law enforcement.

With respect to making information public, in order to enhance the transparency of expenditures under subhead 103, in recent years, the authorities have, on the premise of not affecting the law-enforcement capabilities of the police, disclosed relevant statistics on the uses of the provision under this subhead, including the total number of cases, the total amount of rewards offered and the total number of reward payments made.

Besides, the Interception of Communications and Surveillance Ordinance (the Ordinance) enacted in August 2006 clearly provides for the authorization criteria for interception of communications and covert surveillance and the appointment of an independent Commissioner on Interception of Communications and Surveillance (the Commissioner) who is tasked with overseeing the compliance by law-enforcement agencies with the relevant requirements under the Ordinance. The Commissioner must submit an annual report to the Chief Executive, listing various items of statistical data on covert operations taken by law-enforcement agencies, such as the number of authorizations issued for covert operations, the time limit of the authorizations and the types of crimes involved. Then, the Chief Executive will, in accordance with the requirements under the Ordinance, arrange for the submission of the report to the Legislative Council for scrutiny. Since the implementation of the Ordinance, the Commissioner has submitted three annual reports, and the Panel on Security has also discussed these reports thoroughly.

As for the vetting and approval and monitoring of the expenditures under the "Rewards and Special Services" subhead, a stringent vetting and approval and monitoring system is in place to ensure the proper use of public money. In this connection, the Police Force have formulated a set of detailed internal vetting and monitoring procedures, including vetting and approving every expenditure item by a designated senior officer and conducting blitz checks from time to time on the details of the expenditures under that particular subhead. The Internal Audit Division of the Police Force will also conduct annual audit on the expenditures under subhead 103. Besides, senior officers from the Audit Commission will conduct independent audit inspections for the accounts under subhead 103 in accordance with the Audit Ordinance. These monitoring measures can ensure strict compliance by relevant officers with government financial and accounting regulations, thereby providing a lot of protection.

The expenditures under subhead 103 are essential for the police in maintaining law and order in society and combating serious crimes. If Mr HO's amendment is passed, the law-enforcement capabilities of the police to criminals will be seriously threatened and impaired, which will in turn jeopardize the overall law and order situation in Hong Kong. I therefore implore Members to oppose Mr Albert HO's amendment.

Thank you, Chairman.

MR ALBERT HO (in Cantonese): Chairman, regarding the three rounds of speeches on the three different amendments just now, if we review debates on similar issues in the past, we can easily find out one thing, namely, there are often the same genes running in the bureaucratic systems with executive powers. Not only do they wish to expand their powers, but most importantly, they also wish to make sure that their powers would not be challenged. They would strive to avoid public monitoring in this respect, as this would make them feel most at ease.

Regarding the Government's objectives for the use of public funds, Members do not query about them, considering them improper or completely unworthy. What we are asking for is the disclosure of some basic information, so that we will know whether or not public funds are used properly and sensibly. This is why the Government's funding proposals have to be submitted to the Legislative Council for consideration and approval.

In the past, whenever the operation of the Police Force was implicated in discussions, the authorities would often come up with various justifications, such as the argument that the information was highly confidential, its operation might be affected, all the information was sensitive in nature and public security would be jeopardized. Well, today, colleagues have referred to the legislation on the interception of communications again. Looking back at the situation in 1997 when the legislation on the interception of communications was passed, after the legislation was passed by the Legislative Council, the then government — of course it had to be endorsed by the British Hong Kong Government the law was enacted but not yet in operation back then. Many years thereafter, the Government was still refusing to name a commencement date. Why? Because

the authorities said if the legislation came into operation, the Police Force would not be able to operate; and if the Police Force were subject to monitoring, their overall operation and capabilities to crack crimes and trace effective intelligence would be affected. Now, the authorities are making practically the same remarks, which are also alarmist in nature.

Subsequently, the Court cautioned the Government that if it kept on conducting operations of wiretapping without making applications in accordance with the law, many of these operations would be invalid. However, the Government just paid no heed to it all the same and issued administrative instructions for conducting these operations, refusing to be subject to external monitoring and not trusting even the monitoring carried out by an independent Court. This clearly shows the logic of the Government as a whole, namely, with just a simple question asked, it would think that the so-called transparency and accountability would undermine the effective operation of the Police Force and jeopardize public interest. Unfortunately, later a Member — "Long Hair", who has not studied law — applied for judicial review, alleging that the Government's administrative instructions were unconstitutional. Eventually, the Government lost the case and dared not lodge an appeal. How shameful.

In the end, we enacted another piece of legislation on the interception of communications in great haste. Under this mechanism, some information will be vetted and approved by a Judge. Every year, a commissioner will give an account of the information after the vetting and approval process, so that we will know what problems there are with the operation of the wiretapping system as a whole; and he will also provide us with some basic figures. Regarding such a system, although some people may consider it not entirely satisfactory, there is at least a certain degree of transparency in it, which renders police officers who exercise the power of interception subject to a certain degree of monitoring. Will the operation of the Police Force collapse? Will the Commissioner of Police tell me that the police are, regrettably, unable to crack cases because this system is in place, and the entire approach of interception of communications and previous work on intelligence will become invalid? In reality, this will not happen.

The problem now is that whenever we ask for some basic information on certain issues as the basis for vetting and approval, the authorities would turn us

down under all circumstances; and even when we make compromises and adopt an expedient approach by requesting the authorities to give an explanation and an account of the situation behind closed doors, the authorities would also refuse to do so. This situation has been going on for years.

Ms Emily LAU also pointed out just now that she is concerned that the Security Wing has actually resumed the work of the former intelligence agency in the Government. Therefore, there is no way to allay these concerns. If we only say that because the Government's objectives are correct, and these objectives have to be achieved by carrying out this work, and therefore we cannot and need not monitor the process involved; or as pointed out by Mr LAU Kong-wah, once monitoring is carried out, the highly confidential nature and effectiveness of such work would be compromised, which would in turn jeopardize the security of the whole society; if this attitude is adopted — I stress again — if such logic, attitude or stance is adopted, there is no need for us to ask any question about the Government's funding proposal of \$80 million this year, or \$800 million next year or possibly \$1.8 billion in the future, because there is nothing we can really ask.

Under this circumstance, how can we perform our duties as Members? We have our own principles and we can also make reference to overseas practices. From the research report prepared by this Council, we can see that the MI5 of the United Kingdom or the CIA of the United States has to report to a cross-party organ in the Parliament or Congress. More often than not, these reports are not entirely open to public, and under some circumstances, they are presented behind closed doors and regarded as confidential information. As these agencies will provide some basic information to the public, they will publish annual reports. All of these are supported by facts. Why is Hong Kong so backward? Why cannot Hong Kong take measures which are in place in countries practising democracy and accountability? The attitude being reflected is that of the royalist. Even today, they still shove the way for the Government, give full support to the way the Government exercises its power and make every effort to bolster the Government, considering that the duty to monitor the Government has to give way, acting as outright apologists. As long as the Government indicates that there are important objectives to achieve, they will trust it and will never ever raise any further questions.

Chairman, this is the third time I am speaking on the same issue. I would like to reiterate that it is a blatant dereliction of duty for any Member to keep his eyes closed and support the Government's use of public funds in this respect again without raising any queries, thinking that he has no need, no responsibility and no way to raise any queries. Today, I hope Members will not believe in what Mr LAU Kong-wah said anymore, which is that if the amendment to reduce these expenditures is passed, the Government will not have any manpower and resources for making preparations, and thus the bad guys will be able to act against the law as they wish; or as a result of the absence of such items as "informer's fees", the so-called terrorist activities which will jeopardize public security, as mentioned just now, may occur in Hong Kong and run out of control. Regarding such logic, I believe Honourable colleagues will be able to tell that it is exactly alarmist talk which we have no reason to heed. I implore Members here again to support my amendment.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr Albert HO be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr Albert HO rose to claim a division.

CHAIRMAN (in Cantonese): Mr Albert HO has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Mr CHEUNG Man-kwong and Mr CHEUNG Kwok-che voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Ms LI Fung-ying, Dr Joseph LEE, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Mr CHIM Pui-chung, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou, Mr Paul TSE and Dr Samson TAM voted against the amendment.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr KAM Nai-wai, Ms Cyd HO and Mr WONG Sing-chi voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin and Mrs Regina IP voted against the amendment.

THE CHAIRMAN, Mr Jasper TSANG, did not cast any vote.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 23 were present, two were in favour of the amendment and 21 against it; while among the Members returned by geographical constituencies

through direct elections, 23 were present, 12 were in favour of the amendment and 10 against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the sum for head 122 stand part of the schedule.

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 sum for head 122 stand part of the schedule. 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): Head 141.

MR LEE CHEUK-YAN (in Cantonese): Chairman, I move that head 141 be reduced by \$281,666 in respect of subhead 000. Just do some computation, and Members will know that the sum is equivalent to a month's salary of a Bureau Director.

Today, several pan-democratic Members, namely Ms Audrey EU, Ms Cyd HO, Mr LEE Wing-tat and I, have unanimously proposed taking a month's salary off a Bureau Director. Some people have asked us to explain why there is no proposal to slash the salary of the Financial Secretary. I think his salary should all the more be cut. We have not put forth such a proposal because we have already indicated clearly our opposition to the Budget. Moreover, the problem with the Financial Secretary should not be resolved through slashing his salary, for he should come up with a new Budget instead. However, this does not mean that he has done his job properly. Only that he should compile the entire Budget anew. Furthermore, some people have also asked us to explain why there is no proposal to slash the salary of the Chief Executive. Indeed, his salary should all the more be cut because he belongs to the leadership, and he has failed in leadership. However, our objective today is mainly to hold this debate to give Members an opportunity to thoroughly discuss the major conflicts facing Hong Kong.

As Hong Kong is currently facing three major conflicts, several Members have proposed slashing the salaries of several Bureau Directors. What are the three major conflicts? The first conflict is related to property prices. In view of the current surge in property prices, Mr LEE Wing-tat will later propose taking a month's salary off the Secretary for Transport and Housing. The second conflict, which is related to the disparity between the rich and the poor, involves two Bureau Directors. One of them is Secretary Matthew CHEUNG, given that he is the Secretary for Labour and Welfare, and of course, he should take the blame. The other problem, inter-generational poverty, involves the Secretary for Education. This is why Ms Cyd HO proposes slashing one month's salary off the Secretary for Education. The third major conflict is a long-standing constitutional conflict. Ms Audrey EU will propose slashing one month's salary off the Secretary for Constitutional and Mainland Affairs.

Before turning to Secretary Matthew CHEUNG, I wish to respond to the issue of disparity between the rich and the poor, as mentioned by the Financial Secretary today. However, I wonder if the Financial Secretary's mental dictionary has deleted this expression, namely disparity between the rich and the poor, because he has merely mentioned "poverty". I do not know why he will never talk about disparity between the rich and the poor. I find this very strange because I have reviewed his speech script and found that he talked about people's livelihood and the poverty problem in the last part. However, it was most disappointing when I heard him say short-term, medium-term, and long-term

measures would be introduced to tackle the poverty problem. I listened very attentively in an attempt to find out what impressive measures, especially long-term measures, would be introduced because we had all along been criticizing the Financial Secretary for failing to introduce long-term measures. However, I was greatly disappointed after listening to his speech. Of course, as short-term measures, "candies" will be dished out. As Members are aware, some relief has been offered. As medium-term measures, nurturing and training will be provided. Actually, we are familiar with all these. When it came to long-term measures, the Financial Secretary rehashed the outdated measures. The Financial Secretary was already criticized by me in the previous debate for being conservative because he said that we had to rely on economic development in the long run. Now, he is talking about economic development again. I have pointed out repeatedly that we cannot lift people out of poverty by purely relying on economic development. In the long run, it is disappointing to see that he has done nothing at all.

As regards the issue of disparity between the rich and the poor, Secretary Matthew CHEUNG behaved in the same manner just now. However, before explaining why his salary must be slashed, I have to respond to a remark made by him today when he was talking about disparity between the rich and the poor. He said that the current minimum wage in Hong Kong is \$2,600 on average. However, owing to government subsidy, it is actually \$5,200. On the other hand, the salary of the highest-income group, which accounts for 10% of the population, has fallen by 0.7%, from \$100,000 to \$94,000. Members can see that the post-tax percentage, which is 0.7%, is very small indeed. Actually, it is pointless to say anything because we will know by merely looking at the Gini Coefficient. Compared to 0.523 in 2006, the current Gini Coefficient is 0.523, or probably 0.533, which is slightly higher. There is one more figure I would like to quote. According to the figures provided by the Census and Statistics Department (C&SD) in 2006, the Gini Coefficient still stood at 0.475 despite all sorts of subsidies provided on transfer, so to speak. President, 0.475 is indeed a very high figure, because 0.4 is generally regarded as the alert level. In Hong Kong, however, we have even reached 0.475. Therefore, the Secretary only needs to say that the disparity between the rich and the poor is still very serious after transfer. This will suffice to illustrate the gravity of the situation.

President, let me explain why Matthew CHEUNG should be punished by taking one month's salary from him. On behalf of the people, I hereby announce

the verdict that he should pay a month's salary in fine and stay in his post for observation as a warning to others because of his 10 shortcomings, or so-called "10 sins". First, as we have pointed out repeatedly, Secretary Matthew CHEUNG has paid no attention at all to the plight of low-income workers by continuing to delay the introduction of a territory-wide travel subsidy scheme. Why am I criticizing the Secretary for delaying the scheme again and again? In a meeting held by the Panel on Manpower, he pledged that proposals would be put forth upon the completion of the review at the end of last year, and yet, it is said in the Budget that proposals would be put forth upon the completion of the review at the end of this year. Why are the proposals not forthcoming? Despite his pledge last year that proposals would be available at the end of last year, we had not seen any proposals. Now, we have to wait for the completion of the study at the end of this year before proposals will be put forth. This is procrastination.

Second, even if he needs to spend some time considering this matter, there is some work he could have done. Many workers in the four districts have received the relevant allowance for a year. He could have extended the relevant scheme to allow these workers to continue to receive the allowance, and yet he has failed to do so. Although it is already very difficult for the workers to make a living, transport expenses are still exorbitant, or even more exorbitant than before, because of bus fare increases last year. However, the Secretary has failed to extend the travel subsidy scheme. He has turned a blind eye to the workers even though they have stopped receiving the subsidy. None of the people who have been receiving the subsidy for a year can continue to receive the subsidy. Given that the review has been delayed, why can the scheme not be continued? I will certainly be most happy that the scheme can be extended to all parts of the territory. However, the Secretary has refused to keep the scheme going while delaying the review again and again.

I became even more frightened after hearing the reason given by the Secretary just now, that a study had to be conducted first because he had asked the C&SD to study the mode of people going to work. What is the point of conducting this study? We all know the bus fares for travelling from Chai Wan to Kwun Tong or from Tsim Sha Tsui to Tuen Mun. These bus fares are known to everyone. What is there to be studied? I find this greatly disappointing. Why does the Government make things so complicated by refraining from handling this matter which can be dealt with immediately? Nevertheless, we

heard that he was willing to conduct the study. This is good for everyone if he really does so. But why is there delay again and again? The worst thing is, I do not know if the scheme will really be implemented after repeated delays. I can simply not put my mind at ease at all. This is the first sin of the Secretary.

Though I will not elaborate on the second sin, I must point out that the purpose of legislating on a minimum wage is so ambiguous that the Government has helped the business sector suppress wages. Why do I criticize the purpose of the legislation for being ambiguous? President, the purpose of legislating on a minimum wage is to prevent excessively low wages. What is the purpose of enacting legislation for this purpose? There is no definition of "excessively low wages". We make it very clear that we just hope to give workers enough wages to meet their basic needs in living, so that they will not need to receive Comprehensive Social Security Assistance (CSSA). If the purpose is clearly defined in such a manner, the business sector will be unable to suppress wages. However, they can now do so because of the ambiguity.

Third, we often say that, apart from a minimum wage, it is most important to regulate working hours. What has the Secretary done in regulating working hours? The Secretary often engages in empty talks about family-friendly initiatives, but what has he done? Apart from this, he would also talk about publicity, marketing, and so on, which are also empty talks. As we all know, it is pointless to publicize to employers only. The Secretary is unwilling to do anything in response to this humble request of ours. We have previously made several humble requests, and ended up turned down by the Secretary. For the time being, I will not comment on such a significant request as regulating working hours. Even a humble request like treating everyone equally by turning five public holidays into statutory holidays has been turned down by the Secretary. This is just a very humble request which seeks to enable wage earners to spend time with their family members.

Another humble request concerns why it is impossible to stipulate eight-hour work for residential care homes for the elderly when the Government bought places from them. President, I found out later that the Secretary had been cheated, why? Even K C CHAN has to listen up now because this has something to do with him, as workers were presumed to work eight hours in the calculation of the unit cost. However, after calculating the unit cost and spending so much money on buying places, the Secretary did not care when those

centres were found not complying with the eight-hour requirement, even though the working hours were presumed to be eight hours. The Secretary even said that he had nothing to do with that, for he was responsible for calculating the unit cost only. As a result, not only have the workers been cheated, even the Secretary himself has been cheated. As the calculation was based on eight hours, it means that eight hours were already enough. The unit cost thus calculated should be based on workers working eight hours a day. However, the Secretary has not put this into practice. Will the Secretary please enforce this!

The fourth major issue is that the entire government policy is tilted towards consortia. Moreover, the Government is shirking its responsibility and refraining from promoting collective bargaining. Members should still recall that the law was scrapped after we had enacted it, and so there is still no law on the right to collective bargaining today. Should employees wish to negotiate with employers, the only way is to stage a strike. If they do not act in this manner, their employers will be unwilling to talk to them. This is unhealthy. We hope a mechanism for collective bargaining can be put in place.

The fifth major issue concerns the long waiting period for institutions for the elderly and people with disabilities, especially the elderly. Because of the long-standing problem of inadequate residential places, the number of elderly persons who died during the wait was even larger than the number of people succeeded in securing a residential place. The same goes with institutions for people with disabilities. For some disability categories, the waiting period is 106 months, that is, more than nine years. Certainly, the Secretary will definitely tell us later that a lot of efforts have been made. This was what he said every year. He will make the same remark again this year. However, despite much delay, a comprehensive plan for solving this problem is still not forthcoming. I describe this situation as "abusing the elderly and people with disabilities indirectly". What I mean is that, owing to the lack of government planning and inadequate supply of subvented institutions, elderly persons and people with disabilities can only pay for admission into institutions with their CSSA payments. In a way, many incidents of abusing elderly persons and people with disabilities have thus happened because the CSSA payments received by the institutions are not adequate to improve quality and, as a result, the quality of the institutions remains low. It is precisely due to inadequate manpower and poor quality that these incidents have occurred. Why? Because the amount of CSSA payments received by the elderly and people with disabilities is simply

inadequate, and this dilemma has remained unresolved. This problem, concerning institutions for elderly persons and people with disabilities, is the fifth major issue.

As regards the sixth issue, people outside this Council have frequently raised the issue of universal retirement protection. The Government has all along failed to address the problem of elderly poverty. Moreover, people had been fighting hard for years before the "fruit grant" saw an increase of \$300, but still it is only \$1,000 now. Many elderly persons are still relying on the "fruit grant" to support their living. How can they manage to survive? President, it is most annoying that the Secretary has kept saying that the Central Policy Unit will carry out a study. However, the study is still ongoing since 2004, the first time I heard the Secretary's commitment. He only keeps saying that he has no idea, and the study is still underway, even though it has dragged on for seven or eight years. There is still no news despite years of research on how the three pillars suggested by the Central Policy Unit can sustain the development of a retirement system. I think the Secretary is acting irresponsibly as he is unwilling to consider ways to provide universal retirement protection.

As regards the seventh issue, that is, enacting legislation on discrimination against trade unionists' right to reinstatement, the Secretary has also been dragging his feet. Despite his commitment that legislation will be tabled early this year, the legislation has yet to be seen. He made this commitment to me in 2000, and I have waited for nearly 11 years no, it should be nearly 10 years since 2000, and yet the legislation has yet to be tabled. I am very disappointed that legislation on discrimination against trade unionists' right to reinstatement has not yet been enacted.

As regards the eighth issue, the Secretary does have one virtue, that he will definitely visit the scene personally to comfort the victims whenever occupational accidents occur. In this connection, I must express my appreciation of the Secretary. However, "the troops are mobilized after the robbers have fled" on every occasion. Yet, a comprehensive review of the occupational safety system was not conducted afterwards. Whenever there is collapse of a tower crane or a platform, inspections of all the cranes or platforms in the territory will be ordered. This is not going to work. How can institutional problems be resolved? Will the entire occupational safety system be fully reviewed? The Government has failed completely to do so.

As regards the ninth issue, President, the Secretary has once pledged to introduce an economic activity town into Tin Shui Wai, but the result has been very limited. I am very pleased to see that Mrs Carrie LAM is sitting behind the Secretary. Her Area 511 has turned into a housing estate operated by the Housing Authority for rich elderly persons. Moreover, she added that 1 200 employment opportunities would be provided. However, are there any other projects? I can simply not understand why more economic activities, such as a water park, cannot be introduced. This should be feasible, for more people will then be attracted to go there. Can more efforts be made in terms of economic activities? He has also refused to legalize private rural markets.

Lastly, President, the tenth issue concerns the proposal of granting an extra month of CSSA payment. However, I think that the financial tsunami has caused no impact on CSSA payment, and so why should an extra month of CSSA payment be made? Is it because they are having a tough time? The amount of payment has to be raised because it cannot satisfy their basic living needs. However, the Government has all along failed to conduct an official survey on the basic living needs and then examine if the current amount of CSSA payment can satisfy people's basic living needs having regard to the relevant data. This issue has been discussed by the social welfare sector and the Hong Kong Council of Social Service for years, and yet the Government is still reluctant to do anything about it. As a result, there is a lack of justifications or data to support CSSA. Therefore, President, I hope Members can support our motion today.

Mr LEE Cheuk-yan moved the following motion:

"RESOLVED that head 141 be reduced by \$281,666 in respect of subhead 000."

MR LEUNG YIU-CHUNG (in Cantonese): President, I was extremely shocked when I learnt that Mr LEE Cheuk-yan would propose this amendment. I was shocked because, as a trade union representative, he has all along been campaigning for workers' rights and interests and protection of their rights. Today, however, he has done something which is completely in breach of labour legislation. Neither has he protected employee's rights and interests. This is because, insofar as labour legislation is concerned, even if an employee has made a grave mistake, such as breaking something, he will be subject to a maximum fine of \$300 only. However, Mr LEE is proposing that the employee be fined

one month's salary. This is in breach of the labour law. Second, from the perspective of protecting workers' rights and interests, we do not think that the employee should be fined. If his performance is really too bad, his employer can only choose not to raise his salary or fire him. In my opinion, it is fairer for his employer to act in this manner. His employer may even dismiss him because of his poor performance. This is why I often describe LEE Cheuk-yan as "seemingly" leftist but "actually" rightist. On the surface, he is helping the workers, but actually he is not. Is he really helping the workers? I am quite sceptical about that.

However, President, you should know that I will support him in the end. Why? The main reasons are: Firstly, he is not the Secretary's boss. Therefore, he is not dealing with this matter in the capacity as an employer. He merely seeks to build a platform for Members to speak. Therefore, I support him in doing so.

Secondly, and most importantly, the worst thing the Secretary has done is formulating many policies and systems, leading to the appearance of unscrupulous employers like LEE Cheuk-yan. Both LEE Cheuk-yan and I have been working together in the labour sector for years, campaigning for regulating working hours. However, the Secretary has done nothing at all and allowed unscrupulous employers to require workers to work 13 to 14 hours a day. The Government has even kept asserting eloquently its hope for social harmony, family harmony, parent-child education and skills upgrading. May I ask the Secretary, given that you allow employers to require their employees to work 13 to 14 hours a day, or 10 to 12 hours on average, how can employees act as you wish? How can they participate in parent-child education, upgrade their skills or build a harmonious family?

I find the Secretary problematic in condoning the emergence of these unscrupulous employers. Therefore, I agree that he should be "fired". However, I think that not only Secretary Matthew CHEUNG should be "fired". I think that all accountable officials should be "fired" as well because the accountability system itself is plagued with problems. Under this system, it is impossible to formulate policies that can safeguard people's livelihood and protect the rights and interests of the grassroots. This is the crux of the problem.

The accountability system has frequently come under fire because we have seen many instances of the interests of the upper classes of society being protected. For instance, I have recently found the compulsory sale of buildings going too far, for we have even allowed consortia to make profits, and this is even regarded as the Government's basic principle. We all know that upon acquisition, a five-to-six-storey tall building can be turned into a 40 to 50-storey tall building and makes a lot of money. Obviously, the Government is protecting the interests of these people by persistently providing opportunities for them to reap profits — I am sure they have made a lot of money — this is extremely regrettable indeed.

The Government has also done the same with the Mandatory Provident Fund (MPF) System by enacting legislation to allow private organizations to make profits. The Government has really gone too far. What sort of society will behave in this manner by enacting legislation to allow these people to make profits? I am sure they are making profits. Today, President, we can still find many employers forcing workers to make MPF contributions for them. Some employers have even put aside a certain amount of workers' wages without making MPF contributions for them. But what can we do? Neither can we help them nor handle these problems. This problem is attributed to the accountability system. The entire Government, including the Secretary, has failed to handle these problems with a people-oriented approach.

Talking about the MPF, what is the biggest problem? Just now, LEE Cheuk-yan relayed the question raised by the elderly persons gathering outside this building as to what they could do about their retirement life. This is actually the fact. In addition to the fact that the MPF can in no way help these elderly persons tackle their retirement problems, there are many women who are not employed. What can they do with their retirement? They still have to ask their husbands or children for money to support their living after retirement. Whom can they turn to if their husbands and children have financial difficulties? There is nothing they can do. How can these problems be resolved?

Up till now, our Government has still failed to deliver and resolved these problems. We have been calling on the Government to face these problems for years, and yet the Government seems to have turned a deaf ear to our calls. What we hope for is universal retirement protection to provide retirement protection to wage earners as well as opportunities for people doing household

work to be protected. Regrettably, such protection is still nowhere to be found. This is one of the problems.

Just now, LEE Cheuk-yan also mentioned travel subsidy. To date, the problem with travel subsidy is still unresolved, and this has caused many workers to suffer terribly. As their wages are already relatively low, they are under additional pressure since those living in remote areas are not necessarily entitled to the travel subsidy. Furthermore, they cannot achieve self-sufficiency in these places by living and working there. As it is practically impossible for them to achieve self-sufficiency, they do not know what they should do. Should they or should they not keep their present jobs? Should they keep their jobs, most of their wages will go to transport expenses, and the money left is simply not enough to meet their living expenses. What can they do then? Likewise, these problems remain unresolved.

Another more important problem is the problem of disparity between the rich and the poor. I remember the Secretary commented today that the disparity between the rich and the poor was not so serious. Most importantly, the poor enjoy social welfare protection, while the rich are subject to a tax system as balance. Actually, such a remark merely serves to conceal the underlying problems of our society. Among other things, it serves to conceal the numerous flaws of the existing social welfare system and yet it does nothing to resolve the problems. For instance, can the existing CSSA really keep children alive and enable them to lead a normal life? Can people living in single-parent families really meet the expenses of the entire families? All these problems are still unresolved. Furthermore, the number of low-income earners, such as people earning a monthly income of \$4,000 to \$5,000, is more than 300 000. What can they do? Can we turn a blind eye to their plight? Even if we say that the rich people are subject to a tax system, the relevant tax rates are, regrettably, not progressive. In particular, the tax rate levied on major consortia is a flat rate. They are not required to pay large amounts of tax even though they make a lot of money. This has led to a serious wealth gap in Hong Kong, and yet no one is going to fix this problem.

Therefore, the disparity between the rich and the poor continues to exist. Not only is the disparity still there, it has also continued to worsen. Who can help us resolve these problems? Besides the problems with welfare and working hours, we also face work injury problems. Members can also see the occurrence of several serious work injury incidents in recent years. Despite increasing

publicity, education and safety measures, why do serious industrial accidents continue to occur? We have often asked whether the Government can employ industrial safety officers to enable safety measures to truly function effectively. This is because the present arrangement is for an employer to employ an industrial safety officer. However, the industrial safety officer is under constant pressure from his employer. As a result, he cannot do what he should do, and prevent what should be pre-empted. Therefore, this problem cannot be truly resolved. Regrettably, the Secretary has also failed to do his utmost to tackle problems in this area. Given that many problems still exist, I think that the Secretary should be dismissed rather than given a pay cut.

However, LEE Cheuk-yan is regrettably not the superior of the Secretary, and so he cannot dismiss the Secretary. Thus, he is forced to slash the salary of the Secretary. I hope this move of his has merely set a bad precedent. I also hope other employers will not follow in his footsteps by slashing the salary of employees found to be disobedient or in dereliction of duty. They should handle such problems in a more positive manner. In particular, the SAR Government should, more importantly, conduct a fresh review of the accountability system. Despite our hope to have proper dialogue and perform a proper checking role with the Secretary, we are not allowed to do so under the existing system. As the Secretary is merely accountable to the Chief Executive, but not to Members of this Council and the public, under the accountability system, we can hardly have a role to play. This is why the ultimate and better solution is to change the accountability system, establish an elected government to allow the people to monitor the Government, and ensure all government officials, including the Chief Executive, are accountable to the public. By then, if government officials do not perform really well, we might dismiss them through a vote of no confidence. Only in doing so can we achieve the checking or monitoring effect.

Today, I have to thank Mr LEE Cheuk-yan for proposing this amendment, such that we have been given an opportunity to express our views on issues ranging from current policies to the accountability system. Lastly, I support Mr LEE's amendment.

MR CHEUNG KWOK-CHE (in Cantonese): President, after the discussion last week, I believe Financial Secretary John TSANG must have heard a lot of opinions about the Budget. Obviously, the Budget has attracted more criticisms than praises. As the saying goes, honest advice is unpleasant to the ear.

However unpleasant these criticisms are to the ear, I still hope that the Financial Secretary can listen to the weak and feeble voices of the ordinary people, who have been left out in the cold, according to his conscience.

Earlier, some commentaries in Hong Kong pointed out that the emergence of a bankruptcy crisis in Greece was precisely attributed to the sequelae of welfarism. According to the commentators, under the democratic election system, the country was eventually brought to the verge of bankruptcy as a result of the endless welfare cheques signed by politicians in order to please electors. Quite a number of people have even cited this instance to warn Hong Kong not to allow welfare expenditure to continue to grow, or else it will follow in the footsteps of Greece. I think that these people were scaremongering. In *The Analects of Confucius*, Confucius says, "To go beyond is as wrong as to fall short." This means that it is inappropriate to go either too far or not far enough. However, we can see the great difference between welfare benefits provided in Hong Kong and Greece by merely comparing the situations of the two places. For instance, we know that civil servants in Greece are paid 14 months of salary a year, and even retired workers can enjoy 96% of the wages they used to earn before retirement. Compared to Greece, Hong Kong pales into insignificance given its current welfare level or the demand made by us.

Furthermore, let us look at our current public expenditure. For years, public expenditure has been maintained at approximately 20% of our GDP. Compared to some genuine welfare countries, whose public expenditure accounts for at least 30% to 50% of their expenditure, Hong Kong is still a long way from becoming a welfare society.

Certainly, low tax rates are the most important factor limiting any increase in the proportion of public expenditure in Hong Kong. However, it is most paradoxical that the disparity between the rich and the poor, a deep-rooted conflict in society, is precisely attributed to our low tax regime. At present, the standard tax rate in Hong Kong is 15%, whereas profits tax is levied at a standard rate of 16.5%. For a developed city in the world, this is utterly inconceivable. Actually, by slightly raising the tax rate, the Government will have more resources to help the most needy people in society, bridge the gap between the rich and the poor, alleviate conflicts in society and, as a result, ameliorate public grievances.

I must say that social harmony cannot be achieved by solely relying on empty slogans or several written articles. The Government must identify the factors affecting social harmony and then prescribe the right remedy to resolve deep-rooted social conflicts step by step. Only in this way will social harmony appear naturally. When this becomes the common aspiration of the people, the Government will not need to worry even if it is attacked by some organizations in society.

There is this example often cited by me. A rich man could originally buy a \$3 million Ferrari. However, because of a tax increase, he can only buy a \$1 million Porsche sports car. May I ask Members how much this rich man has lost? However, this sum of money is enough to feed a four-member CSSA family for up to 10 years.

Today, I have no intention to point out the deficiencies of the Budget again. I only hope to remind the Government that the disparity between the rich and the poor can no longer be taken lightly. Coupled with the lack of long-term planning for welfare policies, the disadvantaged and grass-roots wage earners are filled with grievances. The principle of "big market, small government" adamantly upheld by the Government has already become outdated. I do not wish to see the Government hastily think up solutions to these problems when public grievances finally erupt, because various strata of society will definitely suffer greater pains by then.

President, I would like to respond to the amendment moved by LEE Cheuk-yan to slash the expenditure of the Labour and Welfare Bureau. I support the amendment because the Bureau has continued to adopt a stopgap approach to tackle the social welfare problem. The Secretary could actually not absolve himself of the blame regardless of what defence and denial he made just now. This is evident to all sharp-eyed people in Hong Kong society.

If not for the street protests staged by the suppressed disadvantaged to fight for their legitimate rights and interests, I believe the Secretary or the Government will simply not make any response to the aspirations of these people. It is actually unacceptable for the Government to adopt such a short-sighted and irresponsible approach to social welfare planning. I hereby reiterate that social welfare requires comprehensive planning in service provision by, for instance, increasing institutional places and the "fruit grant", providing universal retirement

protection, and so on. The Government must respond to the people's demands and work out solutions to the problems.

I must apologize to the Government or the Financial Secretary that I will cast a negative vote today because, generally speaking, the Budget has failed to propose any solutions to the problem of disparity between the rich and the poor.

President, I so submit.

MS CYD HO (in Cantonese): Thank you, President. After discussing three amendments concerning the Security Bureau today, we can finally discuss the policies one by one.

This year, though the Chief Executive's policy address and the Financial Secretary's Budget speech both indicate that the poverty problem has to be addressed, no serious attention is given to the problem of disparity between the rich and the poor. And regarding the issue of upward social mobility mentioned by the Chief Executive, the Budget has also failed to present measures indicating the Government's long-term commitment. Therefore, it is appropriate for us to propose slashing the salary of the Secretary for Labour and Welfare, for this can give us an opportunity and a forum to focus our discussion on the inadequacy of the poverty alleviation measures taken in this policy area.

The first point I would like to discuss is minimum wage. Although legislation is being enacted, the objective of such legislation is actually very vague. Indeed, what is written is catering more for the business sector than the labour sector, because it is clearly indicated in the Budget that the competitive edge of the Hong Kong economy has to be taken into consideration. However, it was also mentioned by us earlier that many prices in Hong Kong at present cannot reflect the purchasing power of the people and their affordability. Yet, in respect of the two largest expenditure items, namely housing and transport, there are legislation and measures ensuring that these expenses remain at a very high level. On the contrary, in the labor market, workers' wages are totally unprotected. Furthermore, workers in Hong Kong do not enjoy the right to collective bargaining. They can only fight against their employers, as if they have been put in the Colosseum where the weak becomes prey to the strong.

Now, they finally have a chance to see legislation enacted on a minimum wage. However, the legislation has not stated clearly that an employee is expected to at least support a two-person family. This is far from satisfactory and is a cause for concern for us. Legislating on a minimum wage, so to speak, can only ensure that the wage is low enough so that legislation can be enacted. It cannot ensure that the wage can cope with a reasonable living standard.

Let me quote some figures about CSSA here. I believe the Secretary is even more familiar with these figures than me. If our calculation is based on the standard CSSA amount received by an able-bodied adult who is required to support his family, the amount will be \$1,630 plus \$1,990, that is, more than \$3,600. If this person and his family are public housing tenants, they will have to pay approximately \$1,200 in rent. If they are not entitled to public housing, they will receive \$2,550 as rental allowance, thus adding up to \$6,170. Secretary, he still needs to make Mandatory Provident Fund (MPF) contribution and save up 10% of his income as reserves for contingency. After this calculation, it is found that even if he lives in public housing, he can still receive \$6,300. Although some colleagues mentioned an hourly rate of \$24, the Government has still no intention to use this formula as the legislative standard for a minimum wage, not to mention an hourly rate of \$33. This is not going to be dealt with. On the contrary, what will happen if people find a job and earn an income lower than what is required to meet their basic living expenses? They will then have to apply for CSSA in employment. This means that they will have to apply to the Social Welfare Department (SWD) for CSSA in employment, even though they have a job. So, how can they have any motivation to work proactively and not to lose heart? President, whether wages are high or low, living expenses are practical needs. We have to spend every day as long as we are alive. If a person who is willing to work has to apply for CSSA in employment, the public fund thus used will actually not go to these employed persons. Instead, it will go to their employers or the business sector as CSSA. Should public funds be utilized in this manner?

Next, President, I would like to say a few words about the problem of poverty among women. We have all along insisted that universal retirement protection is our entitlement. Besides the employed people who are given the opportunity to make extremely meagre MPF contributions, full-time women who are responsible for taking care of their families should also be entitled to

retirement protection. Insofar as the waiting period for institutional care services is concerned, it ranges from at least 2.6 months for admission into a care-and-attention home for the blind to the longest waiting period of 112.4 months for admission into a hostel for seriously handicapped persons. In other words, it can take three years for admission into institutions. During the wait, who should take care of these persons? It must be their female family members (most of them are female, though there might be some male carers occasionally. We do not rule out this possibility, but most of them are female). If we do not establish universal retirement protection at once, or do not provide these carers with assistance, these women working full-time to take care of their families without receiving any assistance or allowance will become a new generation of poor elderly persons once the family members under their care passed away. This would result in relay poverty. Hence, inter-generational poverty does not happen only to children; it can happen to retired women receiving no protection as well.

Next, President, I would like to talk about the problem of poverty among children. It has been pointed out by a number of studies conducted by the Society for Community Organizations (SOCO) that many children in Hong Kong will become victims of inter-generational poverty due to poor development and nurturing. We will concentrate on this area in the discussion on education policies later. Here, I would like to raise the problem confronting children of cross-boundary families in particular. At present, the mothers of many cross-boundary families are two-way permit holders. If the families are families with both parents, the mothers, who are two-way permit holders, will need to travel across the boundary with their children who have to go to school here. Moreover, they have to return to the cities or hometowns where their two-way permits are vetted and approved to apply for endorsements. This is entirely not conducive to small children who have to concentrate their attention on learning because their mothers will have to bring them back to their hometowns whenever they need to apply for endorsements. The impact on small children is even greater if their hometowns are, unfortunately, located in such remote places as Yangjiang, Zhanjiang, and even Szechuan. Even if they return to their hometowns during school holidays, a two-week holiday might still not be long enough for their two-way-permit mothers to travel across the boundary many times to obtain appropriate endorsements. Furthermore, the issuance of endorsement will very often involve corruption. It will serve as the most prominent negative example for small children to see corruption among Mainland officials. This is also extremely unsatisfactory. Therefore, I hope the SWD

and the Security Bureau can expedite the handling of the problem faced by two-way-permit mothers in obtaining multiple endorsements for one single journey.

Apart from this, CSSA has also encountered some very serious problems. When Secretary Carrie LAM was Director of Social Welfare, she extended the qualifying period of women from cross-boundary families for receiving CSSA from one year to seven years. Members should be aware that seven years can be very tough if one has got no money. Moreover, this applies merely to women having acquired the right of abode in Hong Kong. In this respect, the SWD will not exercise any discretion or follow any rules in processing these applications. As a result, we have had tough times on every occasion. Like the process of extracting teeth, sometimes we might be so lucky that when we approached the SWD with these families for discretionary treatment, we came across social workers who were willing to help and our cases were finally entertained. However, sometimes we were not offered such assistance.

In another type of cross-boundary families, the mothers are ineligible for CSSA because they have not yet acquired the right of abode in Hong Kong. Insofar as this type of families is concerned, we can very often see that these single mothers have to rely on the CSSA payments granted to their children who have acquired permanent residency in Hong Kong. In cases where a single mother relies on the CSSA payments granted to three children, we can only say that they can barely support their living. However, if there is only one child who has acquired permanent residency in Hong Kong, the situation will become one plus one, which means that the CSSA payment granted to one person will have to be shared between two. The situation will then become very miserable. Therefore, I would like to appeal to the SWD and the Secretary here to expedite the handling of these problems to enable women who will soon be granted the right of abode and their children who are already Hong Kong permanent residents to have a reasonable living standard, such that the children can develop and grow up in a not too poor environment and these women can have adequate resources to take care of their children.

Thank you, President.

MR WONG KWOK-HING (in Cantonese): Chairman, I rise to speak against Mr LEE Cheuk-yan's amendment.

Today, several Honourable Members from the pan-democratic camp wish to sacrifice a number of Directors of Bureaux, alleging that their wages should be deducted. In my opinion, this amendment violates the spirit of the Employment Ordinance (Cap. 57) (EO).

According to the spirit of the EO, under what situation can the wages of an employee be deducted? Deductions can be made for damage to or loss of the employer's goods and equipment. Moreover, the sum to be deducted each time will be equivalent to the value of the damage or loss but not exceeding \$30,000, and the total amount of such deductions should not exceed one fourth of the wages payable to the employee for the wage period.

Being a Member from the grassroots, I have been striving to protect the interest of wage earners. If this amendment will undermine their interest, I think such a spirit does not merit our support. Although the Secretary is a public officer of a very high rank with a monthly income of some HK\$280,000, he is also a wage earner, rather than a boss. If he is a boss, I will not say anything. As the Secretary can also be regarded as a wage earner, a top salary earner, I, being a Member of the Legislative Council, consider that we should not violate the legislation which we have once been involved in its formulation and enactment. This is the spirit of the EO. It is illegal for us to deduct the Secretary's wages in this way. I think it does not merit our support.

Chairman, since I have taken up office as a Member of the Legislative Council, I have all along adopted the practice of "affirming what is right and what is wrong". In case the Government has not performed properly or public officers have done anything wrong, I will not let them go. My criticisms have made many senior officials feel unhappy, inciting their hatred towards me. In return, I have also told of what they said out of their hatred. But this does not matter. Being a Member of the Legislative Council, I think the voters elected me because they wanted me to monitor the Government. And the practice adopted by me all along is precisely "affirming what is right and what is wrong". If the Government is right, I will support it; if it has done anything wrong, I will criticize it. I have all along adopted such an attitude.

I do not support the amendment proposed by Mr LEE Cheuk-yan today, for it is against the spirit of the EO. Moreover, if the Secretary's wages were really deducted this time, I think it would set a very bad precedent. Should his wages

be deducted because of any wrongdoings or deficiencies on his part, such as the 10 sins stated by Mr LEE Cheuk-yan just now, I believe more public officers and subordinates of Directors of Bureaux will face wage deductions as well in future. Once this precedent is set, wage earners will find that there is no protection at all.

As a matter of fact, during the past decade or so after the reunification, the Government has failed to set an example as a good employer. Rather, many undesirable precedents have been set. As the Government, being the largest employer, has set such precedents, other employers simply follow, leading to the implementation of many practices that have undermined the interest of wage earners. For example, the Secretary for the Civil Service has just proposed to review the practice of "3+3" probation period this week. Why can employees not be considered for appointment on permanent terms after a probation period of six years, that is, three years plus another three years? Employers simply follow. Taking appointment on contract terms as another example, the Government does not appoint civil servants on permanent terms but adopts a contract system instead. During this decade, how many large enterprises have followed such an unscrupulous practice? Another example is the contracting out of services. Moreover, the Government has hired recruitment agencies to act as an intermediary to provide labour services. We can find a lot of such examples. Therefore, under the existing employment system of civil servants, if it is a good practice, we should continue to support it. As for those unreasonable and wrong practices tilted towards the business sector, we should object to them.

Therefore, regarding the amendments that seek to deduct wages from Directors of Bureaux today, I object to them with a clear stance. However, does it mean that the Government has done a good job? Does it mean that the Secretary's performance is flawless? No. He still has a lot of shortcomings and deficiencies. However, we should perform our role as Members of the Legislative Council to monitor the powers and functions of the Government, so as to oversee, push and criticize him. There is much we can do, such as condemning him and expressing regrets for him. Also, we can propose various practices to criticize the public officers concerned and the Government. Or we can even urge the Government to replace this public officer. If we consider that he has failed to perform his duties, we can absolutely do so. This is what we should do, we can do. However, I think wage deduction is by no means a good method.

Chairman, due to the three reasons I have just stated, I consider that we should not set this precedent, for it is not worthwhile to do so. To the Member who has proposed the amendment, I hope he can seriously think about it from the perspective of protecting the interest of all wage earners in Hong Kong, and see if this amendment is not refined and prudent enough, but rather hasty.

Chairman, undoubtedly, what the Labour and Welfare Bureau has done is not adequate. Since the reunification, the widening disparity between the rich and the poor and the insufficient protection for wage earners have been causes of criticisms. However, we cannot dismiss it as a complete failure, nor can we say that they have done nothing at all. Chairman, to give the matter its fair deal, among the Directors of Bureaux, Secretary Matthew CHEUNG can be regarded as the one who is prepared to make efforts and has really made some achievements. I say this and I am prepared to bear all consequences of my comments on him. I need not shine his shoes. What I have to do is to affirm what is right and what is wrong.

During this term of the Legislative Council, we in the labour sector have eventually succeeded in striving for the legislation on minimum wage. This is, of course, not merely attributed to the efforts made by the Government. Rather, it is also attributed to the efforts made by the labour sector in the territory over the years. At last, legislation is now underway. Has the Secretary made any contribution at all? I believe so, for he has to bear a great deal of pressure on various fronts, including direct criticisms and stabs at his back. I do believe that there were such instances, but eventually, he agreed to do so.

Moreover, take the so-called criminalization of default on salary payment as an example, that is, default on salary payment in violation of the judgment made by the Labour Tribunal or the Court. I have been striving for it, raising it time and again in the Legislative Council. Eventually, it will be realized in this term. With our efforts, this legislation will soon be introduced to this Council for Third Reading. Honestly, I also consider that the Secretary has made efforts proactively on this issue. I think I should tell the truth. Since the enactment of the EO in 1968, this problem has remained unresolved for over 40 years. Chairman, the first labour dispute I handled in my trade union was to help a lady called Yuen-kam, whose employer defaulted on the payment of her wages. At last, the Court ruled in favour of her. But she could not get any money even

though she had won the case, for this loophole had yet been plugged. However, this amendment will be made soon. I believe this is the achievement made by Members from various political parties and groupings and those with no political background in this Council. In fact, the Government has also put in its efforts. We should by no means look at this issue in a less than comprehensive manner.

Frankly, as for the travel allowance, its efforts are inadequate and very slow. Now, the Secretary has even moved to another level, that is, providing the allowance on a territory-wide basis. However, I have listened very attentively to what the Secretary said today. According to him, when putting forth the review proposal, an implementation proposal will be introduced at the same time. I hope the Secretary can give me a confirmation of this in his speech later. If this is the case, he has really made a step forward. It is very undesirable if we have to wait for years for the introduction of a proposal after the review.

Moreover, in raising questions regarding the Budget at the special meeting of the Finance Committee, Chairman, I asked two questions and the Secretary gave me positive responses. One of them is related to the review of the Disability Allowance, while the other one is about the review of the "fruit grant", that is, the Old Age Allowance. The Secretary has also undertaken to review them in the middle of this year. I think we should urge him to do something. Can he be absolved of his 10 sins by a pay deduction? Absolutely not. As such, why should we do so? I understand that this amendment is proposed for the purpose of insulting the Government only. Put it bluntly, that is the case. They should shape up and do better! If they can put up a better performance, someone may move a motion to increase Matthew CHEUNG's pay one day. It is quite good if it is really the case in future, isn't it?

Therefore, I think the Government should shape up, and we also hope that it can do so, for the public will also be benefited. However, as the Government's performance is just so-so now, I also understand the intention of the Member who has proposed the amendment, that he simply wishes that the Government can do better. Therefore, I hope Secretary Matthew CHEUNG can give us a response proactively in his speech later, so as to enable us to see that the Government does shape up, that officials under the accountability system can live up to our expectations, and that they keep tabs on public sentiments and opinions and do understand the plights faced by the grassroots. Moreover, they are also very

willing to make efforts. If he should meet any difficulty, please voice it out. If he cannot make it because of any lack of resources, please also let us know.

In fact, the debate on the pay cut of senior officials under the accountability system in the Legislative Council today also reflects that there is much room for improvement in our governance. Therefore, I sincerely hope that the Government can seriously address the widening of disparity between the rich and the poor at present, as well as the angers and grievances among the public. They should put in more efforts to get their jobs done well.

With these remarks, Chairman, I have clearly stated the reasons for our objection to the amendment.

MR KAM NAI-WAI (in Cantonese): Chairman, I speak in support of this amendment. However, unlike what Mr WONG Kwok-hing has said, I have no intention to insult the Secretary, for we have to debate the Budget today. Mr WONG Kwok-hing has mentioned a lot of areas in which this Policy Bureau has performed inadequately, wrongly and unsatisfactorily. What can he do? If the Secretary fails to give him a good response or meet his requirement, what can he do then? He does not wish to deduct the Secretary's salary, but will he vote against the Budget? Mr WONG Kwok-hing mentioned just now that the pay could be increased. As such, we have to check the relevant provisions of the Legislative Council, which stipulate that we are not allowed to increase the expenditures in the Budget. We can only reduce them within our power. Of course, what I have to say next In fact, I am not responsible for issues relating to labour affairs in the Democratic Party. However, as Mr WONG Sing-chi has a sore throat, I will put forth a number of views on his behalf.

LEE Cheuk-yan has stated the 10 sins of this Bureau. In fact, many Honourable colleagues, including Mr WONG Kwok-hing, have also mentioned that there are many problems, including the ever-deteriorating problem of disparity between the rich and the poor, as well as the Transport Support Scheme mentioned just now. The Bureau simply keeps on saying that reviews should be conducted. But when will such reviews be completed? Why this Scheme, which only involves a small amount of expenditure, cannot be implemented in this Budget immediately? It thus gives rise to public grievances. Why is the

Government so mean and refuses to provide the travel allowance to help the grassroots? The Democratic Party has all along hoped that the Government can extend this Scheme to all eligible people in Hong Kong. Although the Secretary has indicated that they will examine it, when will it be done? We are all very puzzled about this. We fear very much that the Government will conduct studies, as it may probably take several years to complete. At that time, we also mentioned that apart from extending this Scheme to all people in Hong Kong, it should also allow more flexibility in the application procedures, so that applicants can choose to apply for it and obtain the travel allowance at the same time. In this way, more low-income earners and unemployed people can be benefited. Of course, the Chief Executive mentioned that this system could be implemented in January the earliest. Both Chief Executive Donald TSANG and Secretary Matthew CHEUNG have mentioned that it will be implemented as soon as possible. Therefore, it may probably be implemented by the end of this year, as I have also heard of it. However, can it really be implemented by then? As I said just now, the expenditure so incurred is not substantial at all. In my opinion, in the Financial Secretary's entire plan of "dishing out candies", why can't such a minor thing be done? This is one of the reasons why public grievances have been accumulating.

Moreover, I also wish to talk about the employment problem of youngsters. Of course, the Secretary may say that our unemployment rate has stabilized recently. Over the past 15 months, it has remained at around 4%, which is already a further drop. However, as we all know, the unemployment rate of youngsters is still on the high side. Youngsters who have little experience absolutely lack bargaining power in the labour market. Therefore, it is inadequate for the Government to emphasize in the Budget training for youngsters only. Secretary Matthew CHEUNG has also mentioned at a panel of the Legislative Council that training courses can be held once there are a certain number of enrolled trainees. However, as we all know, these courses, which only last for a couple of weeks, or barely a month, are something which is not worth keeping and yet not bad enough to be disposed of. Can they really help in enhancing youngsters' competitiveness? Of course, we also believe that there is no limit in learning and we should grasp every opportunity to learn more. But now, the crux of the problem is that we can hardly offer any opportunity for youngsters to bring their potential into play. How can we give more assistance to youngsters to secure employment in the market? I think this Budget is entirely silent on this.

After talking about the youngsters, let me move onto the employment problem of the middle-aged people. Recently, I have seen an announcement of public interest (API) on the employment of the middle-aged on television, which has also emphasized that they have rich experience that can be brought into full play. However, can the problem be resolved by such an API? In fact, the Democratic Party has all along been advocating that the Government should address the existing unemployment problem among a large number of middle-aged people who have low skills and low educational attainments. We have also put forth many proposals to the Government, hoping that it can develop such industries as community services and waste recovery and recycling, with a view to creating more job opportunities for them. The Democratic Party has also requested the enactment of legislation to prohibit age discrimination, so as to eliminate such discrimination in employment. However, as we can see, the Secretary has only cited the survey conducted by the Census and Statistics Department in his response, saying that the majority public do not agree that age is an important consideration in employment. Given that the problem of age discrimination is not serious, he has simply brushed it aside.

Regarding the employment problem of youngsters and the middle-aged just mentioned by me, we originally do hope that it can be given more treatment in the Budget this time. But very regrettably, we fail to see any additional effort concerning labour services made in the Budget. Therefore, the Democratic Party will support the amendment proposed by Mr LEE Cheuk-yan. Thank you, Chairman.

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

MR FREDERICK FUNG (in Cantonese): President, I will vote for this amendment, though personally, I am most reluctant to do so. It is because the Secretary and I have known each other for a long time, leaving me a very good impression. Regarding many labour problems in the community, he has tried to tackle them. However, I believe some problems cannot be resolved within the Secretary's purview, for they are related to the overall mentality of the Chief Executive's governance of Hong Kong. As a result, he may wish to do something — of course, I do not know whether he wishes to do it or not, and I am just making such a guess — but there is no way for him to do so. Even if he

wishes to do something, he cannot do it. However, I think he, being one of the Directors of Bureaux under the accountability system, should make a commitment to something which I think he should do, or should do but has yet done so.

I believe Honourable colleagues must have also received views from some community groups, urging for the establishment of an activating fund for the universal old age pension. They very much hope to make a start for it. After all, it has been proposed for nearly 20 years. They do wish that our Financial Secretary can have foresight regarding the issue of old age pension in particular. In fact, the question raised by this group of elderly has precisely reflected that the governing team under the Chief Executive does not have enough foresight. Every one of us will become old and lose our working capability. The existing Mandatory Provident Fund System indeed fails to provide protection for non-labour elderly, including people with disabilities, women and housewives.

Regarding the establishment of universal retirement pension, it had once been regarded as feasible in the 1990s. At that time, the then Governor had put forth such a proposal. But subsequently, the legislative proposal was not introduced to this Council for endorsement. During these two decades, many proposals have been put forth in the community. In particular, the Hong Kong Council of Social Service has done some very detailed computations. By adopting an approach of tripartite contribution, the elderly can obtain at least, a monthly pension of \$2,500 after retirement. The formula is very scientific and practicable. But the Government even refuses to have any discussion on it. If the problem of elderly remains unresolved, as we all know, by 2030, the number of elderly persons will have doubled from the existing one eighth to one fourth of our population. That is to say, there will be one elderly person in every four persons. Has the Government ever considered how to deal with this problem in the next two decades? To date, no government departments, especially those responsible for issues relating to labour and welfare, can tell me that they are considering, handling and addressing these problems, or preparing to do so.

The second problem relating to the Secretary is the issue of labour. I have been acting as the Chairman of the Subcommittee on Poverty Alleviation under the Panel on Welfare Services for six years. We have made duty visits to different places, from which we can see the methods adopted by them to deal

with the problems of wage earners, working poverty and unemployment. Among the officials of various countries I have met, the most impressive one is the Minister of Labour of South Korea. In the meeting with Members of the Legislative Council, he told us that the greatest welfare benefit for workers was not giving them money, but jobs. In other words, in order to deal with the issue of labour, the prime task for us is to ensure that there are sufficient job opportunities in the market, even with intervention by the Government. In this way, wage earners, people of the appropriate age, people with working capability and even those with disabilities, can have opportunities to secure employment. A job *per se* is a kind of welfare benefit. His remarks have made a deep impression on my heart. What should we do in order to make Hong Kong treat our wage earners Wage earners to whom I am referring include all people with working capability. Even for those with disabilities, so long as they have working capability, we should give them a chance. And the meaning of "chance" is not merely a job. Rather, the wages so received should, at least, be sufficient for them to make ends meet and even support their families.

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

The per capita GDP of Hong Kong is higher than that of South Korea. In 2009, the per capita GDP of Hong Kong was US\$30,000 per year. I reckon it will be even higher this year. That is to say, each person has a monthly income of HK\$20,000, a figure that can quantify the wealth situation in Hong Kong. We will then ask, is the current income of wage earners sufficient to support their own living and even their families? I wish to cite some figures here. I believe the Government must have these figures, and the Secretary may know better than I do. As for security guards and cleansing workers, the current median wage stands at an hourly rate of \$27.6 on average. Let me quote some more figures to share with the Secretary: 28 700 wage earners have an hourly rate of \$20 or below, accounting for 1.03% of the workforce; 169 000 wage earners have an hourly rate of \$25 or below, accounting for 6% of the workforce; and 374 800 wage earners have an hourly rate of \$30 or below, accounting for 13.4% of the workforce. Using an hourly rate of \$20 for computation, the daily income is \$160 for working eight hours a day, and it is reasonable to work 26 days a month. Let us do the computation together. How much is it? It is only about \$3,000 to

\$4,000 or even lower. In such a wealthy society like Hong Kong now, as I have just said, the per capita GDP is \$20,000. However, some people can earn some \$3,000 monthly only. With such a low income, how can they cope with their rentals, transport expenses and food? They can hardly get married and raise children. Is it reasonable? Is it fair?

Therefore, a job is a kind of welfare benefit for workers, and they should, of course, be backed up by reasonable wages. What does it mean by "reasonable wages"? At present, there are controversies in Hong Kong over the amount of minimum wage — "CHEUNG 20", who opines that the minimum wage should be set at \$20, has the loudest voice. Of course, he has now changed, that the minimum wage should be set at \$24 instead. Our brother "Yan" opines that it should be set at \$33. However, this brother "Yan" is LEE Cheuk-yan. We should not confuse it with "CHEUNG 20".

Certainly, we can still see that in some countries, such as the United Kingdom, there is a policy called "workfare", under which subsidies will be granted. If the minimum wage is implemented in Hong Kong, calculating on the basis of "\$33" proposed by LEE Cheuk-yan, the monthly salary will be \$6,000 to \$7,000. If we calculate on the basis of "\$20", the monthly salary, as mentioned just now, will be below \$4,000. Take a household of three members as an example, for households in Hong Kong are generally consisted of three members. The household income for maintaining a reasonable living standard, according to the level of CSSA households, is some \$7,000. If there is only one breadwinner in a family the monthly income of which is \$3,000, that is, the minimum wage stipulated in the law, in the United Kingdom, the Government should grant him a subsidy of \$4,000, so as to tie in with the lowest living standard of a three-member household. Some people may say, "Wow! Do you wish to establish a welfare state?"; "Wow! Do you wish to pay more taxes?"; "Wow! Do you wish to ruin Hong Kong?"; and "Wow! Do you wish to crumble the economy of Hong Kong?" Is this really the case? Some people are laughing.

I do not know how to pretend. Excuse me, I am not an actor, either. Those who are laughing at me may be pretending, for they wish to hinder the delivery of my speech. However, this tells us that the United Kingdom is implementing such a system. Moreover, as the per capita GDP of Hong Kong is even higher than that of the United Kingdom, they may be laughing at the United Kingdom. But I wish to ask the Secretary, in such a wealthy society like Hong

Kong, how come some people who work eight hours a day can have a monthly income of \$3,000-odd only, while others may earn over \$1 million for the same number of working hours? This has led to the disparity between the rich and the poor. Does a wealthy society consider such a phenomenon fair, reasonable and normal?

Lastly, I wish to point out that in order to deal with this problem, the minimum wage is a solution. But it is not adequate at all. In fact, it is only a starting point. We should ensure that no such a situation will arise, under which workers, who use up all their time and efforts to earn money for their employers, can hardly support their families in return.

The Hong Kong Association for Democracy and People's Livelihood and I have all along been advocating that we should not merely rely on the free market. After the financial tsunami and even the financial turmoil, the free market has told us that it can hardly resolve some of our problems, or simply it is not willing or not able to do so. It is reluctant to do anything that makes no money, or things not profitable or of a service nature.

A government should never hand a place or country under its governance to the market. If it shifts its responsibilities of administering the community and the country to the market, is it necessary to have a government at all? Being a government, its responsibilities are to deal with issues outside the market, especially those which the market is not willing to handle as I have just mentioned. As for issues relating to the basic needs of living of the public, such as clothing, food, housing and transport, a government should offer assistance. As for those things left aside by the market, can the Government establish a second market to handle them?

After conducting duty visits in overseas countries, we note that their social enterprises are not necessarily referring to social enterprises only. In Spain, the term "social economy" is adopted, while in other countries, the term "social enterprises" is adopted. They can be private companies, non-profit-making firms, co-operative societies and even other modes of operation. All in all, the objective of setting up social enterprises is to adopt a mode of operation which is profit-making. However, the money so generated will not be given to employers. Rather, those who have made such money can get a sufficient

amount of income to cope with the basic needs of living. As for the remaining sum of money, it will be used to set up branches and subsidiaries, so as to employ more people.

The Chief Executive indicated during the election campaign in 2007 that he would adopt this approach extensively if he was elected. However, only a fund under the Enhancing Self-Reliance Through District Partnership Programme has been established so far. In South Korea, 250 social enterprises have been established within a year. But in Hong Kong, it takes five years to establish 250 social enterprises. The 250 social enterprises in South Korea have employed 10 000 people, while our 250 social enterprises have only employed 1 400 people. Why is there such a situation? This is attributed to the problems with policies and the mindset of governance. Perhaps, as there is such an item in the Chief Executive's election platform, he simply puts in a little bit of effort, without any genuine intention to get it done at all.

Therefore, all these problems make us query, how does the Government wish to treat our workers and wage earners? What is its long-term thinking? I am very willing to give it a telescope, so that it can see farther ahead. I hope the SAR Government, in particular, the Chief Executive and the Secretary, will no longer be controlled by the free market in respect of its mindset of governance in Hong Kong. Otherwise, the Secretary will only move farther away from the public and wage earners.

I support this amendment today, only that I hope, through my support, to remind the Secretary that his targets are wage earners. The welfare which he should provide for wage earners is a job that can support their own living as well as that of their families. Otherwise, there may be dereliction of duty on his part, and even problems with the policy initiatives and enforcement of his team. Thank you, Deputy Chairman.

MR TAM YIU-CHUNG (in Cantonese): Deputy Chairman, I rise to speak against this amendment today on behalf of the Democratic Alliance for the Betterment and Progress of Hong Kong (DAB). Mr LEE Cheuk-yan wishes to cut \$281,666 from the provision for the Labour and Welfare Bureau in the Budget for this fiscal year, to the effect that one month's salary will be deducted from the Secretary for Labour and Welfare. We think that such a practice is not feasible,

no matter in terms of legality, justifiability or fairness. I agree with the three reasons for objection put forth by Mr WONG Kwok-hing, and the only difference between us is that he has a louder voice.

Under the constitutional structure of Hong Kong, the Legislative Council can examine and endorse the Budget proposed by the Government. As for the remuneration package of individual posts of public officers, the Legislative Council can only put forth proposals or requests when considering the setting up of such establishment. Once the establishment has been set up, it is totally within the purview of the executive to decide how to grant the remuneration and benefits to the public officer who holds that post, which is a personnel measure within the executive. In my opinion, it is obviously *ultra vires* for Members of the Legislative Council to deduct the remuneration of a public officer of a certain post hastily. Once a precedent is set, some people with ulterior motives may make use of it to deduct the remuneration of civil servants, and the mechanism to assure their remuneration and benefits will be jeopardized.

Although officials under the accountability system are high-income earners, same as all other wage earners, they have employment contracts with their employer, the Government. The Government can neither amend the employment terms and conditions unilaterally, nor deduct their remuneration hastily by saying that their performance is not satisfactory as an excuse. This is what unscrupulous employers will do. Being Members of the Legislative Council, it is certainly a very bad demonstration to society if we force the Government, in its capacity of employer, to deduct the remuneration of its employees. This is equivalent to encouraging unscrupulous employers to exploit their employees.

Mr LEE Cheuk-yan's amendment has pinpointed at the Secretary for Labour and Welfare, Matthew CHEUNG. Same as other Directors of Bureaux, Secretary Matthew CHEUNG is a very responsible and hardworking Director. It is obvious to all that he has made enormous efforts in policies on labour and welfare. In the Budget this year, under the purview of Secretary Matthew CHEUNG, there are a number of new relief measures. Apart from taking additional relief measures for the disadvantaged, the Bureau will also inject further funding into the Partnership Fund for the Disadvantaged; increase the number of residential places for the elderly and people with disabilities; enhance

home care services for the elderly and severely handicapped persons who are waiting for residential places at nursing homes; and introduce the Pilot Bought Place Scheme for Private Residential Care Homes for Persons with Disabilities. Moreover, the support for job seekers will also be strengthened to assist youngsters to secure employment. At present, the legislation on minimum wage is also go through enactment under the steering of the Secretary. Also, the amendment to the Employment Ordinance on criminalization of default on wage payment, which will pass through this Council soon, is also advocated by the Secretary. As for some welfare services which cannot fully meet the demand, and the review on travel allowance which cannot be completed until the end of this year, the DAB also considers that the progress has been too slow. We hope that the Government can improve various services and facilities expeditiously, as well as providing a territory-wide travel allowance on a long-term basis. Moreover, we hope that it can relax the absence rule for the elderly recipients of the "fruit grant" expeditiously. However, the DAB does not agree to deducting the Secretary's remuneration by using deficiencies in various policies as an excuse, for we understand that many policies are not decided by one single Director of Bureau or person only.

Later on, there are three other amendments to reduce the estimates for various Policy Bureaux, to the effect that one month's salary will be deducted from the Secretary for Constitutional and Mainland Affairs, the Secretary for Education and the Secretary for Transport and Housing. Based on the same rationale I have just stated, the DAB will also object to these amendments.

The Budget this year includes measures of returning the wealth to the public and supporting the disadvantaged, at a cost of \$22 billion. The Government will waive the salaries tax by 75%, which is capped at \$6,000 and the rates for a year. As for the elderly and people with disabilities, it will provide 1 000 additional places in residential care homes for the elderly and implement the Pilot Bought Place Scheme for Private Residential Care Homes for Persons with Disabilities. Moreover, it will grant an additional month of "fruit grant" and Disability Allowance. Furthermore, it will allocate \$500 million to the Operation Building Bright to provide more subsidies for the elderly to carry out building maintenance. As for measures to alleviate poverty, it will grant needy students subsidies and Internet access charges, issue an additional month of the CSSA payment and pay rents for tenants of public housing for two months.

At the Second Reading of the Budget (Appropriation Bill), Members from the pan-democratic camp voted against it. Fortunately, there were Members returned by functional constituencies there to support it. Otherwise, various relief measures will become visionary. Lest, how can we face the grassroots who need our help? Recently, I have also been asked by kaifongs, when will the double pay of the "fruit grant" be released? When will the rentals of public housing be waived? Which two months exactly? When will they receive the additional month of CSSA payment? Kaifongs keep on asking when they can receive such benefits. Therefore, I hope, at the Third Reading of the Bill, those who object to it can give it serious consideration.

I so submit. Thank you, Deputy Chairman.

MR CHAN KIN-POR (in Cantonese): Deputy Chairman, I was not prepared to speak originally. However, after listening to the speeches made by several Honourable Members, I also wish to give some responses.

I have taken up the office of Member of this Council for not a very long period of time, only about a dozen of months. In my opinion, Secretary Matthew CHEUNG is one of the Directors of Bureaux whose performance is the most outstanding. But surprisingly, someone urges to deduct the remuneration of such a good Director of Bureau now. In fact, this has also revealed some similar situations in this Council. Although many Members returned by functional constituencies have made enormous efforts, some people simply take a bad one for all and keep swearing them.

In this Council, I can see I believe many Members are very hardworking. Last time, I expressly took out the list of Members and counted, identifying some 20 Members returned by functional constituencies who were very responsible and hardworking, and several directly-elected Members whose performance was not satisfactory. We note that there is also a similar situation among public officers. I find that some public officers have in fact pulled their weight, bearing pressures from society and working very hard for the well-being of Hong Kong in the long run. However, they are also dressed down. I am particularly sorry about this, for I have met with Secretary Matthew CHEUNG several times and understand that he has borne a lot of pressure. Why? In a commercial society like Hong Kong, if we do not observe the commercial

principle, there is no way to maintain our status as an international financial centre. The Secretary is one of the minority few who can bear such a difficulty We also understand that a considerable number of Members are fighting for welfare benefits for workers. After all, the election system adopted in Hong Kong is direct election. In order to win more applause, Members have to strive for more short-term welfare benefits. However, if we are really concerned about the well-being of Hong Kong, it is imperative for us to understand that many long-term strategies that may not be welcomed in the short term will bring about benefits to society in the long run. Therefore, there is a need to have a group of people in society who can take forward such work with their conscience despite the pressure borne.

Of course, we all wish to attain democracy. But at the same time, we should understand that it is necessary for Hong Kong to build it up in a progressive manner. In many Western countries, there are democratic systems. However, let us take the United States as an example. At present, its unemployment rate is nearly 10% while that of the United Kingdom is nearly 9%. Their problems are much more serious than ours. During the financial turmoil, their people also seriously suffered. As a matter of fact, the United States carries hundreds of billions dollars of debts, which is practically bankrupt already. The situation in the United Kingdom is similar, whilst many countries in Western Europe are also facing the same problem.

In the interest of Hong Kong, we should state the difficulties faced by it. We should state not only our merits but also our shortcomings. But at the same time, we should not give the public a wrong concept In particular, I consider the media should also bear a greater part of the responsibility. At present, they fail to adopt a balanced approach. They only report on our shortcomings, but never talk about our merits from a positive perspective. It is very regrettable as it is not good to all of us.

I think Secretary Matthew CHEUNG has made a lot of efforts. But I also consider that many problems do exist in Hong Kong, such as the disparity between the rich and the poor. I think we need to resolve them expeditiously.

As for the problem of high land price, prior to the discussions in society, Mr CHAN Kam-lam, Mr Jeffrey LAM, Mr Abraham SHEK and I had, in fact,

requested to meet with the Chief Executive. Eventually, we were referred to the Financial Secretary for meeting and discussion. We had reflected this problem to the Government much earlier than the controversies were aroused.

The problems with buildings must be resolved, so must those with universal retirement protection. Moreover, it is also necessary for us to give these problems serious consideration. We should never leave them aside merely because we have discussed them before. I think the problems in Hong Kong lie in the fact that we have a good housing system, such as the Home Ownership Scheme and public housing. Also, we have a good Comprehensive Social Security Assistance (CSSA) Scheme. As we all know, although CSSA in Hong Kong is not the best, it is much better than that in other Western countries, which only provides short-term assistance and stops granting it after a period of time. And this important system of CSSA has also made Hong Kong a stable society. Therefore, we should understand that, though we have many problems, we should not be one-sided, alleging that our situation is seemingly very bad. By the same token, we should not demonize all Members returned by functional constituencies. Therefore, I wish to confirm afresh today — several Honourable Members have also mentioned it — Matthew CHEUNG is one of the most responsible and hardworking public officers. I also hope that if public officers consider that they are doing the right things, they should insist on them.

I also wish to talk about a recent report in the press. According to a survey conducted in Hong Kong, more than 1 million Hong Kong people consider it necessary to resort to some radical tactics in order to achieve effective results. I do not think that Hong Kong people will stir up a riot. They only consider that the Government always changes its policies and fails to insist on what is desirable. Regarding many policies, it will make concessions deliberately as some people are fiercer. I have different views about this. I think the public only wish to express the impression that the Hong Kong Government only listens to those who are fierce. In fact, if the Government thinks that it is doing the right things and there are sufficient justifications to support them, it should insist on what is desirable. It should never be afraid of getting into troubles and make concessions to those who are fierce and have made severe criticisms in a loud voice. After experiencing so many incidents, we all note that the Government will be scared by those who are particularly fierce and have made criticisms frequently. I believe many people also have such a

mentality, leading to various problems in Hong Kong. I think the majority public actually have their stance and know what is happening in Hong Kong.

Lastly, I do not wish to waste too much time here, as we have already spent a lot of time today. However, I still very much wish to express my gratitude to those public officers who are responsible and really serve the public, hoping that they can continue with their efforts and face up to all difficulties squarely. I understand that they, very often, have insufficient resources. In fact, we all wish the public can lead a better life. However, we are facing various problems, such as those relating to our systems and reserves, as well as the future of our next generation. After all, we have to continue to address all these problems. I hope we can understand the situation and continue to show our dedication, thereby really fighting for the benefits of the people in Hong Kong. Thank you, Deputy Chairman.

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

MR RONNY TONG (in Cantonese): Deputy Chairman, same as Mr CHAN Kin-por, I was not prepared to speak originally and just wished to vote. However, after listening to Mr CHAN's remarks, I feel most uncomfortable if I do not speak out. I absolutely do not agree that we have wasted our time because the time in this Council is for us to debate. I hope the truth can be revealed gradually through our debates.

Deputy Chairman, about the amendment proposed, I actually mentioned this point in my speech just now. To give the Secretary his fair deal, is his performance the poorest among all the Directors of Bureaux? Certainly not. I think he has the intent of helping the poor. The amendment proposed by us is neither a demonization of the Secretary, nor an opposition against him personally. Rather, being Members, our say or power to propose motions is very limited under the Basic Law. We should make use of this system. The issue at stake targets the problems in the system, it is not about Secretary Matthew CHEUNG's performance alone. Of course, some Honourable colleagues have great reservation about his performance. This is only due to the fact that different people may have different views. I absolutely do not agree with Mr CHAN

Kin-por, who alleged just now that in criticizing public officers or Honourable colleagues, we will sometimes smear them. In my opinion, so long as they act properly, there is no way for them to be smeared. Deputy Chairman, I am smeared almost every day, but I do not think I am tarred in any way.

I believe that, no matter public officers or Honourable Members, there is a fair or open criterion to determine whether their performance is recognized by society or not. Even if some Members have smeared their colleagues, so long as the latter's performance is recognized by society, they will be recognized then. In my opinion, we are not in a position to assess our own performance. Whether our performance is good or not should be assessed by others. Why do Members returned by functional constituencies fail to command recognition in society? This is not a situation that has emerged in the last couple of weeks, or months. Rather, it has been with us during the past 10-odd years. I think Mr CHAN may have noted it before taking up office as a Member. Since 2008 or 2004, community groups would release reports annually, which are known as performance reports. At the end of each Session, such reports will be released to comment on Members' performance openly. Each Member will be subject to criticism, and I will be no exception. If Members have leafed through these reports, they may note that among the 10 Members who are most unpopular and lazy, eight of them are returned by functional constituencies. And most unfortunately, among these eight Members, six were elected automatically. This is a misfortune for the system as well as Hong Kong. This cannot be the result of smearing by individual Members. Of course, some Members returned by functional constituencies have worked very hard and made enormous efforts for society. The one sitting next to me is an example. However, she cannot represent this system.

Deputy Chairman, therefore, Mr CHAN I have no intention to target at him personally, nor do I target at individual Members returned by functional constituencies. I have mentioned in an article that we should not demonize our opponents. I fully subscribe to this point. But it does not mean that I cannot criticize you, just as you can also criticize me. You need not yell so fiercely at me. My friends will also yell at me sometimes. However, we should accept criticisms which are made in an open and objective manner. Same as the Secretary, although he may be able to win recognition in this Council, he should accept criticisms as well. Regarding his remarks earlier, many people,

journalists or our colleague, Ms Audrey EU, were all very surprised, requesting me to take a look at his speech, for there is really something wrong. He has given new definitions to the disparity between the rich and the poor and the allocation of resources, stating his theories by which he is convinced. Also, he has provided some figures as justifications. However, such justifications are only acceptable to those who are working in air-conditioned offices. If he pays a visit to such remote areas as Tin Shui Wai, Tuen Mun and Sham Shui Po, he will find that these justifications are entirely a far cry from the reality. Wage earners who have an income of some \$2,000, together with all other social welfare benefit, can receive some \$5,000 in total. They may say, "it's great". But is it really the case? The answer is no. In fact, a lot of deficiencies are hidden in the system. Many people are indeed not willing to apply for CSSA. On the other hand, some people do wish to receive CSSA, only that they have encountered a lot of hindrances technically or under the system and fail to do so. Even though a person can receive some \$5,000, or say, a couple can get \$10,000 in total, what can they do in a community like Hong Kong? They even dare not raise children. Therefore, what Secretary Matthew CHEUNG said may convince himself. But it is not sufficient. He should convince the Hong Kong community and those who are living in dire straits.

I have told the Financial Secretary openly that what we should do is not "dishing out candies". It is not a solution for us to give away a huge sum of money. But very regrettably, the Financial Secretary dishes out a huge amount every year. Although he says, "we will not dish out candies", he simply does so every year. Can the problems be resolved by "dishing out candies"? We have to focus our efforts on helping those who are in need. I fully subscribe to Mr FUNG's point just now. We should offer assistance in a focused manner. It may not be necessary to use so many resources to achieve apparently essentially an absolutely fair situation. Taking the tax rebates this year as an example, "the top salary earners" may use up their tax rebates of \$6,000 in one evening. Do they need this sum of money at all? Some \$20 billion have been dished out this year. Excellent results will be achieved if this sum of money is given to Secretary Matthew CHEUNG to focus his efforts on addressing the poverty problem. In that event, we need not have proposed this amendment today. But very regrettably, we are not allowed to do so under the system. Maybe neither the Financial Secretary nor the Chief Executive has ever considered doing so. Excuse me, I have mentioned this before. Should we

deduct any remuneration, the Chief Executive, rather than the Secretary or the Financial Secretary, may be the one whose remuneration should be deducted first. However, Honourable colleagues have told me that they cannot and should not do so. Sorry, you are the scapegoat today. But I think you need not be disheartened, for there are many scapegoats in this Council. I, standing in front of you, am one of them. Can the problems be resolved in this way? We should not lump this problem with others. We should rather look wider and farther ahead. I have a telescope here, which is given to me by a member of the public who urges for the establishment of a universal pension scheme outside. There is a genuine need for us to look farther ahead. We should not only be concerned about issues at an arm's length.

Therefore, I hope the Secretary can understand that what we have to express today, in fact, something we wish to voice out whenever there is such an opportunity every year. We hope the Government can focus its efforts on dealing with some problems, rather than handling them, as its usual practice, in a fair manner, that is, every one of us can get a fair allocation of resources. This is not fair at all. Why? Because we do not start at an equal point. You said, "We are 'dishing out candies' in a very fair manner as each one can get \$10." Indeed, it cannot help ease the disparity between the rich and the poor, which is precisely the crux of the problem.

For this reason, sorry, I cannot support the Budget this time. Not that as Mr TAM Yiu-chung said, we are hindering those who are in need of help. This is not the case. I think he has distorted the case completely. Recently, there is a very popular saying, "You cannot falsify truth, nor verify lies". Do we have any intention to harm the poor who are in need of monetary support? I think the eyes of all Hong Kong people are discerning. This is not the case.

Why do we object to this Budget? It is not due to the fact that we do not wish to help the poor, only that we think, overall, it is necessary to strike a balance. This system is unacceptable, and so is the performance. But we have no alternative. Very often, we have no alternative at all. If I have a choice and such power, or if I were the Financial Secretary or the Chief Executive, I may not do so. However, I am just a humble Member of the Legislative Council. What can we do in this Council? We can only propose some amendments and put forth our views in this Council, hoping that one or two members of the media can

report them genuinely and factually tomorrow. In this way, greater concern can be aroused in society, thereby giving some insights to public officers and the Chief Executive. We can be regarded as successful then. This is the basic reason for us to propose this amendment and raise this subject for debate in this Council at this moment. We have no intention to demonize Members returned by functional constituencies, nor do we wish to smear them.

Deputy Chairman, I am sorry that I may have said too much. But sometimes, I simply cannot help doing so.

MRS REGINA IP (in Cantonese): Same as Mr CHAN Kin-por and Mr Ronny TONG, I was not prepared to speak originally, nor do I agree to deduct Secretary Matthew CHEUNG's remuneration. As the saying goes, though no achievement, much effort has been made. Each Director of Bureau has worked very hard. In this world, does there exist any place where the people will deduct their ministers' remuneration if they are not happy about them? Therefore, I do not agree to the deduction.

I have heard some Honourable Members sing praises of the Secretary just now, and in order to strike a balance, I also wish to voice my views. In particular, Members from the labour sector pointed out that the Secretary has worked very hard. Rather, I consider that he has done nothing for me at all. I have tried time and again to make an appointment with him. But I think he will only respond actively to Members who are backed up by organizations. As for those who have only one vote like us, he will be perfunctory in giving a response. Regarding Members backed up by various organizations of force, such as labour unions, he will give face to them. I believe the Secretary should also remember that I have met with him with many housewives from the middle class and protested for several times, urging him to assist the middle class who have encountered many practical difficulties in employing foreign domestic helpers, such as the problem of rest days. They do not propose to cut the rest days for foreign domestic helpers, only that they have raised a very practical problem that foreign domestic helpers, unlike Chinese people, do not need to do any ancestral worship on the Ching Ming Festival and the Chung Yeung Festival. As such, why do they have these two rest days? We absolutely do not mind giving them the same number of rest days as local workers. However, can some flexibility

be allowed in this regard? Women are on leave on the Ching Ming Festival and the Chung Yeung Festival, and so do the foreign domestic helpers. In order to have someone to help them at home during these holidays, they are forced to give foreign domestic helpers compensation or make special arrangements with them. Regrettably, the Secretary has failed to resolve such a minor problem and even refused to consider it.

I have mentioned this before and my assistant has also conducted a policy research for the Secretary's consideration. In Taiwan and Singapore, there are also separate laws on foreign domestic helpers. It is because the omnibus Employment Ordinance currently in place has, in fact, caused much inconvenience to foreign domestic helpers. Under the Employment Ordinance, many employers are commercial employers. However, the employers of foreign domestic helpers are mostly families. Once their helpers are pregnant or ill, or have even contracted serious illnesses or communicable diseases after arriving at Hong Kong, what should they do? Employees in other industries also have a probation period, but why is there no probation period for foreign domestic helpers? Many foreign domestic helpers, being unable to adapt to new family settings, may become emotionally unstable or ill. However, employers can hardly dismiss them. In fact, those women from the middle class who have complained to me several times have no intention to take any advantage of their foreign domestic helpers, nor do they wish to treat them badly. Under the same roof, and add to this such a crowded living environment in Hong Kong, they all wish to live peacefully with their foreign domestic helpers.

Secretary, do you know how many times I have tried to make an appointment with you? I only have one vote, not backed up by any organizations. How will the Secretary have time to respond to my request? I hope that after I have talked about this openly, the Secretary can be more proactive. But anyway, I do not agree to deducting the Secretary's remuneration.

Thank you, Deputy Chairman.

MR WONG SING-CHI (in Cantonese): Deputy Chairman, regarding the amendment proposed by Mr LEE Cheuk-yan — pardon me for my hoarse voice, will Members please put up with this for a while, I will soon finish my speech. I think Members have levelled an avalanche of criticisms at the welfare policy, and

offered many specific suggestions on the Budget. We hope that the Government will consider the problem of disparity between the rich and the poor and the situation of the disadvantaged groups over the long term. The Secretary has made an extremely impressive speech. Whenever he speaks, he manages to list all the work the Government has been doing in the past few decades in detail, telling Members what efforts the Government has made. I often criticize the Government for making continuous efforts repeatedly on a lot of work, but failing to solve the problem. In other words, the efforts made have been in vain. It should do some rethinking to come up with certain innovative ideas and identify new directions for solving the problems. We do not simply demand the Secretary or colleagues in the Government to make an effort, but also to identify solutions to the problems, which are vitally importance. Regrettably, many problems remain unsolved.

Today, the Secretary dares say that the problem of disparity between the rich and the poor is not serious in Hong Kong. It sounds extremely uncomfortable to our ears. I think many Members in the Chamber must have studied a lot of information on the issue. Indeed, not only the people of Hong Kong or Members of the pan-democratic camp say so, the assessments by certain international organizations also find the problem of disparity between the rich and the poor in Hong Kong extremely serious. I do not know why the Secretary still considers the worsening of the situation insignificant and no cause for worry. I am not sure if it is what he means, but I hope I have got it wrong.

Really, the Budget this year does not include any direction over the long term to tackle the problems at root, and the public cannot be convinced that the Government is determined to resolve the deep-rooted conflicts in society. A surplus of \$13.8 billion is recorded in this financial year, and we hope that the Financial Secretary and the Secretary will make concerted efforts to examine ways to help carers of persons with disabilities. The provision of assistance to carers of persons with disabilities will not only serve the purpose of alleviating the burden of families with persons with disabilities on the welfare front, but also mean a recognition of the role of carers in their families. Actually, family carers of persons with disabilities have played the role of providing assistance to or supporting persons with disabilities in certain scenarios, which should have been undertaken by the Government otherwise. Their contribution should thus be recognized. Since they have to stay home to take care of persons with disabilities, they will have to make sacrifices and sustain losses. They should not be left to bear the losses all by themselves, but should receive the joint support from society. We should work together to enable them to live a more

stable life in society. However, it seems that the Government has not devoted much effort to this respect.

Though the Secretary said that professional services are provided to these families under the community care service, the provision is inadequate. The services are in acute shortage, with only several hundred persons getting the service. Actually, tens of thousands of such families and carers of persons with disabilities in society are genuinely in need of support. Since the service is only available to several hundred persons, applicants have to wait for several years for the service. Under such circumstance, how can the public be convinced that the Government has the resolve to work on this aspect?

We hope that the Government can provide an allowance of \$1,000 to each carer. This is only a humble request that will only cost the coffers \$1.5 billion per annum in the Budget. Indeed, we notice that very often, the estimated annual surplus put forth by the Government is inaccurate, where the surplus is often seriously underestimated. If so, does it really matter if a billion dollars or so are set aside for providing an allowance to carers of persons with disabilities? For the above reasons, I do not see that the Government has really worked hard on this.

As for short-term measures, the Government is quite concerned about them every year — it should not be regarded as showing grave concern — but it often gives the public the hope that "candies" will be offered. I do not mean to stop the Government from implementing these relief measures. Actually, there is a specific need for these relief measures, for the CSSA and "fruit grant" now received by many CSSA recipients and elder persons are insufficient, and these families are still living in difficulty. I think the granting of an additional month of allowance to them is something the authorities should do. However, the additional allowance should not be regarded as "candies", but kind of a "pain-killer" at most. If the Government does not give the pain-killers to them, they will be living in great pains. However, this is after all not a long-term measure, and the Government is only doing what it should do. No innovative ideas have been put forth, nor has consideration been given to the long-term situation.

Insofar as CSSA is concerned, the Democratic Party has mentioned the proposal on discounted income. Under the proposal, a certain amount will be

deducted from the income earned by the recipient, where the recipient will continue to receive CSSA payments. The recipient may save part of his income, where part of the saving will be transferred to a fund. This long-term policy gives recipients the hope of breaking away from poverty and leaving the CSSA net. This is a favourable measure to both the Government and CSSA recipients, but the Government seems to suffer from brain congestion. I recall that I have discussed the issue with the Secretary and government officials a number of times, and while considering this a good idea worthy of examination, they failed to put forth a relevant policy and said there were difficulties in implementation for the time being. If the Secretary is to take forward only easy tasks, he will not get such a high pay, will he? Hence, as Mr LEE Cheuk-yan said, if the Directors of Bureaux only need to work easy tasks, they should be given a pay cut. This is precisely the reason for us proposing the amendment today.

I think that both the Secretary and the Financial Secretary should think up and accept new ideas in identifying long-term solutions to the problem of disparity between the rich and the poor. If the proposal put forth by the Democratic Party is considered problematic, discussions should be held, so that the proposal can be modified into a feasible option that can genuinely solve the prevailing problem of disparity between the rich and the poor. Members are welcome to discuss the proposal. I am not saying that our proposal is 100% correct, but the Secretary and the Financial Secretary may come up with a proposal through discussion, which can address the problems of CSSA recipients direct and help them rise out of poverty, or at least leave the CSSA net. I do not think the Government had attached much importance to this. After extensive discussion at a later stage, the issue was dropped, and Members were left to make their own decision to vote for the proposal or not. I think this passive approach is not conducive to the development of Hong Kong as a whole.

I cannot say that the Secretary has done nothing to discharge his duties. He mentioned earlier the community care services provided to persons with disabilities, but as I said, the services are extremely inadequate in the light of the prevailing demand. A lot of problems relating to the "brought-place" arrangement have to be dealt with, for though the Government offers to buy places from residential care homes, as far as I understand it, certain residential care homes have already refused to sell their places, because those registered residential homes are fully occupied already. Can the Government put in more resources in residential care homes for persons with disabilities and put forth

some new ideas? Recently, I proposed that the Government may encourage parents of persons with disabilities to work together to establish a residential care home to take care of children with disabilities. Staff from the Social Welfare Department said that the arrangement would involve some complicated issues and certain aspects of the arrangement were improper. In that case, discussions should be held. The Director of Social Welfare was good when he said that consideration could be given to it. Though the expenditure of the proposal is never included in the Budget, the Secretary still said that it would be considered. Next year, he will again say so. We cannot but doubt the sincerity of the Government in making such an undertaking, holding extensive discussions with us after hearing our views or trying to think of some new services. I think it was not quite sincere in the past. Even though many rounds of discussions have been held, nothing has been implemented eventually.

Hence, though the Secretary has said that he will handle the transport allowance issue, review the absence rule for "fruit grant" and continue reviewing the issue, we remain doubtful for we have been cheated so many times. When the same remarks are repeated without any concrete content, we can hardly place great faith in him that his undertaking of making continuous efforts will bring desirable results. Surely, we hope that the initiatives put forth by the Secretaries of Departments and Directors of Bureaux will be implemented for real in the coming year, so that the public can see that the Government is determined to so. In that case, we will vote for the Budget next year, or commend the Government for its good performance. But, regrettably, I notice that no detailed and concrete solutions to many problems have been offered this year. We cannot just be satisfied with the verbal commitment made by the Government in this Chamber, for the Budget will be put to vote now. If the Government fails to provide any concrete solution, by what reason can it ask us to trust it and vote for it? By the same logic, there is no need to hold any meeting, for we only need to say that we "trust" it. The situation is extremely undesirable.

This time around, we have only expressed our discontent with the inadequacies in welfare policies. We hope that the Secretary or the Financial Secretary will undertake, in their replies, to put in more efforts or review certain concrete policies, ensuring that those policies will be implemented in the coming year. Otherwise, it is utterly meaningless to discuss the issue here year after year. Moreover, I hope that the Government will think of some innovative initiatives. Honestly, I am at my wits' end in finding ways to assist the

Government to solve the problem. Certainly, we do not have an ample supply of talents and resources, and neither can we conduct so many studies. More often than not, we can only put forth some concepts, which may be relatively vague ideas. But it does not mean that they will not work. If we can conduct more in-depth studies, and if we have more resources to conduct studies, or if the Government is willing to spend a long period of time to sit down and listen to us, I think some of the concepts put forth by us are entirely practicable.

I hope the Government will work closely with the legislature in future, prepared to make concerted efforts to do a better job in addressing the problem of disparity between the rich and the poor and taking care of the elderly, persons with disabilities and the disadvantaged. Thank you, Deputy Chairman.

MR JEFFREY LAM (in Cantonese): Deputy Chairman, the discussion on the amendment here today rightly exhibits that we in Hong Kong, a society upholding the rule of law, can do what the Rules of Procedure of the Legislative Council allow. Discussions held in this Council are conducted in a peaceful, friendly and rational manner no matter we agree with the opinions of the others or not. Some Members propose imposing a salary reduction on Secretary Matthew CHEUNG. But is this a reasonable proposal? Members may have different views about this.

We see that many institutions have been put in place in Hong Kong, and we should act in accordance with these institutions. Regarding the system for upward and downward salary adjustments, has such a mechanism been put in place under the salary system of civil servants? Yes, there is. If so, is any mechanism for upward and downward salary adjustments applicable to the Secretary? If yes, whether the mechanism for upward and downward salary adjustments will be activated according to the performance of the Secretary? I do not see that it is the case.

In the past year, no matter I agree with his ways of doing things or not, Secretary Matthew CHEUNG has done his level best wholeheartedly for the policies concerned and the people of Hong Kong. Honestly, many views of the Secretary are different to mine. In the past, I told him in this Chamber that insofar as our views were concerned, his views were closer to those of CHAN Yuen-han. But by all accounts, this is a matter of policy. Once a policy is

finalized, the authorities have to enforce it irrespective of our agreement or otherwise.

In the financial tsunami last year, we noticed that early in the year, all the people in Hong Kong were complaining about the plights they were facing. Actually, many good policies had been implemented by the Government. The Economic Synergy and the Liberal Party had proposed many relief measures and urged the Government to implement certain policies to save the small and medium enterprises. As a result, many policies were implemented, including the extension of the Special Loan Guarantee Scheme announced by the Financial Secretary today, benefiting 17 000 enterprises and preserving jobs for over 300 000 employees. Given this, should the Financial Secretary get a pay rise? Should Directors of Bureaux who have assisted him also get a pay rise? This is the spirit of the so-called mechanism for upward and downward salary adjustments. But why do Members only focus on bad things? Why do they not say a word about the good things?

Earlier on, some Members, including Mr CHAN Kin-por and Mr Ronny TONG, talked about the functional constituencies. Certain Members do think that Members returned by functional constituencies are good for nothing. These Members are not saying that some of them are good and some of them are not, for they think no Members from functional constituencies are good from the bottom of their hearts. On the contrary, has any Member from the functional constituencies said that all Members returned by direct elections will "fling bananas" and speak foul? No, for they know that only some of those Members will act that way. This is a fairer statement. It is unfair to tar everyone with the same brush only on the grounds that one or some of them are doing that.

Hong Kong is a society upholding the rule of law, where disputes are taken to the Court for adjudication. Otherwise, why do we need lawyers? We may have debates, but it will be left to the Judge to decide. We should not say that, "Debate is no longer necessary, for we may just go out and take radical actions to force him to do this and that". In a society upholding the rule of law, should this My point is not whether one is "entitled" to doing so or not, for everyone has the right to do certain things, but whether we want to see such things happen every day in our society.

I think we should calm down. As Mr WONG Sing-chi said earlier, we may sit down and talk things out, be it labour issues or policy issues. He proposed that discussions be held. If so, why can we not sit down and talk things out on other policy issues? Why do we have to say that, "You must implement and accept this policy and proposal put forth by me, and if you do not accept it, I will not accept or support any of the proposals put forth by you"? If one desires to establish a harmonious society, one should cease holding such an attitude.

Hence, regarding the proposal on reducing the salary of Secretary Matthew CHEUNG, I will not support it. I hope that those who have confidence in the civil service salary system of Hong Kong will not support this proposal, for it is unjustified. Since a system has been put in place, we should follow it. Even if you have thought up any proposal and consider that you should do it that way, you cannot put forth the proposal arbitrarily and force others to follow your proposal. It is unreasonable. No one should act in this way in a harmonious society upholding the rule of law.

Deputy Chairman, I did not intend to speak today originally, but I think that under a reasonable and fair situation, we must make reasonable and fair remarks. There are opinions I have to get off my chest. Also, I must rectify the remarks made by certain people in society or their attitudes. I mean those who say one thing here and the opposite outside this Council. Hence, I hope Members can be more reasonable in future and put forth proposals good for the economy, the people of Hong Kong, and Hong Kong as a whole. As for the amendment today, I will not support it. The Economic Synergy will not support it. Besides, I think it violates the principle of the civil service system.

Thank you, Deputy Chairman.

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

DR LAM TAI-FAI (in Cantonese): Deputy Chairman, Secretary, like other Members, I did not intend to speak originally. But seeing the enthusiastic debate, I would like to say a few words, too.

Earlier on, I saw the Secretary wipe his eyes with this handkerchief. I am not sure if he was just tired or he was in tears. I do not think he is tired, for I have not seen him yawn. He is still sitting in good spirit listening to Members. Is he upset then? I do not think he needs to feel upset. Right at the outset, Mr LEE Cheuk-yan made it unequivocally clear that he is just "exploiting" the Secretary, using him as a bargaining chip. The ultimate aim of Mr LEE is not to reduce the salary of the Secretary, or that of the Financial Secretary. And he dares not cut the salary of the Chief Executive. Am I right? He refuses to say that. He is just using the Secretary to advance a straw argument, creating the opportunity for him to score special hands. Since he considers the time allotted for debate inadequate, he tries to buy time to express his opinions by proposing an amendment.

I do not agree with his approach. He is actually delighting himself in torturing others. Am I right? Buddy, when others are being tortured, he gets 15 minutes speaking time by this trick. Later, he may press the bell for an unlimited number of times and speak. You can say that you want to speak more. But you should not use the Secretary as a bargaining chip, causing the Secretary to face an avalanche of bitter accusations. He has to face rounds and rounds of chiding. On the other hand, some are forced to shower him with praises again and again. He knows not which side he should listen to, and he cannot tell whether his performance is good or bad. Tonight, back at home, he has to think whether his performance is good or bad. He may tell Members tomorrow if he has the opportunity. In fact, I do not quite understand it. Even now, I still cannot tell whether he should be regarded as a good performer or the opposite, for his performance has drawn both criticisms and praises.

Second, do unto others as you would have them done unto you. LEE Cheuk-yan, what if your children complain to you about their mother and urge you to cut her spending or just stop giving her money for household expenses? I do not think you will want them to do so, for it is improper.

Third, the tactic employed by him is undesirable. One possible approach is to propose a \$1 salary cut. The \$1 salary cut will let Members know that the salary reduction is not the ultimate aim of the amendment

DEPUTY CHAIRMAN (in Cantonese): Dr LAM Tai-fai, please face the Chair when you speak.

DR LAM TAI-FAI (in Cantonese): Yes, I just forget that, Deputy Chairman, sorry.

An alternative approach is to propose a \$1 salary cut. This will let Members know unequivocally right at the outset that imposing a salary reduction on the Secretary is not the ultimate aim.

I am a rookie, so I do not know these tricks. Had I known this, I would have proposed amendments to initiate discussion on processing of imported materials, section 39E of the Inland Revenue Ordinance, the 50:50 apportionment of profit for taxation and transformation. I often discuss these issues with Prof K C CHAN and Financial Secretary John TSANG. But they just turned a deaf ear to me no matter how many times I talked to them about these issues. I have talked about these issues, say section 39E, processing of imported materials, upgrading and transformation and the 183-day rule, so many times that I know them by heart. Next time, I know better. Next year, I know what to do. Next year, I hope that the five non-affiliated Members in this Council will support the five amendments to be proposed by me. I will propose five amendments even though the meeting may last for three days. That's it.

Honestly, I have known Secretary Matthew CHEUNG for more than a decade at least, not just after I became a Member. Since I run factories, I have to handle many labour problems, and through the network of many different people, I get to know Secretary Matthew CHEUNG. I do not dare comment on the capability of the Secretary, but he surely works with great devotion, and I respect him. He is a diligent person. No one is omnipotent. It is impossible for anyone to put up a perfect performance in all aspects. Neither is it possible for one to ensure that all incidents are handled in a manner to the satisfaction of all.

On the whole, I am glad to have the opportunity to continue working with the Secretary in handling certain labour issues. I will continue to criticize him all the same. The Internship Programme for University Graduates is a case in point, for I have criticized him for the programme. There are many issues with which I am not satisfied. Though I may be wrong in some ways, I will speak up when I am discontented, for I am a person of principle. But still, the Secretary

will listen attentively and we will iron out the problems through discussion and in a gradual manner. He gives me a good impression. By all accounts, this approach is better than the scenario where I bring up certain problems and no one follows up. I think the latter scenario is undesirable.

However, it does not matter now, for I will propose five amendments next year. The five amendments will be very powerful next year. The five amendments will cause great impacts, for they will allow Members to keep on speaking. They may speak for 15 hours non-stop. That will be the case.

Now, all Members know that the problem of disparity between the rich and the poor is serious, the unemployment rate of youth is high, and there are fewer opportunities for Hong Kong people to move up the social ladder. I often tell students that graduates nowadays will be in a more difficult situation than graduates of the past. Whereas it was easier for graduates to seek employment, now graduates have to be a great all-rounder to stand out from others. In the past, a couple might start their own business by operating a small stall, and they might build up their fortune by industry. But nowadays, it is difficult for one to build up his fortune by hard work. All businesses have been monopolized by large consortia and estate developers. This is the crux of the problem.

Honestly, this problem cannot be solved by a single Policy Bureau. Even if an inter-bureau task force is set up, it may not be able to solve the problem, for it involves international issues and financial issues. What should we do then? We should work on this persistently. We have to work together to get the job done. Do you think we can rely on a single Director of Bureau to accomplish the task? Wow, unless he is a superman, he cannot do so. Am I right? If he can accomplish that task, he should be paid more than \$280,000 monthly. In many private consortia, a monthly salary of \$280,000 is very low. Though it sounds arrogant, I have to tell Members that I have been earning this pay many years ago. Actually, a monthly salary of \$280,000 is very low, and they have already done their level best wholeheartedly.

Talking about the financial tsunami, the problem of disparity between the rich and the poor and the incapability of servicing mortgages for home purchases, many people now lay the blame on the constitutional reform, saying that the problems have not been handled properly because of the existence of functional

constituencies. Buddy, do you think we are so competent? Sometimes, I will take this as a compliment. However, when I am home, I will think it over: Are Members from functional constituencies so lame? Are representatives of various sectors really lazy, doing nothing at all? All this has been troubling me. I doubt if I have failed to make enough efforts. Actually, if I am considered not having made adequate efforts, I may learn step by step and work on it progressively, but should the functions of Members from functional constituencies be denied? Today, up to this point, I want to say no more. I know that a motion on functional constituencies will be discussed next week, so I will speak on this again next week. Really, I can say no more today.

No matter how, lastly, I would like to give the Secretary a fair deal. I will definitely oppose the motion. I vehemently oppose it. Secretary, please keep up with your good work. You need not wipe your tears with your handkerchief. It is definitely unnecessary, for we support you.

DEPUTY CHAIRMAN (in Cantonese): Does any other Members wish to speak?

(No Member indicated a wish to speak)

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Deputy Chairman, on behalf of the Administration, I will respond to the amendment proposed by Mr LEE Cheuk-yan to the Appropriation Bill 2010.

Mr LEE proposed reducing head 141 by \$281,666 and stated in his speech that the amendment seeks to deduct one month's salary from the Secretary for Labour and Welfare.

As an established practice, the Financial Secretary has listened to the views of Members and various sectors of society through different channels before compiling the 2010-2011 Budget. This year, Members have raised 3 194 written questions on the Draft Estimates of the Government. The Finance Committee has held special meetings on five consecutive days to examine the Estimates. At the Second Reading of the Bill held on two consecutive days last week, Members

expressed their views on various policy areas. We understand that the Budget proposed by the Government may not meet all the requests made by Members, but we believe the Budget has by all means balanced the various needs of different sectors of society and pursued the best interest of Hong Kong generally. Members propose amendments at the stage of examination of the Bill to try to vary the salaries of officials, but this is neither a proper channel nor a reasonable approach. Hence, the Administration opposes the amendment.

For the same reason, the Administration will oppose the three amendments of the same nature to be moved by Ms Audrey EU, Ms Cyd HO and Mr LEE Wing-tat respectively later.

Deputy Chairman, as the Chief Secretary for Administration pointed out right at the beginning of the meeting today, the Government will maintain close communication with the Legislative Council, the public and various sectors of society when it formulates different policies. We hope that by means of consultations and negotiations, we can seek common grounds and accommodate differences, so that better policies supported by the public can be introduced. Though it is impossible for us to reach a consensus with every Member on each and every policy or measure, we will continue to adopt an open attitude and maintain candid communication with all Members. At the same time, we will listen to the views of the sectors concerned and the public through various channels, so that we can make concerted efforts to strive for the interest of society as a whole and the long-term development of Hong Kong.

Thank you, Deputy Chairman.

SECRETARY FOR LABOUR AND WELFARE (in Cantonese): Deputy Chairman, I have already spoken on this in detail this morning, so I do not intend to repeat myself now. Thank you.

DEPUTY CHAIRMAN (in Cantonese): Mr LEE Cheuk-yan, do you wish to speak again?

MR LEE CHEUK-YAN (in Cantonese): Never ever have I heard that Secretary Matthew CHEUNG would never give responses. I remember a report in the *Oriental Daily* on the findings of a previous survey on the lack of harmony in society. The report said that: "In response to the findings of the survey, the Secretary for Labour and Welfare, Matthew CHEUNG, only recited all the relevant measures introduced by the Government for alleviating poverty as a reply." By the same token, I expect him to recite those measures once again this time. But it does not matter whether or not he recited those measures, for by all accounts, he will not be able to present "any achievement accomplished". Hence, he chooses not to recite those measures. Is this the situation now?

(THE CHAIRMAN resumed the Chair)

Today, Members may have heard that I am suddenly called an "unscrupulous employer". But I am willing to bear this title. When I am accused of being an unscrupulous employer, honestly, do you think I will be happy about that? Earlier on, Dr LAM Tai-fai said that I delighted myself in torturing the Secretary. But I tell you, I am not happy at all. I feel unhappy when I see that the poor and low-income workers are not given the transport allowance. I feel unhappy when I see that the elderly do not enjoy universal retirement pension. I feel unhappy when I see that the elderly and persons with disabilities are not provided with proper care. I feel unhappy when I see that workers have to work 12 to 14 hours daily. As for accidents at work, Members may remember the six workers fallen to death from the platform of International Commerce Centre. Recently, a worker's arm was pulled off by a tower crane. I feel unhappy about all of these incidents. On the eve of the Chinese New Year, a worker died from overwork, for he had not taken any annual leave or statutory holidays during the four months before his death. I am not happy at all. Members should know that because of these incidents, the urge for making early improvement has built up inside me. Hence, I am not at all happy.

Honestly, I consider the Secretary an outstanding civil servant. But, what is the problem? I notice that when an outstanding civil servant becomes a Director of Bureau under the accountability system, there will be a problem. I do not know whether it is a problem with the Secretary, John TSANG or Donald TSANG. So, what is the problem? I think that when the Secretary, who used to be a civil servant responsible for policy enforcement, becomes an official

under the accountability system, he lacks the drive, not exactly the drive but the boldness indeed, and the fighting spirit. I wonder if it is because the Secretary has failed to exert enough pressure on John TSANG and Donald TSANG that they do not accord high priority to issues under the purview of the Secretary, which are often set aside. I do not know if it is the actual situation, for I can in no way see how the issues are handled among you all.

The present situation gives me the impression that after the Secretary has taken over the work, many issues cannot be taken forward. Why can those issues not be taken forward? The Secretary may have done his level best. If such is the case, I cannot but ask: Why does the Secretary fail to take the work forward even though he has done his level best? Is it because his supervisors are "sitting on" those issues? Is it because the Secretary really fails to exert enough pressure on his supervisors? Is it because the Secretary lacks the fighting spirit, boldness and drive to fight for his work? Actually, I have provided the Secretary with the "ammunition" to launch an attack against his senior echelon. I think no one would like to see the present situation.

Mr WONG Kwok-hing said earlier that we might express regret about him, reprimand and criticize him, and even replace him. Though there are lots of options to deal with him, honestly, we can hardly replace him. Chairman, we have tried all means, but are they effective? Frankly, by now, I will say that they are totally ineffective. Actually, Members merely want them to do more, but we have tried all kinds of methods in vain. We are now in a deadlock.

Why is Hong Kong trapped in a state of worries? Being a Member returned by direct elections, I would like to talk about Members from the functional constituencies. Since they do not want to hear this, I will say it to them once again. Why have we come to this pass? Now, it is not that individual Members from the functional constituencies have problems, and I have never said that they have problems, the problem lies in the system. The system of functional constituencies is put in place to uphold the interest of individual sectors. It is a matter of interests, not personal problems. Honestly, if these Members perform well, the problem will be even more complicated. For when they perform well in upholding the interests of their sectors, they are indeed striving for more interests for their sectors. In other words, they will fail to give regard to the interests of the public, for they have put the interest of the sectors before that of the public. In that case, it will be much more troublesome. That

is why I say that the problem will be more complicated if those Members perform well. Fortunately, Dr LAM Tai-fai is not that "outperforming". Actually, he is very good and I have to praise him. This is the problem we are now facing, and we are trapped right there.

Chairman, we are now trapped in a state of worries. Members from functional constituencies have prevented us from achieving our targets. However, the situation is sometimes weird. Even if certain issues have been agreed by all Members at a meeting of the Legislative Council, there may be delay in implementation. Take the fight for higher pay for low-income workers as an example. The issue has been agreed by all Members, but for reasons unknown, the implementation of the policy has to be delayed again. We feel angry rightly because of this. As for certain issues, I do not know who the Government LAU Siu-kai is again finding excuses for this by saying that a consensus has not yet been reached to date. However, even when the Legislative Council has reached a consensus, the Government will fail to take any action all the same. When the Government has reached a consensus with certain Members from functional constituencies, we Members returned by direct elections will surely oppose it, for the consensus is reached only with the other side of the Council. The existing system indeed leads us running round the circle.

Hence, the motion debate today is not at all personal. I only want to say that though we want to do something for the general public, we are eventually prevented from doing so by the system. We are handicapped by the internal attrition. Definitely, the Government will think that only if we can hold our tongue, there will be no more internal arguments. The Government will surely think so. However, on our part, we hope that the Government will do more good deeds, so that we do not have to involve ourselves in internal arguments. We earnestly hope that the Government can do more to help the public, for the public is now living in misery. As I said earlier, they are unhappy. When the legislature and the Government as a whole both act in this way, it is heartrending. We do not want to see this happen. I hope that the motion debate today I do not know why Secretary Matthew CHEUNG does not even make an effort to reply. Perhaps he thinks we are teasing him. But indeed, I am serious about this. I hope the Secretary will carefully consider the issues raised by us and take immediate action, for these can brook no delay.

Thank you, Chairman.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr LEE Cheuk-yan be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Ms Cyd HO rose to claim a division.

CHAIRMAN (in Cantonese): Ms Cyd HO has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Dr Joseph LEE and Mr CHEUNG Kwok-che voted for the amendment.

Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Ms LI Fung-ying, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou, Mr Paul TSE and Dr Samson TAM voted against the amendment.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Andrew CHENG, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr KAM Nai-wai, Ms Cyd HO and Mr WONG Sing-chi voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin and Mrs Regina IP voted against the amendment.

THE CHAIRMAN, Mr Jasper TSANG, did not cast any vote.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 22 were present, four were in favour of the amendment and 18 against it; while among the Members returned by geographical constituencies through direct elections, 23 were present, 12 were in favour of the amendment and 10 against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the sum for head 141 stand part of the schedule.

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 sum for head 141 stand part of the schedule. 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): Head 144.

MS AUDREY EU (in Cantonese): Chairman, I move that head 144 be reduced by \$281,666 in respect of subhead 000, which involves one-month salary of Secretary Stephen LAM of the Constitutional and Mainland Affairs Bureau. The objective of this amendment is the same as that proposed by Mr LEE Cheuk-yan earlier, for this area involves the deep-rooted conflicts of and the problem of disparity between the rich and the poor in Hong Kong.

Chairman, the Chief Secretary for Administration Henry TANG said in his speech this morning that these amendments had deviated from the fundamental principles. He said that since the establishment of the Accountability System of Principal Officials had already been endorsed by the Legislative Council, a reduction of the Secretary's salary was not allowed under the establishment. However, Chairman, this issue has an important bearing on the Accountability System of Principal Officials, for the Secretary is held politically accountable. We as Members should monitor the Government and ensure that the Secretary has done what he should within his policy area. As Members, we may make use of the mechanism on this occasion to reduce his salary, so as to express our views that he has failed to do his job in respect of political accountability.

Chairman, the Chief Secretary for Administration Henry TANG said this morning that they work as a team and the entire Government upholds the team spirit. Chairman, we certainly do not object to this point. It means if we are so lucky that we can successfully reduce the salary of Secretary Stephen LAM, the Government as a team will ride out the hard times together. We certainly have no objection to that.

Today, certain Members from the pro-establishment camp, such as Mr TAM Yiu-chung and Mr WONG Kwok-hing, pointed out in their speeches that senior officials were "wage earners" too, and we should not play "the unscrupulous employer". Chairman, I think the analogy is neither fish nor fowl. Members may ask the members of the public in Hong Kong whether they consider principal officials under the accountability system are actually "wage earners". When the Secretary has done something wrong, he should be held politically accountable and accepts a one-month salary reduction. Should this be perceived as one possible political option that should be exercised instead of deprivation by "the unscrupulous employer"? Their analogy is definitely inappropriate.

Moreover, other Members, such as Mr CHAN Kin-por and Dr LAM Tai-fai, queried in their speech why we had to "demonize" the Directors of Bureaux. Chairman, Mr LEE Cheuk-yan said earlier in his speech that the amendments aimed not to demonize individual Directors of Bureaux, but to bring to light the problems in policies and systems of the Government as a whole. Actually, Premier WEN Jiabao has mentioned this twice to the Chief Executive and demanded him to resolve the deep-rooted conflicts.

The problems we target today are the lack of foresight and the failure to address problems that should be dealt with in the Budget. Apparently, the problems in several areas under the purview of the Secretary have caused the deep-rooted conflicts. In view of this, the democratic camp decided to take this opportunity to express the public discontent with the Government, particularly the Government as a whole, and the four Directors of Bureaux, for the failure to meet the required standard and realize political accountability.

Chairman, the results of an opinion poll conducted by the University of Hong Kong recently are reported in the newspaper today. The Chief Executive got a marvellous rating. The Chief Executive scores a -5 rating, with the rate of support for the Chief Executive lower than the rate of opposition. As for the Directors of Bureaux, Chairman, three of them got a negative rating. Secretary Stephen LAM, whose score is -4, is among them, and I propose today that he should receive a one-month salary reduction. The other two are Secretary TSANG Tak-sing and Secretary Michael SUEN. Chairman, it is evident that the general public share my view that Secretary Stephen LAM is incompetent. He has made "nil achievement" in constitutional and democratic development, and he

too fails to fulfil his duties in ensuring fair elections. I believe when the Secretary gives his reply later, he will deny having made "nil achievement" but trumpet instead that he has successfully striven for the timetable. However, on issues involving the Secretary, we have had repeated discussions and the Secretary should know what I mean.

Chairman, I would like to share with Members this comic strip by ZUN Zi in particular. One of the characters in the strip is sitting in a chair with his hands tied, while another person keeps slapping him on the face and asks, "Will you promise that you will support the constitutional reform proposal?" He keeps slapping the man till the man's glasses drop, and says, "I am slapping you with great sincerity, but you still refuse to accept this constitutional reform proposal. Is it because the slaps are not hard enough? Do I need to slap harder?" Chairman, this comic strip by ZUN Zi aims to highlight the problem faced by us now: both Members and the public are but "the meat on the chopping board". Universal suffrage is an unequivocal undertaking in the Basic Law, but the Government fails to put forth a democratic proposal to achieve genuine universal suffrage in gradual and orderly progress. Instead, it introduces a mid-way, rehashed, regressive and obsolete proposal. It tells us while slapping us that "If you do not accept this, you will get nothing", and accuses the democratic camp for standing in the way.

The same logic applies to the Budget. Desirable approaches to the problem of disparity between the rich and the poor are lacking in the Budget. But it says, "This is it. If the Budget is negated, many people in poverty waiting for assistance will receive no benefit, not even meagre assistance." As in the political arena, our hands are tied. If we accept it, it is all that we can get. If we reject it, we get nothing. Does it mean that we have to resign to fate? Does it mean that we must accept this deadlock, Chairman?

Chairman, we have been striving for democratic universal suffrage by all means, from the fight for direct elections in 1988 to marches on the streets, demonstrations, sit-ins, sea-jumping, hunger-strikes and the umbrella brigade. But these only resulted in a series of disappointments. The discussion on the Basic Law started in 1984, and the Basic Law was promulgated in 1990. A plan on constitutional development for the first 10 years, from 1997 to 2007, was laid down. The three political parties at the time expressed that they would strive for dual elections by universal suffrage in 2007 and 2008. When I ran in the

by-election of the Legislative Council of Hong Kong Island in 2000, I thought there would be universal suffrage in 2007 and 2008. Chairman, recently, I have seen a YouTube footage on the DAB striving for universal suffrage in 2007 and 2008 — Chairman, I saw your face at the time. Then in 2004, the National People's Congress (NPC) made an interpretation of the Basic Law, ruling out the implementation of universal suffrage in 2007 and 2008, and the "three-step" requirement was tightened to a "five-step" requirement, making the implementation even more difficult. We then thought that universal suffrage could be implemented in 2012. But unexpectedly, the NPC made another interpretation of the Basic Law in 2007, telling us that not only universal suffrage could not be implemented in 2012, the proportion of Members returned by functional constituencies and direct elections should remain unchanged.

Chairman, the implementation has been delayed again and again. Now, we urge the Government to put forth a proposal enabling the implementation of genuine universal suffrage. Though it may not be in 2012, the Government may give an undertaking that it will be a wait of another 10 years, when genuine universal suffrage will be implemented in 2017 and 2020 and the functional constituencies will be abolished. But, it says no. It just refuses to give such an undertaking. Chairman, in my view, the democratic camp has already made substantial concession and can compromise no more.

I worry that the NPC will again make an interpretation of the Basic Law. It may tell us that universal suffrage with Chinese characteristics will allow the co-existence of functional constituencies, and with some make-up and alterations, the functional constituencies will become elements of an election compliant with the principles of universality and equality. Actually, as Maria TAM said, the definition of universal suffrage is not based on any international convention but the Basic Law. But since the interpretation of the Basic Law rests in the Standing Committee of the NPC (NPCSC), universal suffrage is universal suffrage if the NPCSC says so. Secretary Stephen LAM should remember the forum we attended last Sunday, where Maria TAM was also present. What did she say? When she came to the definition of universal suffrage, she said that it was decided by the Central Authorities, the SAR Government and the legislature. But what is the composition of this legislature? We see that half of the Members of this Council are returned by direct elections and the remaining half are from functional constituencies. Since the amendments to the constitutional

system must be agreed by a two-thirds majority of all the Members, we are caught in a deadlock. No matter how hard we fight Co-operation is an option Dr LAM Tai-fai prefers the most. He and Mr CHAN Kin-por have come to terms on co-operation, and I am not trying to demonize them. Chairman, it is not a matter of demonizing individuals, but a deadlock caused by the system, which has rendered many livelihood problems insuperable.

Chairman, I have a poster produced by an academic group on the abolition of functional constituencies. It sets out in what ways the composition of the functional constituencies is queer and its failure to comply with the principles of universality and equality. It also lists the many motions in the past, such as the motions on minimum wage and maximum working hours, which were supported by a majority of Members but were negated thrice because of the opposition from Members from functional constituencies. The other motions include: Buying back the shares of The LINK REIT, regulating the transactions of new private residential properties, fair competition law, comprehensive review of labour legislation and assisting people with disabilities in integrating into society, and so on. The dates and the record of the voting results of these motions are set out. Members may notice that even if a motion was agreed by a majority of Members, it was not passed because of the opposition from the functional constituencies. Indeed, it is a structural problem, a problem with the system. The present electoral system has determined what kind of candidates will get elected, and the duty of these Members is to uphold the interests of their sectors.

Why do we often hear remarks about collaboration between the business sector and the Government? I know that the Government is definitely unhappy about this, for it thinks there is no question of collaboration between the business sector and the Government, and that it is innocent. Neither will Members from the functional constituencies consider that they are involved in collaboration between the business sector and the Government. But in actuality, they as Members of the functional constituencies have to uphold the interests of their sectors. Hence, given the composition of the legislature and the need of the Government to secure votes, the Government will always look after the interests of the functional constituencies and listen to their views, and it is only natural that such a situation arises. During discussions on certain subjects, more often than not, Members from the functional constituencies will make declarations of interest, which is a particularly ludicrous phenomenon under the system.

Chairman, when it comes to issues related to Hong Kong, the pro-establishment camp and the democratic camp will adopt unanimous stances. Earlier on, when Members spoke to oppose reducing the salary of Secretary Matthew CHEUNG, many of them requested the Secretary to improve his performance, focus on the problem of disparity between the rich and the poor and identify more options for solving the problem. It is evident that Members all admit that it is a problem. So, there is no question of failing to see the problem. It is not because the Government fails to see the problem, for even Prof LAU Siu-kai of the Central Policy Unit says that people are trapped in a state of worries. Chairman, sometimes, I feel being trapped in the legislature when I am sitting in this Chamber. Though we all know what the problem is and that there is a solution to the problem, the Government all in all refuses to put forth a solution to the problem.

Hence, the amendment I proposed today does not mean to target Secretary Stephen LAM personally, nor does it mean that the problem can be solved by deducting one-month salary from the Secretary. But we as Members may surely adopt this approach under the parliamentary system to bring to light such a problem. We make the same appeal every time, and the pro-establishment camp does notice the problem. Chairman, as I mentioned in my speech moving the first amendment, this problem is found in the legislatures of many other places. Since the ruling party holds the ultimate power, it has the authority to make the decisions on many issues. But what do oppositions overseas do? How do they force the authority in power or the ruling coalition to change the policy concerned? In this Council, though we can put forth our requests, the Government may choose not to heed us. In the end, what is our trump card? As in other civilized legislatures, cutting the Budget is our trump card.

Hence, Chairman, all similar amendments proposed by the democratic camp today are indeed an approach that may be adopted by other legislatures, too. If this approach is accepted by the public and the pro-establishment camp, this will be the only means to pressurize the Government into changing its attitude of being dictatorial, refusing to heed public views and remaining in the same old rut. Chairman, on the road to democracy, this issue in particular is closely related to protecting the people's livelihood, which is one of the major causes of problems now prevailing in Hong Kong society. I implore Members to support the amendment proposed by me.

Ms Audrey EU moved the following amendment:

"RESOLVED that head 144 be reduced by \$281,666 in respect of subhead 000."

CHAIRMAN (in Cantonese): It is now nearly 7.40 pm. I consider that this Council cannot possibly complete all the items on the Agenda before midnight today. Therefore, in the light of the progress of the meeting, I will adjourn the meeting at around 10 pm. Does any Member wish to speak?

(No Member indicated a wish to speak)

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Chairman, as I pointed out on behalf of the Administration in response to the amendment proposed by Mr LEE Cheuk-yan on the Appropriation Bill 2010 earlier, it is inappropriate and unreasonable of Members to propose amendments during the examination of an Appropriation Bill in an attempt to vary the remuneration of the relevant officials. The Administration is opposed to the motion.

Thank you, Chairman.

SECRETARY FOR CONSTITUTIONAL AND MAINLAND AFFAIRS (in Cantonese): Chairman, on the question of personal remuneration, the Financial Secretary and Secretary Prof K C CHAN have already dealt with it and so, I will not focus on remuneration in my response. Rather, I wish to talk about constitutional issues.

Ms Audrey EU mentioned "making nil achievement" earlier. I had tried to explain this to Members in this Council before. I said that "a blank answer sheet" is like this — a blank sheet of paper. But the decision made by the Standing Committee of the National People's Congress (NPCSC) in 2007 stated in black and white that the election of the Chief Executive in 2017 may be implemented by universal suffrage and subsequently, universal suffrage may be implemented in the election of all Members of the Legislative Council in 2020.

This timetable for universal suffrage is absolutely true, and no government before or after 1997 had been able to achieve this over the past few decades in Hong Kong.

After the third Chief Executive had taken office in 2007, the third term Government of the Hong Kong Special Administrative Region (SAR) published the Green Paper on Constitutional Development in 11 days after its establishment. Subsequently, after months of public consultation, the Government submitted a report to the NPCSC at the end of 2007 and after consideration, the Central Authorities set out a timetable for universal suffrage. So, it is a crucial milestone of great significance since the signing of the Sino-British Joint Declaration which provided the basis for Members of the Legislative Council to be returned by elections and for the Chief Executive to be returned by consultations held locally or by elections. In 1990, in response to the views of Hong Kong, the Central Authorities decided on the ultimate aim of universal suffrage and wrote it into the Basic Law. Then in 2007, a definite timetable for universal suffrage was provided.

I wish to respond to a second point. Ms Audrey EU has been very concerned about issues relating to constitutional development over the years, and I remember a remark she made in 2005: that if the six newly-added Members of the Legislative Council would be returned through election by District Council (DC) members from among themselves, what method should be adopted for them to elect representatives from among themselves? Should it be a block vote system, simple majority system or proportional representation system?

I always keep in mind the views expressed by Ms Audrey EU and other Members back then. In respect of the Consultation Document on the Methods for Selecting the Chief Executive and for Forming the Legislative Council in 2012 published on 18 November 2009, some people again mentioned whether a block vote system or a proportional representation system should be adopted. In this connection, in the package of constitutional reform proposals for 2012 published last week, we explicitly stated that the six Members of the Legislative Council will be returned through election by elected DC members from among themselves using a proportional representation system.

I understand that Ms Audrey EU would consider this inadequate. I have specifically made this point because I must state it very clearly to this Council

that the SAR Government has all along paid great attention to and valued the views of various political parties and groupings as well as those of independent Members. Every step that we make in respect of the constitutional system represents practical proposals expressed or put forward by us in the light of Members' views.

Therefore, regarding the composition of the Legislative Council (the number of seats will be increased from 60 to 70) in the package of constitutional reform proposals for 2012, 35 seats will be directly elected and six will be returned by indirect election in districts, which means that close to 60% of the seats will be elected by geographical direct or indirect elections. If "one person, one vote" is adopted for returning representatives of professional sectors to functional constituencies, and if we take account of those votes, the democratic elements in the constitutional reform proposals for 2012 will absolutely be helpful to the future trend of democratization of representative assemblies.

The third point I wish to talk about is that over the past few months, some pan-democratic Members and other organizations had asked whether a representative from the Central Authorities could come forth to reaffirm the validity of the timetable provided in 2007 in relation to universal suffrage in 2017 and 2020.

As Members can see, the SAR Government has clearly reflected this view to the Central Authorities and after this view was reflected, Deputy Secretary-General QIAO Xiaoyang reaffirmed on behalf of the Central Authorities last week the authority and legal effect of this timetable for universal suffrage and the fact that the timetable is indisputable. He pointed out that the gate to universal suffrage has been opened and universal suffrage can be achieved in Hong Kong after going through the five steps of constitutional development in accordance with the Basic Law.

What can we tell from this? From this we can tell that Beijing respects the constitutional role of Hong Kong by not unilaterally deciding on the model of universal suffrage for selecting the Chief Executive in 2017 or the model of universal suffrage for forming the Legislative Council in 2020. Beijing allows Hong Kong to come up with a model by itself which is to be presented by the SAR Government to obtain the support of a two-thirds majority of all Members

of the Legislative Council. When a consensus is reached in Hong Kong, we will convey this consensus to Beijing for approval by or for the record of the NPCSC in accordance with the Basic Law.

The "five steps" are actually meant to safeguard the certain say of Hong Kong in matters of constitutional development under a high degree of autonomy. So, I hope that Members can attach importance to the joint efforts that we have made. This timetable for universal suffrage set out by the Central Authorities is true and valid.

The fourth point that I wish to make is this. Earlier on, Ms Audrey EU talked about "bundling", using a comic strip by ZUN Zi in which a person has both of his hands tied up. We now see some signs of the Civic Party and the League of Social Democrats attempting to bundle up the 20-odd pan-democratic Members again, just as what happened back in 2005, hoping that the package of constitutional reform proposals for 2012 can be voted down.

I would like to tell Members that if such a bundling approach is adopted again to vote down the constitutional reform proposals for 2012, that would not do any good to Hong Kong. The constitutional reform package for 2012 proposed by us indeed contains democratic elements. Although some people may consider that the democratic elements are large and some may consider them small, disregarding whether the elements are considered as large or small, the actual democratic elements are that 60% of the seats will be returned by geographical direct or indirect elections. This is a fact of democracy which is indisputable and beyond doubt.

According to public opinion polls conducted by various universities, over 50% of the public hope that the Legislative Council can pass this package of proposals. Close to 60% of the public support the proposal to increase the number of seats to 70, and close to 60% of the public support the inclusion of five new functional constituency seats to be taken up by representatives elected by DC members from among themselves.

Therefore, I think what the people would wish to see is not these tricks played by some Members of the Legislative Council in this Council today. They hope that Members can do practical things for the community of Hong Kong, so

that through the package of constitutional reform proposals for 2012, democracy in Hong Kong can take one step forward.

With these remarks, Chairman, I oppose the amendment.

MS AUDREY EU (in Cantonese): In my speech earlier, I said that Secretary Stephen LAM had "handed in a blank answer sheet", and I know that Secretary LAM would certainly refute it. But Chairman, why did I say that Secretary LAM had "handed in a blank answer sheet"? It is because when he introduced the constitutional reform proposals to the Legislative Council in 2005, the democratic camp voted down those retrogressive proposals in 2005.

Chairman, five years later, in 2010, Secretary LAM again put forward a package of proposals which is more or less a rehash of the last package of proposals. This is why I said that Secretary LAM had "handed in a blank answer sheet". I also wish to tell Secretary LAM that I believe he has received a letter signed by 18 Members of the democratic camp explaining to the Government why we oppose this package of constitutional reform proposals of 2010. Indeed, these proposals are even worse than those proposed in 2005, especially in respect of the part on the election of the Chief Executive. Under the proposals in 2005, the number of members of the Election Committee (EC) was proposed to increase from 800 to 1 600 who would include District Council (DC) members of the democratic camp or elected DC members. But under the current package of proposals, the number of EC members will increase from 800 to 1 200, rather than 1 600, and all elected DC members will be excluded. Only 75 of the 100 new seats in the political sector will be allocated to DC members, and the seats for Heung Yee Kuk, Hong Kong members of the National Committee of the Chinese People's Political Consultative Conference, and so on, will also be increased. So, this package of proposals is absolutely a retrogression, and this also explains why I hold that five years down the line, he has still "handed in a blank answer sheet".

The Secretary does not admit that he has handed in a blank answer sheet. Citing the decision made by the NPCSC in 2007, he said that he had actually secured a timetable. Secretary LAM always feels complacent whenever he talks

about this, thinking that the most reputable achievement made by Donald TSANG's Government is getting this timetable. I wish to tell Secretary LAM that this is not achieved by Secretary LAM or Chief Executive Donald TSANG. In fact, it is achieved by Hong Kong people. Why? This is achieved not only because the democratic camp in Hong Kong and the people of Hong Kong have persistently fought for democracy. There is another reason. Why should the National People's Congress (NPC) set out a timetable in 2007? It is because of the election of the Legislative Council in 2008, Secretary LAM.

How could the DAB run in the election? At that time, everybody asked whether universal suffrage would be implemented in 2007 and 2008, and if not, would it be implemented in 2012? The NPCSC therefore had to provide a timetable and made the final decision that the Chief Executive may be selected by universal suffrage in 2017 and the following term of the Legislative Council may be formed by universal suffrage. Had there not been this timetable, how could the DAB or the pro-establishment camp face the public, and how could they produce a roadmap or timetable? This was why the NPCSC must make this decision in December 2007, so that in the 2008 election, the pro-establishment camp could use this timetable provided by the NPC as a "shield", telling the public that there was a timetable and so, it would be unnecessary to argue any further over 2007, 2008 or 2012, because it was already decided to be 2017. Then the issue could be further deferred by a decade to 2017 and 2020. So, it is crystal clear that this timetable is achieved by the effort of Hong Kong people.

However, the Secretary said earlier in his speech, "I do remember, Audrey EU. I have kept in mind that you had asked at that time whether DC members should elect representatives from among themselves using a block vote system or a proportional representation system and so, I am addressing this question from you now." Secretary, as you said just now in your speech, you know that this is not our most important demand at the time. Our demand at the time was that we must be told when dual universal suffrage would be implemented and be given a roadmap for universal suffrage. Not only is the timetable important. The roadmap is also very important.

Today, the Secretary is telling us that since he has given us something, we must therefore accept it. But he is giving us a glass of poison, only with a little

bit of democratic elements and nutrition, and he is making us take this glass of poison. Secretary LAM, this is because we have not been told when functional constituencies (FCs) will be abolished. I already made this point in 2005, Secretary LAM, and if you do bear in mind what I said back in 2005, you should remember that I said at the time that if there were no timetable or roadmap and if there were no plan on how FCs would be abolished and worse still, if the number of FC seats were increased, I would be like taking up a stone to smash my own feet because in that case, I did not know for how long would the system regress until the FCs could be abolished. Since you recall that I had asked whether DC members should elect representatives from among themselves or using a block vote system, you must remember that I did explain then the reasons why I could not accept the proposals put forward in 2005.

However, Secretary LAM, after the Legislative Council Election in 2008 — you said that 60% of the public support the proposals that you introduced in 2005 — you can see that the democratic camp returned to the Legislative Council with 60% of public support, and in our election platform in 2008, we stated our support for dual universal suffrage in 2012. Secretary LAM, the constitutional reform proposals put forward by you now cannot achieve dual universal suffrage in 2012 and you cannot even provide a roadmap for universal suffrage. You said that I had shown the comic strip by ZUN Zi in a bid to bundle up other Members of the Legislative Council. Chairman, I am not smart enough to do that, and I cannot bundle up other Members of the Legislative Council. But Chairman, the people of Hong Kong have been bundled up indeed. We have been bundled up not only by the decision made by the NPCSC, but also by the existing unjust system. In other words, if we wish to remove this deep-rooted conflict of the unjust FCs, we would never be able to obtain their consent because they take up half of the seats of the Legislative Council, and we must obtain a two-thirds majority vote in order for our proposal to be passed. This is how we are bundled up.

Chairman, how can we set ourselves free? Chairman, this is not to be discussed in this Council, for this issue has been discussed for a long time. When the Basic Law was designed initially, the FCs were meant to be a transitional arrangement. Secretary LAM should remember this, because whenever I debate this issue with him, I always cite the *Introduction to the Basic Law of the Hong Kong Special Administrative Region* and the old drafts of the

Basic Law to clearly explain that the FCs were meant to be a transitional arrangement. More than two decades have passed since 1985, and there is still no sign of their abolition. By 2020, they would have existed for 35 years. No transitional arrangement can possibly exist for 35 years. So, this bundling is a real kind of bundling. Such being the case, Secretary LAM, how can we untie ourselves? Whenever we discuss this deep-rooted problem, Secretary LAM will point at FC Members and say this to us: "Go and convince them!" But this is downright impossible. How can we convince these privileged people to willingly give up their own privileges? This is basically like asking a tiger for its hide.

So, Chairman, the Civic Party has proposed that a referendum be held in five geographical constituencies because this is the only way to set Hong Kong people free, such that Hong Kong people can come forth to show that their patience has waned, that they cannot wait any longer and that they cannot put up with this any longer. Chairman, I made this proposal of reducing the remuneration of Secretary LAM today in order to tell the Government that this accountability official has not handed in any "homework" in the implementation of constitutional reforms, and we take this course of action to enable the public to vote on 16 May to express their views.

However, Chairman, how did the Secretary react? First, he said that this is not a normal election. Then the Government or Donald TSANG said that they would not vote on the day, and then they said that they would not remove the publicity signboards. Then the electronic media said that they might not hold any election forum. Besides, in respect of publicity, while it used to be the practice that an appeal is made in some electronic media before the election to call on electors to vote, so far we have not yet seen any such publicity on television. When the Secretary was asked about this in the Panel on Constitutional Affairs, how did he reply? He said that the timeframe is very tight and that it is already not easy for them to arrange for a by-election within such a short time.

But Chairman, that the by-election would be held on 16 May is a decision made by the Government itself. We started to talk about a by-election in five geographical constituencies to trigger a *de facto* referendum last year, which means that we have been talking about this for months. The resignation officially took effect on 27 January and so, the Government has no reason to

argue that they do not have sufficient time. Chairman, this is within the purview of Secretary LAM and this is why I said that since he cannot resolve this deep-rooted conflict, it is incumbent on the Civic Party to give the people an opportunity to make a decision on the political system by expressing on 16 May their position in support of the abolition of FCs, with a view to implementing genuine universal suffrage. However, Secretary LAM has deliberately made things difficult for us. As I said earlier on, using the excuse of not having enough time, they will not remove the publicity signboards, they will not vote, they will not conduct any publicity, and they even do not provide enough polling stations. But all this is controlled by the Government.

I, therefore, very much hope that the Secretary can do some soul-searching and think about the question of "handing in a blank answer sheet". Why do the public see from the opinion poll conducted by the University of Hong Kong that he has become a "negative equity asset" of the SAR Government and why can he not make greater efforts to reflect the views of Hong Kong people and fight for them on issues relating to constitutional reform? I think we cannot entirely blame the pro-establishment camp for refusing to give up their rights, because the Government also has a very important role to play, namely, the Government should see to it that justice is done and explain to friends in the pro-establishment camp that Hong Kong actually has the constitutional duty to conduct an election compliant with the principle of universality and equality, whether in accordance with the Basic Law or the international covenants included in the Basic Law.

Our constitutional system has remained stagnant since 2007 and we do not see a way out. Chairman, this is the political responsibility of Secretary LAM. He cannot say that this is a question of establishment and that we must accept it. Chairman, with regard to the appointment of Under Secretaries, the Government also did not obtain the consent of all Members. The fact is that in the Legislative Council, the Government can do anything so long as it has the support of the pro-establishment camp and FCs. So, Chairman, Secretary LAM and the SAR Government are duty-bound to do justice, but we have not seen the Government doing anything to this end. So, all I can do is to call on Hong Kong people to stand up for themselves and vote on 16 May to clearly tell Secretary LAM, the SAR Government and all friends in the FCs that we want to abolish this unjust system, in order to protect the people's livelihood and achieve equality, fairness and justice in society. Thank you, Chairman.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by Ms Audrey EU be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Ms Audrey EU rose to claim a division.

CHAIRMAN (in Cantonese): Ms Audrey EU has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Dr Joseph LEE and Mr CHEUNG Kwok-che voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Ms LI Fung-ying, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Dr Samson TAM voted against the amendment.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Frederick FUNG, Ms Audrey EU, Mr LEE Wing-tat, Mr KAM Nai-wai, Ms Cyd HO and Mr WONG Sing-chi voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin and Mrs Regina IP voted against the amendment.

THE CHAIRMAN, Mr Jasper TSANG, did not cast any vote.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 22 were present, four were in favour of the amendment and 18 against it; while among the Members returned by geographical constituencies through direct elections, 22 were present, 11 were in favour of the amendment and 10 against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the sum for head 144 stand part of the schedule.

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 sum for head 144 stand part of the schedule. 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): Head 156.

MS CYD HO (in Cantonese): Chairman, I move that head 156 be reduced by \$281,666 in respect of subhead 000.

Chairman, the public opinion survey centre of the University of Hong Kong published a report yesterday on the popularity of the Chief Executive, Secretaries of Department and Directors of Bureau. Secretary Michael SUEN is one of the Directors of Bureau with a negative rating as his popularity rating stands at negative 4%, which means that 36% of the respondents disapprove of Mr Michael SUEN in his capacity as a Director of Bureau while only 32% of the respondents support him in his capacity as a Director of Bureau. The report has also stated that a negative popularity rating of 4% is actually beyond possible error or discrepancy that may arise in the survey, which means that even if an error or discrepancy is factored into this, the figure will still be negative.

Chairman, our amendment today certainly targets on the system, not individuals. This is also the case for the response given by the public in the opinion survey. The public do not target on the Secretary for Education, because when the Secretary was tasked to oversee other policy areas in the past, his popularity was high, unlike his rating today. So, the result of this survey shows that members of the public really have very strong dissatisfaction with the policy on education. So, while the Secretary may personally regard his popularity rating as immaterial as floating cloud or as valueless as dirt, he must address squarely the result of this opinion survey and he should review afresh whether the current direction of education policy is correct. The Financial Secretary said earlier that there are short-, medium- and long-term policies to help the poor, and in this year's Budget there are also short- and medium-term policies

on education. There are one-off initiatives including the provision of an allowance to cover expenses for the new school year, while the provision of a subsidy for Internet access charges is a medium-term policy. As for long-term policy, sorry, there is none, because the Financial Secretary was just talking about strengthening economic competitiveness. But true enough, in order to eliminate inter-generational poverty and strengthen economic competitiveness, it is certainly necessary to upgrade the quality of the population and to this end, we must start from education. However, the existing education system cannot help the impoverished in the next generation and as a result, they are unable to survive under the highly competitive education system and on the other hand, they are likely to become losers under the existing system and may increase the expenditure of society.

Let me first talk about the fundamental issue and that is, the overall expenditure on education. Before 1997, the total expenditure on education took up a very small share of a mere 2.8% of the Gross Domestic Product (GDP). The percentage gradually increased after 1997 and had at one time reached 3.9%, as we sometimes would make huge appropriations for setting up education funds. But this year is again far from good. This year, the total expenditure is \$51.96 billion and the GDP is recorded at just exceeding \$1,700 billion, which means that the expenditure on education accounts for less than 3.1% of the GDP. How does it compare with the neighbouring regions? In the Mainland, the expenditure on education accounts for 3.5%, while that in Thailand and Indonesia also manages to reach the level of 3.5%. Certainly, education in the Mainland is plagued with problems, such as tofu-dreg projects and the problem that poor children in the mountainous regions or those from peasant workers' families do not have many opportunities of receiving education and so, it is necessary to raise funds from sources outside the Mainland. Hong Kong has a stronger foundation and we already have the hardware too, but we indeed cannot compare ourselves with countries like China, Thailand and Indonesia which still rely on cheap labour to develop the manufacturing industries. Besides, these countries inherently have rich conditions and resources for tourism, which enable them to provide more job opportunities in the tourism sector and earn foreign exchange.

On the contrary, Hong Kong does not have these inherent conditions, and there is a pressing need for us to develop into a knowledge-based society and so, we cannot compare our education expenditure with that in these neighbouring

regions. What about the expenditure on education in other Asian countries? It is 4.4% in Korea, and 6% in Taiwan. Certainly, the expenditure on education in many European countries, the United States and developed economies can reach 6%. If Hong Kong genuinely wishes to upgrade the quality of its population, it is necessary to increase its overall spending on education. This year's spending is \$51.96 billion, which accounts for a mere 3.1%. If the percentage can be increased to 4%, an additional \$12 billion would be made available and put to use and in that case, many measures and policies could hence be implemented.

Yet, our policy on education likes to gild the lily but seldom sends in charcoal in snowy weather. For instance, in the prestigious schools, there is already very strong competition among the students, and the students do not need much help in admission to university. So long as they can go to university, they can receive a subsidy of \$180,000 annually. But if a student unexpectedly slipped up on the examination and is not allocated a place even though his results in the Hong Kong Advanced Level Examination (HKALE) meet the requirement for going to university, and if he is not allocated a subsidized place and studies in a sub-degree programme, he would become heavily indebted before graduation. The authorities have not made the utmost efforts to assist these 6 000 students whose results in the HKALE meet the requirement for university admission, as the authorities have not increased the number of subsidized university places. On the contrary, before fulfilling their public responsibility for local students, the authorities have nevertheless sought to industrialize education services. Of course, this will attract Mainland students to come to study in Hong Kong, but this will have very bad side-effects on the children of local families, as the authorities can then have a good reason to freeze the number of subsidized university places at 14 620 without increasing it.

So, Chairman, here, I must clarify that while many colleagues often say that there are 14 500 subsidized university places, this is actually not the case in reality. Even though an additional 120 places have been allocated to the Hong Kong Institute of Education recently, which represents a slight increase in number, such increase is, in fact, as trivial as a small drop of water compared with the 6 000 students who have passed the HKALE but are not allocated a subsidized place. Chairman, these students who can only study in sub-degree programmes will become the main source of student intake to private universities in future. This is so unfair. It is only because their performance in that

examination is not as good as that of the other 14 620 students that they themselves or their families have to shoulder a loan of \$300,000 to \$400,000 to pay for the tuition fees. This is a question of the Government failing to fulfill its basic responsibility of providing education, and this is why various political parties and groupings have proposed to increase the number of subsidized university places. If the number of subsidized university places can be increased by 6 000, under the new "3-3-4" academic structure, the expenditure will be increased by about \$2.7 billion per annum, which is just an insignificant amount.

Moreover, the system discriminates against students of sub-degree programmes not only in terms of subsidized university places. Even the matching grant for fund-raising is also indicative of this. Chairman, the matching grant aims to encourage various tertiary institutions to raise funds, and the fund-raising results were quite good in the past four rounds of the matching grant scheme as all the institutions managed to raise funds exceeding the amount of the Government's matching grant for them. Recently, the scope of the scheme has even been extended to local private universities, such as Chu Hai College of Higher Education and Hong Kong Shue Yan University. However, the Government still insists on not extending the matching grant scheme to sub-degree places. What will be the effect? If someone wishes to make a donation, the institution or the donor would then put the money into undergraduate or degree programmes because of the matching grant scheme, in order for the donation to be matched by subsidies from the Government. But if the donation is put into sub-degree programmes, that will be most unfortunate because the donation will not be matched by any government grant. So, the fact is that not only have we failed to increase resources to assist students studying sub-degree programmes, even for resources which are already provided and that is, even for the money that is already made available, although it requires only some changes in the policy to enable students of sub-degree programmes to benefit from private resources (or resources of the so-called third sector), the Government has still refused to adopt these measures.

Chairman, next, I will talk about secondary education. As I have said many times in past meetings, the education system in Hong Kong does not give a second chance to students. I have asked a written question about whether students were expelled from schools and what assistance would be provided to them to return to mainstream schools after expulsion. The authorities

outrageously said in their reply that there was none. But many social workers and parents do know that there are such cases. That was only a crafty, cunning way to evade the question. Schools will use a myriad of methods or exert pressure to force parents and students to agree to leaving the school of their own accord, or they may even employ insulting methods, such as putting pressure on students or punishing them, to make students play truant, thus giving schools an excuse to expel the students. In fact, these students may come from families with difficulties or complicated background, and their parents may be too busy at work that they cannot spare time to teach and look after their children, thus causing these students to act in breach of rules during that period of time. They are precisely the group of students particularly in need of our assistance. Even though they have left school, we still have to help them return to mainstream education. But the number of places is utterly inadequate in schools for social development. There is a very long waiting list for these places and besides, as students can only stay in schools for social development for a very short period, they may have to leave the school before they have rebuilt their values, pride and confidence. Another way to assist these students is adult evening schools but after the cancellation of government subsidies for adult evening schools by former Permanent Secretary Fanny LAW, these schools have become privately-run and their tuition fees have since increased substantially. Although the Under Secretary will conduct a review, this is still far from adequate.

Chairman, today, I also wish to focus on the schooling needs of young people undergoing drug treatment or rehabilitation. Yesterday, a few Members visited two residential drug treatment centres. As the age of drug addicts and abusers has now become younger and younger, there are actually a lot of school-age abusers in these residential drug treatment centres. But since we do not have a policy on rehabilitation centres-cum-schools, these children must spend 12 months in residential drug treatment centres. The number of teachers in these residential centres falls far short of students, and the school premises are dilapidated and even pose potential hazards, and the students have to spend one whole year there. After leaving the mainstream school and spending one year in the centre, it is impossible for them to return to mainstream schools after leaving the drug treatment centre. So, I call on the Secretary to seriously consider including rehabilitation centres-cum-schools in the scope of government subvention.

This also explains why Zheng Sheng College still has the support of Members and the community although their financial accounts have not yet been settled clearly. The reason is that the Education Bureau does not have such a policy. At present, only Zheng Sheng College can provide such services and if the Education Bureau has reservation about Zheng Sheng College, it had better provide these services itself. Disregarding whether or not we trust Zheng Sheng College, the needs of these students, their needs for social services and their needs for education services do exist. But in order to save money, the authorities would rather allege that Zheng Sheng College has done this and that improperly, completely neglecting the opportunity for these students to turn over a new leaf and receive education again. The Bureau is entirely irresponsible.

In fact, students who are drug addicts or abusers nowadays seldom take hard drugs, such as heroin, which cause direct physical effects on them. Instead, they now tend to abuse such drugs as ketamine. Their psychological dependence on these drugs is much higher than their physical dependence on them and so, quitting such drugs can be considered easier because it involves less physical discomfort. But it can also be more difficult to quit such drugs given abusers' strong psychological dependence on them. After leaving the drug treatment centre, if they still cannot rebuild their goals of life and if they still choose to evade the reality, they will be vulnerable to relapses and may abuse drugs again. So, we should extend the duration of their treatment at the rehabilitation centres-cum-schools. A 12-month period of treatment is not adequate, for assistance should be provided to them until they have completed their secondary studies and after completing their secondary studies, they can study in institutions such as the Hong Kong Institute of Vocational Education, or IVE in short, so that they can leave the environment where they were labelled previously. Only in this way can assistance be provided more effectively for them to turn over a new leaf.

Chairman, what I have just mentioned is the difficulties faced by disadvantaged students. Many students who are in an advantageous position, who have no problem with their academic performance, who can cope with the current system and who have the support of their families may not necessarily require our assistance. But the disadvantaged students are precisely in need of assistance. They are indeed indicative of the poor becoming poorer and the disadvantaged becoming even more disadvantaged. If they are not provided

with appropriate assistance and measures particularly tailor-made for meeting their needs, they would become the most impoverished group of people in the lowest stratum of society and even go astray and become a burden to society.

For the said reasons, Chairman, I call on the Secretary to expeditiously review these policies. Although this motion under debate today is about reducing the remuneration of the Secretary, our aim is to take this opportunity to show Members the inadequacies of the policy. I call on the Secretary to show us in his performance that he is well worth his pay. Thank you, Chairman.

Ms Cyd HO moved the following motion:

"RESOLVED that head 156 be reduced by \$281,666 in respect of subhead 000."

MR CHEUNG MAN-KWONG (in Cantonese): Chairman, in relation to the motion moved by Ms Cyd HO, the Democratic Party would like to highlight the 10 major contradictions in education.

The first contradiction concerns primary schools. The primary student population has decreased but the authorities have rejected small-class teaching (SCT) and vigorously taken steps to cut the number of classes and close down schools. Over 100 schools have been culled in a few years' time, triggering a rally staged by 10 000 teachers and even leading to the departure of senior government officials responsible for education. Michael SUEN, who took over as the Secretary for Education, should rectify the mistakes by ceasing the culling of schools to stabilize the morale in primary schools. Now that the dropping trend of the primary student population is approaching the end and the primary student population may even slightly rise in future, there may be a need to build schools again in new development areas. But Michael SUEN has remained rigid and unresponsive by ordering four primary schools to close down this year without actively helping them to maintain continued operation. In fact, culling schools and developing new schools involve a huge amount of public coffers which is far higher than that required for allowing the continued operation of schools with insufficient student intake. Why does Michael SUEN have to

torment the schools and teachers? Besides, as regards the 700 contract teachers provided by the Education Bureau for implementing SCT, their contracts will expire this year but the Education Bureau will only keep 300 of these places, which means that half of these teachers may lose their jobs. Coupled with the 200 surplus teachers this year, it would be another disaster for primary school teachers changing job this year. In this connection, I call on the Secretary to stop the culling of schools to stabilize the morale in primary schools.

The second contradiction concerns secondary schools. While the new academic structure for senior secondary and higher education (new academic structure) had just made a start, the decrease of secondary student population happened to reach its peak, with the number of Secondary One students expected to be greatly reduced by 20 000 in the next five years. The Secretary's proposal two years ago of culling 50 secondary schools in five years had shaken the entire secondary school sector. The culling plan was shelved temporarily after series of actions opposing the plan. In reply to my question in the Legislative Council, the Secretary said that the culling of schools was inevitable due to insufficient student intake. He further stated explicitly that there was no intention to implement SCT in secondary schools. During consultation with school headmasters in districts, he said that if the number of schools could be appropriately reduced, the situation could be stabilized and even if the number of students continued to drop, the remaining schools would be able to survive. Michael SUEN's intention was that the culling of schools was necessary in order for schools to be saved. When the danger of being culled still looms among secondary schools, how can they avoid engaging in vicious competition in the intake of students? The tragic experiences of primary schools have made it clear that the school culling policy is a road of no return for the Government and the education sector. When schools and teachers have no peace of mind, how can the new academic structure be implemented? I therefore urge the Secretary to cease the culling of secondary schools and implement SCT partially in districts hard hit by the decrease in population.

The third contradiction concerns kindergartens. The kindergarten education voucher scheme, which has been implemented for three years, is riddled with problems, causing the grievances of the pre-primary education sector to keep on intensifying. At present, 60% of the kindergarten teachers have a diploma and even degree level of qualification while others are expected to obtain

the required academic qualifications in two years. However, the pre-primary education sector has cancelled the pay scale for qualified kindergarten teachers and even refused to formulate a pay scale for diploma teachers. According to government information, 10% of the full-time kindergarten teachers are paid at a level not even up to the starting pay, and some are even paid at less than \$6,000. Calculating by an hourly rate of \$20, we would arrive at a monthly salary of \$6,000 which is even lower than the minimum wage. What is more, the authorities have stipulated that the ceiling on school fee should remain unchanged for five years. More and more kindergartens now charging school fees at a level close to the ceiling are therefore facing problems even in survival, making it all the more impossible for them to increase the salary of kindergarten teachers and make improvements in teaching. Moreover, the unfair treatment of whole-day kindergartens under the subsidy scheme, the changes in the nature of the external school review, the substantial increase of administrative work, and so on, have resulted in 2 000 kindergarten teachers and parents braving a rainstorm to stage a rally last year. I, therefore, call on the Secretary to review the education voucher scheme and draw up a pay scale for diploma kindergarten teachers.

The fourth contradiction is about the Hong Kong Diploma of Secondary Education Examination (HKDSEE). According to an announcement made by the Hong Kong Examinations and Assessment Authority (the Authority), the HKDSEE in 2012 has been incorporated into the tariff system of the Universities and Colleges Admissions Service (UCAS). The Authority has only boasted that a Level 5 in HKDSEE will be comparable to Grade A in the current GCE A-level Examination but avoided the fact that when the results of the HKDSEE are compared to the GCE A-level, there will not be equivalents of Grade B and Grade D, thus making it far more difficult for students to be admitted to famous universities in Britain. In respect of pursuing studies locally, the new academic structure requires that Level 2 be the passing grade for Mathematics and Liberal Studies. This will stifle the opportunities of pursuing further education for many students who are more inclined to the arts stream or whose performance in Mathematics is less competitive. I hope that the Secretary will exercise monitoring over the Authority to mend the loopholes of the HKDSEE.

The fifth contradiction has to do with the pressure on teachers. A decade of education reform has caused ever increasing pressure on teachers. A survey in 2008 shows that teachers have become an occupation with high risks of emotional disorder. In implementing the new academic structure, the authorities

have again committed the three major mistakes of the education reform. The first mistake is that they have acted prematurely and rashly: With regard to Liberal Studies, although there has yet been full preparation in respect of the curriculum, teachers' qualifications, teaching methodology and assessment standards of examination, the authorities have sought to do everything in one step, making it a mandatory subject for study by students, for examination and for admission to universities; and with regard to the external school review, the authorities have insisted on setting a timetable prematurely before the conditions have become ripe, disregarding the ability of teachers and students in meeting the timetable. The second mistake is the lack of co-ordination in policy: While the reform of the academic structure has been extensively implemented in full swing, the policies of external school review and fine-tuning of the medium of instruction have not given way, thus adding to the heavy burden of teachers. The third mistake is inadequate support: While SCT in secondary schools should be an essential element of the new academic structure, it is unlikely to be implemented in the foreseeable future. Worse still, the teacher-to-class ratio has been revised and as a result, in some schools with a higher proportion of group teaching, manpower has even been reduced instead of being increased, and some teachers are even forced to chip in money to hire assistants. I hope that the Secretary will address squarely the pressure on teachers and reduce the number of lessons taught by teachers.

The sixth contradiction lies in the medium of instruction. The fine-tuning of the medium of instruction planned by the Secretary allows schools to use English as the medium of instruction for some subjects in junior secondary classes without having regard to students' standard of English. This is contrary to the rationale of teaching and lacking the support of a consensus in teaching. I propose that the policy of fine-tuning the medium of instruction be frozen for three years, so as to concentrate on the new academic structure. Given that the secondary student population is currently dwindling substantially, once the medium of instruction is linked with the survival of a school, the policy on the medium of instruction will change in nature and the use of English as the medium of instruction will become a means to attract students. In fact, before the fine-tuning policy takes effect, some schools have already disclosed the number of their classes to be taught in English. For the purpose of student intake, the schools will use up all the English-medium lesson time to the neglect of the ability of students, which will stimulate vicious competition among schools. I hope that the Secretary will freeze the policy of fine-tuning the medium of

instruction and implement SCT for students to learn Chinese Language and English effectively.

The seventh contradiction concerns young teachers. As a result of the teachers' pay adjustment made by the Government, the starting salary of teachers was first brought down by five points for teachers employed in 2000. The starting salary then went up by five points in 2006 but this year, it is again reduced by two points. The three adjustments of teachers' pay have caused extremely great confusions. It is because the Government neglected the years of service of teachers that teachers who were employed in 2006 or before are nevertheless paid at a level lower than that of teachers recruited after 2007. This is against the principle of appointment of civil servants. Over the past three years, young teachers have continuously fought against this, but the Secretary has not rectified the mistake to do justice to teachers. While the old scores have not yet been settled, new disputes have arisen. This year, the Standing Commission on Civil Service Salaries and Conditions of Service will adjust downward the starting pay of graduate teachers by two points, which will affect serving diploma teachers as well as teachers who will become graduate teachers in future. While teachers teach in the same school, doing the same teaching duties in the same grade, three different systems are nevertheless applied to them, and this will certainly drive a wedge among teachers. I urge the Secretary to link teachers' pay to their years of service, in order not to cause divisions among young teachers.

The eighth contradiction concerns university places. In the 2010-2011 school year, subsidized Year One university places will remain to be 14 500. Using only sub-degree places and self-financed places to mislead the public, the Government cannot conceal the stark fact that subsidized places have remained on the low side. Compared with Singapore, the admission rate of students to subsidized universities has reached 25%, which will be increased to 30% in 2015. But in Hong Kong, every year 5 000 senior secondary students are not admitted to university even though their examination results meet the requirements and worse still, by 2012 when the HKDSEE is conducted, close to 10 000 students who meet the requirements for admission to university will not be allocated a subsidized place. In view of this, I call on the Secretary to increase the number of subsidized university places, so that more young people who meet the requirements can pursue university education.

The ninth contradiction concerns sub-degree programmes and private universities. Under the Government's target of enabling 60% of high school leavers to receive tertiary education, the curriculum puts emphasis on the quantity rather than quality. There is little chance for sub-degree graduates to pursue further studies and it is difficult for them to land a job. Under the present circumstances, the Government should provide additional subsidies for sub-degree programmes and expand the articulation opportunities for sub-degree students, including graduates of the Vocational Training Council or VTC in short. Besides, the Education Bureau should provide support to private universities and introduce education vouchers for private universities to ensure the quality of private universities. I hope that the Secretary will create an environment for healthy competition of university education in Hong Kong and accord priority to local students in the provision of education services.

The 10th contradiction concerns the disadvantaged students. First, there are students of evening schools, and this is an issue to which Albert HO attaches the greatest importance. While completion of secondary education is the lowest academic qualification in Hong Kong, there is still a group of school dropouts and new arrivals seeking to complete the secondary curriculum in evening schools. The Education Bureau substantially reduced the subsidies for evening schools in 2003, causing a large number of students studying in evening schools to quit their studies. While the Education Bureau has implemented the policy of 12-year free education, students studying in evening schools still have to pay nearly \$10,000 for their school fees yearly. This is discrimination against the evening school students aspiring to pursuing studies. Second, there are the integrated students, who are of the greatest concern to Emily LAU, and these students include disabled students and students of ethnic minorities. Whether in special schools or subsidized schools, the resources and care by teachers targeting various special education needs of students have been inadequate. Teachers face difficulties, students feel helpless and parents are in sorrow. Some parents have criticized that the kind of integrated education received by their children is nothing more than just giving their children a seat in a class and wasting their time. Everybody is moved by how pathetic their situation is. Students of ethnic minorities are even subject to discrimination. When they cannot even integrate with the Chinese Language, how can their learning be effective? I urge the Secretary to accord equal treatment to all students. All students must have access to 12-year free education, irrespective of whether they study in day schools or evening schools, while efforts must be made to ensure that students

with special needs and students of ethnic minorities can have the heartwarming care of integrated education.

Of these 10 major contradictions in education, some are the result of the Secretary's policies but more of them are actually the result of actions of the Education Bureau in the past. The mission of the Secretary is not to passively defuse one or two bombs in education, but to actively console and put an end to the decade-long internal wounds caused by the education reform. To this end, there is a need to increase and redeploy education resources; there is a need to take decisive actions to terminate education policies which have hurt the feelings of the people very badly; there is a need to address squarely the reasonable expectations of teachers, students and parents; and there is a need to upgrade the quality of education and boost the happiness index. Education is an undertaking for the people; education can have more empathy for the people, and the policy can draw closer to the hearts of the people. Secretary, please do set things right during your term of office by disentangling and resolving the 10 major contradictions in education.

Chairman, I so submit.

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

MR LEUNG YIU-CHUNG (in Cantonese): Chairman, as many Members have said earlier, this amendment today actually provides a platform, gives us another opportunity to put forward our views on some policies and directions.

On education issues, the two colleagues have tried their best to point out a wide array of issues one by one earlier and so, I do not wish to repeat what they have said. But as an education worker myself, I would like to share with Members my feelings.

The greatest difficulty faced by education workers is that there is actually not much room for education. When we enter a classroom to teach, we really find it not easy. This is mainly because of several problems that exist now: First, in a classroom we have to face so many students and behind their aspirations there are always many different causes. For example, in the past, we

did not have so many information networks; nor was there so much information available for us to browse and read. So, our generation is far more simple-minded. But things have changed now. Through the Internet students can access a great deal of information and therefore, they now have a lot more aspirations. But it is indeed very difficult for teachers to cope with the aspirations of so many students in the classroom. This is why the implementation of small-class teaching (SCT) is indeed imperative. Regrettably, SCT, though long overdue, still has not been implemented in secondary schools. This has made teaching very difficult for teachers in secondary schools. It is also very difficult for them to cope with the aspirations of students.

Apart from the problem of big classes, another problem lies in integrated education. Under the mode of integrated education, when a teacher faces a class of students and if an individual student has a mental problem in class, it will be very difficult to control and deal with order in the classroom. It will also affect the learning of the rest of the students, so this is a problem which practically exists. Despite the little bit of assistance provided by the Government, it is still inadequate and provides no solution to the problem. Think about this: If a teacher is dealing with an autistic or hyperactive student who has behavioural problems in class, the teacher would not know how to handle the situation. In fact, I personally have once come across a student who pushed over the desk and shoved everything onto the floor in class. I tried to calm him down, but the other students were fussing and doing this and that. It was downright impossible for me to conduct the lesson in an orderly manner.

Much to our regret, the Government has not seriously conducted studies on how integrated education can be implemented more effectively. It has only injected a little extra resources to increase the number of teachers for schools with more students who have special needs. But this is no solution to the problem. While the Government has on the surface acceded to our request, what it has done is actually of no help at all. This is a key problem.

Third, it is necessary to review afresh the school curriculum. The authorities have often made changes to the contents of the curriculum over the past few years. Recently in the run-up to the "3-3-4" academic structure, there have been many major changes in the curriculum, and they are not easy for teachers to adapt. This is also a fact. But the biggest problem is that all teachers and even the headmasters feel very stressful in coping with the teaching

of Liberal Studies. Everyone is under a lot of pressure, not knowing how to deal with it. This has put a heavy pressure on them because it is a major subject. Many of my colleagues are very worried, and not only my colleagues are worried, even students are very worried too. It is indeed not easy for them to cope with this subject. Whether to teachers of this subject or students who answer questions in class, they are all under tremendous pressure, not knowing how to deal with this brand new curriculum. Saddled with all these problems, teachers feel like carrying a huge mountain on their back, to the extent that they can hardly breathe.

These problems aside, the student intake in the following year also puts teachers under great stress, for they are worried that they would not know what to do in case student intake is insufficient, and the entire school is thus shrouded in distress and anxieties. Of course, if the school is a prestigious school, these worries would be unwarranted. But schools of an average standard or below are subject to such pressure. But how can this be resolved? I really have no idea what can be done. We can only do our best, but it does not mean that the problem can be solved because the population has decreased indeed and this is a fact cast in iron. Faced with insufficient student intake, schools may have to cut one class in the following year and after that, they may even face the possibility of closure. These problems have had very bad effects on the atmosphere in schools. Certainly, Secretary Michael SUEN should not be held responsible for all these long-standing problems, because they reflect many social problems, and it could be true that these problems may have emerged even as a result of past policies.

However, the problem is that in recent years, the Government has not provided any direction which is particularly effective to tackle these problems and as the problems have continued to deteriorate, the education workers are having a very hard time. Meanwhile, we all can see a fact and as reflected by many comments in the community, students' academic performance has consistently slipped in recent years. This has been the case in Chinese Language, English Language and other subjects, and there have been increasingly more students who failed in many subjects in the Hong Kong Certificate of Education Examination. We can see this phenomenon from the statistics. We all face scores and scores of problems, but we just do not see any direction of education that can alleviate or help mitigate these problems.

The Secretary is most adept at "defusing bombs". But the problem we face now cannot be tackled by stop-gap measures; nor can it be tackled in a way like defusing a bomb only when seeing one. That is not going to work. We hope that there can be better objectives and better directions, so that we know how we should move on along this path. On the contrary, if we allow ourselves to be bogged down in unnecessary worries, education could never be able to achieve stable development. In my impression, during the 1970s and 1980s, it was not the case that there were no problem, just that there were not as many problems as there are nowadays. Insofar as education is concerned, in comparison, I would say that in the past, as long as we could work wholeheartedly and make an effort, we still might be able to make some achievements, but this is not the case now. Time has changed indeed. Now, we cannot see a direction of development, and this is why the situation has become so difficult.

I hope that the Bureau will not only liaise with us in this Council, but will also foster liaison with workers of education, so as to understand the difficulties of education providers and even workers, with a view to solving their problems one by one. Otherwise, we would really be very worried that we would be failing the students. As I always say, every day when I go to school, I am most worried that I will fail the students. Not only teachers may be failing the students, the entire education system may also be doing the same. So, I take this opportunity to once again tell the Secretary that I really very much hope that there is a very good direction for the effective provision of education in Hong Kong.

While we are moving into the implementation of the "3-3-4" academic structure, we must wait and see how it unfolds and it certainly takes time to adapt to the new structure or consider how it should be developed. I do hope that the entire education system will provide education not merely for the sake of economic development, but also with the aim of achieving whole-person development, so that our young generation can have holistic, proper and appropriate development in respect of ethics, intellect, physique, social skills and aesthetics, and there can be a healthier, better and ideal society in future.

Chairman, I so submit.

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

PROF PATRICK LAU (in Cantonese): Chairman, I entirely agree to the remarks made earlier on by the several Members who, like me, also come from the Panel on Education. In fact, insofar as education is concerned, as the only resource in Hong Kong is talents, we should really channel more resources to this area.

Ms Cyd HO has provided a lot of evidence to point out the areas into which resources should be injected. She also questioned why subsidized university places are not increased. All these boil down to the question of resources. Mr CHEUNG Man-kwong raised the 10 major contradictions in education earlier, and in order to resolve these contradictions, it requires money. If it needs money, certainly it will be necessary to increase provisions in the Budget, but this amendment is suggesting a reduction of the amount of funding proposed in the Budget, and I really find this incomprehensible.

I propose that the amount of funding should not be reduced. On the contrary, it should be increased. The increase of funding in the Budget should be able to deal with the issues raised by the several Members earlier. I do not know whether a reduction of \$280,000 in the Budget can produce any effect. At first, I wanted to suggest that funding should be increased by \$280,000 to offset the reduction, but it would be of no use even if it is increased by this amount.

Chairman, in fact, should it be increased by \$2.8 billion? Both you and I come from the education sector and as we know, it requires quality resources to achieve quality education. In this connection, I hope that the Secretary can reconsider this and further discuss with the Financial Secretary by how much should the provisions be increased, in order to promote the development of Hong Kong in the short, medium and long term, or to promote whole-person development. This, I do not oppose. But I consider it meaningless to reduce the amount of funding. The views advanced by a number of Members earlier are all very good. Why do we not propose a reasonable increase of resources so as to give effect to the suggestions earlier?

There is indeed something wrong with education in Hong Kong. Yesterday, I visited a rehabilitation centre cum-school together with Ms Cyd HO and other Members. I saw students live in poky metal shacks that can hardly provide shelter to them against the elements. How can this be possible? They

are all strong, healthy people; and there is an outdoor area in the school and this land in the New Territories is put to good use. All these can have positive effects, and we know that they will really have a good future. But when they rejoin society, what will happen to their future? They still need to receive education and so, it is necessary to plough in a lot more resources for this cause.

So, I hope that the funding will be not reduced. Rather, it should be increased. But by how much should it be increased? We certainly have to work hard for that. Chairman, we hope that the funding will be increased not only by \$280,000, because given a reduction of \$280,000, it would be pointless to effect an increase of the same amount. So, it would be best to increase it by \$2.8 billion. Thank you, Chairman.

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

(No Member indicated a wish to speak)

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Chairman, as I pointed out in my response to the amendment moved by Mr LEE Cheuk-yan to the Appropriation Bill 2010 earlier on, it is inappropriate and unreasonable of Members to propose amendments in an attempt to change the pay of the officials concerned through the examination of this Bill. The Administration opposes this amendment.

Thank you, Chairman.

SECRETARY FOR EDUCATION (in Cantonese): I thank the four Members for voicing their views just now. In fact, the great majority of the matters they talked about have been discussed in the Panel on Education (the Panel), or some of them are now under discussion. Certainly, what they have said is that they hope we can think deeper or farther ahead on certain issues. In this regard, we will continue to do so in the relevant discussions in the Panel in the future. I only hope Members will understand that whilst it is right for them to take this

opportunity to state the facts, does it mean that we have not done our work properly in the Panel? I think Members have to reflect on this deeply. Thank you.

MS CYD HO (in Cantonese): I am grateful to Prof Patrick LAU, for he is the only Member voicing opposition to this amendment, thus enabling a debate among us.

If the Legislative Council had the power to propose increases in resources, I would surely adopt Prof Patrick LAU's suggestion when drafting this amendment. As I said in my speech just now, to increase the education expenditure from 3.1% of the GDP to 4% happens to amount to about \$12.8 billion. Unfortunately, this Council does not have such a power, so it cannot propose an increase in expenditure. In fact, the Budget is executive-led in nature, with each politically-appointed official calculating the expenditure of their respective Policy Bureau and submitting it to the Financial Secretary for consideration.

For this reason, if Members find that a certain policy, in particular, the education policy, cannot serve the purpose of helping the poor or eliminate inter-generational poverty, nor can it promote upward social mobility, we really have to use a powerful means to raise it with the politically accountable Secretary concerned. Here, I find that Secretary Michael SUEN has adopted a positive attitude in discussing various policy inadequacies with us.

President, I have 15 minutes of speaking time, so I wish to use these 15 minutes to talk about the policies that make the poor poorer and the weak weaker as I did not talk about this just now. Insufficient resources is one of the issues but how the resources can be put to the optimal use is also a major issue. We should allocate funds for the conduct of policy studies. Whenever the Education Bureau introduces a new proposal, it should examine the effect of the proposal on various social classes through such policy studies, particularly the effect on the grassroots, for example, the effect of Liberal Studies.

The competitive examination systems of the past are very unhealthy, with everyone trying to outdo each other in memorizing texts and in examinations to see who can do better. However, the paradoxical point is that this kind of competitive examination is actually fairer to grass-roots families because all

students use the same textbooks and the same notes. After digesting the contents of textbooks, all students can show their strengths when sitting for examinations and secure admission by virtue of their results in examinations. However, ever since we changed the rules of the game, grass-roots families fare now disadvantaged.

In the past, when universities exempt some students from the admission requirements, they would consider their records of extra-curricular activities and whether or not these students have outstanding achievement in sport or arts education. However, how possibly can grass-roots families afford musical lessons or participation in sports events for their children? Although the Education Bureau has allocated funds to subsidize after-school activities, each student can only get \$200, so this amount cannot practically help students acquire any musical skill, so that when they apply for admission to universities, they can secure admission more easily. For this reason, although the overall direction of this different approach of university admission is desirable, its effect on grass-roots families is negative. This being so, how can we eliminate this kind of negative effect on grass-roots families?

We have one proposal, that is, we call on the Government to offer education vouchers called "One sport and one artistic skill for life", so that students from grass-roots families can learn an artistic or sports skill over an extended period of time, so that it will be fairer to them in competition. In addition, the most important thing is to give them opportunities to practise focusing their concentration, surpass their limits and cultivate the spirit of pursuing excellence and exercising self-discipline.

Liberal Studies is another subject putting grass-roots children in an unfavourable position. Liberal Studies require participation in many extra-curricular activities. To do the projects in Liberal Studies, it is necessary to have a handy camera which will cost over \$2,000 at least. After acquiring a camera, it is also necessary to have printers and computers, so that all the people can do a project together. Many children feel inferior and withdrawn or dare not participate in such group activities because they do not have this kind of equipment. The situation would be better if there were many children whose families are on CSSA or from the grassroots in a school. However, we cannot disregard the integration of other social strata.

In view of this, after we have changed the pedagogy and the requirements of university admission, we must find ways to provide subsidies to children from the grassroots. For this reason, I hope that when the authorities conduct policy studies, they will specifically allocate resources to address the issue of upward social mobility and the effect of policy changes on children of the grassroots.

Unfortunately, over the past three years, the Education Bureau has spent \$30 million to conduct studies and among them, with the exception of one study relating to language learning in primary schools which has a direct bearing on learning by children living in poverty, the other studies bear little relevance to upward social mobility. However, the Education Bureau has allocated funds for studies on the establishment of private universities and industrialization of education services.

Another policy most unfavourable to children from the grassroots is the assessment on learning disorder. Very few people know about learning disorder. Last year, due to increased discussions in society, society as a whole gained also a better understanding of this subject. However, in fact, parents do not understand it very well, nor do teachers because not every teacher has received relevant training. Even if they have received basic training, it only amounts to 30 hours. In Primary One, many such students cannot be identified as primary school teachers may not be able to notice quickly that they have learning disorder. For this reason, we propose that each small child should undergo assessment for learning disorder. On the basis of 60 000 students each year, this assessment will cost about \$300 million. However, after the introduction of this assessment, grass-roots families will fare better because when they know that their children actually have reading and writing problems or hyperactivity, these children would not be misunderstood by parents or teachers as being inattentive, disobedient or restless. On the contrary, after a systematic assessment, parents will realize the psychological and even physical constraints of these children and lower their expectation of these children, without hurting their self-esteem. As a result, appropriate and tailor-made follow-up actions can also be taken to help them overcome their learning difficulties. In this regard, middle-class families are in a position to do so.

The parents of middle-class families have the resources. So long as they have the knowledge, they can arrange for their children to undergo learning assessment at an early stage and hire specialists to provide counselling in the field

of educational psychology to their children with their own financial resources. However, grass-roots families do not have any resource whatsoever in this regard.

For this reason, Chairman, this is what we mean in saying that the use of education resources can actually promote upward social mobility and prevent poor grass-roots children from becoming poorer and the weak from becoming weaker. If we can provide early assistance to help them identify their problems and provide solutions to them, they can salvage their self-esteem and self-confidence at the stage of early learning. In contrast, if we do not take action at an early stage and if the Government does not allocate resources to provide such subsidized services, these children may suffer setbacks from a young age due to the misunderstanding of their parents and teachers and lose their self-esteem. Consequently, even if they have other potentials and good qualities, it is not possible to bring them into play. This is because they have lost interest in their school and their lessons completely, so it is likely they will only cause mischief in class.

Hence, Chairman, I hope that the Secretary can review the use of education resources together with the Financial Secretary and here, I also want to apologize to the Secretary because I have made a mistake in my last speech. I said that I hope the Secretary would worth his pay, but in fact, the Secretary is not an article and I omitted something. What I hope is that the post of the Secretary would represent value for money, that what he should do should be completely worth his pay. However, I also hope that our education policy can make the children of Hong Kong people fully realize their potentials. Thank you, Chairman.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by Ms Cyd HO be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Ms Cyd HO rose to claim a division.

CHAIRMAN (in Cantonese): Ms Cyd HO has claimed a division. The division bell will ring for one minute, after which the division will begin.

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

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

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Dr Joseph LEE and Mr CHEUNG Kwok-che voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Mr Abraham SHEK, Ms LI Fung-ying, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Dr Samson TAM voted against the amendment.

Geographical Constituencies:

Mr Albert HO, Mr LEE Cheuk-yan, Mr Fred LI, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Frederick FUNG, Mr LEE Wing-tat, Mr KAM Nai-wai, Ms Cyd HO and Mr WONG Sing-chi voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin and Mrs Regina IP voted against the amendment.

THE CHAIRMAN, Mr Jasper TSANG, did not cast any vote.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 22 were present, four were in favour of the amendment and 18 against it; while among the Members returned by geographical constituencies through direct elections, 21 were present, 10 were in favour of the amendment and 10 against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the sum for head 156 stand part of the schedule.

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 sum for head 156 stand part of the schedule. 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): Head 158.

MR LEE WING-TAT (in Cantonese): Chairman, I am going to speak on the reduction of head 158.

Chairman, in the past few weeks, concerning the Budget, we all know that apart from the wealth disparity, on which the largest number of Members have spoken, one of the focuses is on issues relating to land and housing. Chairman, in fact, in the past few weeks, I have already expressed to the mass media all my viewpoints and opinions inside and outside this Chamber, so I will not say a lot today other than responding to the views I heard in these two days.

The first kind of view is that many Honourable colleagues, including those in the Democratic Party and I, demand restoration of the Home Ownership Scheme (HOS) and this is also a very broad-based consensus reached in the legislature when a motion was passed last year. It is not only in this legislature that such a consensus has been reached. Individual developers and some friends who used to oppose this in the past, including Mr SHIH Wing-ching, whom I respect, also said recently that they want to change tack. I have seldom seen Mr SHIH Wing-ching change tack, but even he has now said that he supports the restoration of the HOS because things are falling apart. What is the problem with restoring the HOS? The Government has all along cited several grounds: First, after a policy has been introduced, it should not be changed frequently. This argument is valid to some extent, and I will discuss it again later. The second argument is: Even if HOS construction is restored, what then? Even if it is restored, it will not help cool down the property market, nor will it help the present situation. These are the two views that I hear most often, and I will respond to them one by one.

Yes, it is true that a very important decision was made in 2002 to 2003, when the Government announced its withdrawal from the so-called real estate market. At that time, there was a strong demand in society for the Government to do something to stabilize property prices. At that time, property prices were falling sharply. Of course, my impression is that since the experience on that occasion, the Government developed a phobia of the HOS and it would take evasive action and keep a great distance on hearing the term "HOS". This is just like Secretary Stephen LAM — he is not here — who wants to leave on hearing the word "democracy" or like our Chief Executive, who feels his head itch on hearing the word "democracy". In fact, we think that such matters require

rational discussion. When the Government withdrew from the market back then, property prices were falling very sharply and the supply then was very large.

However, what I hope the Financial Secretary will consider is that now, almost seven or eight years down the line, should this policy be reconsidered? In the Government's view, is the HOS policy so worthless? If it is, why does a similar policy in Singapore cover as much as 70% or 80% of its housing? Regarding this policy, the Government made it sound as though it should not be discussed, revisited, reviewed or broached, but is it as bad as that? Does the Government think that the Hong Kong public or people who conceived this policy all have not thought this matter through, that this is the behaviour of politicians and that people involved in this matter all have their political agenda? Is this what it thinks?

The Democratic Party has conducted a survey and found that among the 1 000 respondents, 80% support restoring the HOS. The proportion is as high as 80% and these people do not all belong to the post-80s generation, nor do they live in public rental housing but often, we would exclude these people in our discussion.

In fact, I do not agree that the post-80s should acquire their own homes so quickly either. I do not think they have such a need, just as I sometimes think that young people, after graduating from university, should not consider applying for public housing immediately. Instead, they should make efforts to earn money, live in cubicles in private buildings first, put up with this for a couple of years, then move upwards after earning some money.

However, our Financial Secretary and Secretary must bear in mind that many young couples earn a total of \$40,000 to \$50,000 monthly, so how can they afford the mortgage payment? If they rent a flat, certainly they can spend \$7,000 to \$8,000 to rent a unit of 400 sq ft, but in the long run, it is really not possible for them to remain in such a state because the rental may rise. Moreover, home ownership is a very important factor for social stability.

On this point, I once had a debate with Prof Francis LUI. I said, "Professor, what you have talked about is purely an economic issue and you mean

that the Government should not interfere with the market and should let the market decide.". All of us have to think in earnest and the Financial Secretary and the Secretary also have to consider whether or not housing is purely an economic issue. Obviously, it is not. Since the late 1970s, housing and real estate have never been a purely economic issue. If the Financial Secretary still believes in this, I am really sorry, his judgment is wrong.

I have said a number of times that insofar as the issue of housing is concerned, it is not the grassroots who are feeling discontented with the Government, rather, it is the middle class, on which the Government depends, that is discontented with the Government, the reason being the price increases are higher than the rise in their family income. In the past, the Financial Secretary once said that he had to put a brake on property prices and pay attention to those 1 million people who owned private properties, but in the debate last week, I said that this judgment was wrong because most members of the middle class live in units of 500 or 600 sq ft and the best time to trade properties is always when property prices are stable. At present, the growth in household income is falling far behind the rise in property prices, so those members of the middle class living in units of 500 or 600 sq ft are complaining against the Government.

The second thing has to do with their children and I have heard far too many instances of this kind. Some residents in local communities said that they had to save for the down payment on the properties of their children to enable the latter to acquire their homes. Some people say that we are now entering the phase in which Japan found itself in the early 1980s, that is, it is not just one generation that is paying off the mortgage on properties but two generations paying off the mortgage on a flat together. Hong Kong has got into such a situation and some people have taken out mortgage plans spanning 20 or 25 years. Some people even want to extend the mortgage payment tenure when they are half way through.

Therefore, Chairman, I actually do not quite understand why it is so difficult for the Financial Secretary to review the policy on HOS. Is this policy totally worthless? If it is, why is the thinking of the Government different from that of 80% of the members of the Hong Kong public? Is it the case that all the wise people could only be found in the chambers of the Financial Secretary and the Secretary and other members of the public are not wise? If the Government

thinks so, the divide between the Financial Secretary and the public is really great. Given the prevailing circumstances, I think that the differences between the public and the Government over this issue will aggravate their mutual distrust or the distrust of the public in the Government. Moreover, they also want to ask if the Government is being too accommodating to property developers.

That day, I learnt about the measures to regulate the sale of uncompleted flats announced today on the radio and members of the public called the radio station and they appeared to be irate. They pointed out that all those measures should have been taken long ago, wondering why the policies of the Hong Kong Government were always so weird. If vegetable hawkers or barbecued meat vendors deceive customers by fiddling with the scale, they commit a criminal offence, but if property developers disseminate inaccurate or misleading information or even deceive consumers, it is very difficult to institute criminal proceedings against them. Frankly, if my memory is correct, no property developer has been fined a single dollar for giving the wrong information, selling flats with inflated saleable areas, and so on, and they have only received warning letters.

What would an ordinary man (the Financial Secretary is also an ordinary man) think about vegetable hawkers or owners of barbecued meat shops being penalized? Why is deception in the sale of properties worth \$5 million or \$10 million not subject to a fine of even one cent? After people selling vegetables or barbecued meat are prosecuted by the Customs, they may be fined several thousand dollars and if the same offence is committed repeatedly, they may be liable to imprisonment. For this reason, Chairman, I think that, having come to this stage, the Government should not insist on thinking that the idea to restore the HOS should not be considered at all. It is necessary to reconsider this policy, and we support doing so.

The second view is: Even if the HOS is restored, what then? It would not serve to bring down property prices immediately. It is true that nothing would produce results immediately. Even if the land supply were increased today, it would take two or three years at the earliest before uncompleted residential flats can be put on sale because buildings can be completed only three years later. However, what needs to be done now is to change the expectations in the market and change the thinking of the major players in the market, property developers,

property speculators and people buying flats for self-occupation. They all think that property prices are not stable at present.

If the Government takes no action and only waits, what is it waiting for? Is it waiting for luck or the interest rate rises in the United States later? For this reason, I think that if restoring the HOS will not change property prices and will not impact on the private property market, it is all the more correct to do so. At least, property developers would not object to this, so what other problem is there? If 2 000 or 3 000 HOS flats are built each year, will the effect on the entire social policy be as great as imagined by the Government? Are they so great as to make the Government refuse to proceed with this matter even now?

Chairman, some friends in the mass media once asked me what else could be done. I could only say that I had said all that I had to say. Judging from the present position of the Government, we can only wait for the bubble to grow bigger and then burst. In that event, everyone will suffer. No Honourable colleague is asking the Government to suppress property prices to the level in 2000 or that during the SARS outbreak. All of us only hope for a soft landing, for example, through moderate policy changes, so that property supply and prices will see improvements. This is what we seek to achieve.

After the Government announced the measures today, I do not think that after some time, when the voting takes place next time, property prices will have had a correction and cooled down. They will just be like the measures announced on the last occasion. I could foresee the results, but the Financial Secretary did not believe me. I am not a wise man but we all have an idea of how great an effect these measures will have and it is possible to estimate it. I do not think that the measures announced today will affect property prices. Property prices will rise again and when they reach a stage at which the bubble bursts, I believe the Government would be criticized for having done so little when something needs to be done.

Chairman, in the remaining three minutes, I wish to discuss the measures announced today, which are now referred to by the new name of "TSANG's nine strokes" — in the past, there were "SUEN's nine strokes" — and they are measures to regulate the sale of uncompleted flats. I do not oppose the

regulatory measures since I support any measure that enhances transparency in the sale of uncompleted flats. However, the only thing that I disagree with the most and on which the Government has not given any response is: Since property developers are selling commodities and so are hawkers selling vegetables and shop owners selling barbecued meat, why is it that the latter two can be convicted of criminal offences and regulated by criminal law, whereas the former is not?

Chairman, the announcement today is guidelines. Since 2004, when I made a comeback to the Legislative Council, I have all along arranged for covert operations to expose the numerous misdeeds of property developers and more than 10 such operations were carried out. I asked my secretary to carry out covert operations, until I no longer dared ask her to do so because the operations were all uncovered. Moreover, how can I possibly have so much money to hire secretaries all the time? However, every covert operation yielded results. Chairman, it was very easy to get results. To go to the sale venues of property developers to carry out covert operations and find out irregularities is almost easier than winning in a bet on cussec or the Mark Six lottery. One can always find something. I did not make this up and many radio stations and members of the mass media have also done this.

The Financial Secretary can think about why they are not afraid. Simply because even if they have violated the requirements of the guidelines, at the most, they only have to say, "Sorry, a mistake has been made and we will make improvements.". Financial Secretary, sorry, but I have seen this situation for four years. Each time, I did not think they deserved being forgiven. Even if they can be forgiven once or twice, if they make 10 mistakes in the span of four or five years, should all of them be forgiven? For this reason, if the guidelines were not made laws, property developers would not comply with them. It is not necessary for us to draw up the legislation anew either, since Mr Dominic WONG had already drawn up a White Bill on this in 2000. What needs to be done now is to use this Bill as the basis and incorporate into it some factors that were not taken into account at that time and that would be it. The Secretary then pointed out that the Bill was ready. What was not done and what could not be done can be added to it now. After a Bill has been prepared, there will be a tool in law to regulate all kinds of practices in the sale of commodities. Not only will this be fair to property sellers, it will also be fair to all property buyers.

Chairman, I believe that having come to this stage and after the debate on that day, if the Government, the Financial Secretary and the Secretaries want to wait until the next rise in property prices, we do not know until when they want to wait. Do they want to wait until the release of the policy address in October or until the Chief Executive's Question and Answer Session in May or June? I only think that if we still do nothing about this issue for some time, what Hong Kong will face soon is perhaps the burst of the assets bubble. In that event, I do not know how the Financial Secretary is going to pick up the pieces. Thank you, Chairman.

Mr LEE Wing-tat moved the following motion:

"RESOLVED that head 158 be reduced by \$281,666 in respect of subhead 000."

MR WONG KWOK-HING (in Cantonese): Chairman, as the incumbent Chairman of the Panel on Housing, I must comment on issues relating to housing. On this amendment, I will divide it into two parts: The first is to reduce the pay of the Secretary to hold her to account. In the previous part of debate, when discussing several amendments relating to pay reductions earlier on, I already stated the legal basis and rational grounds for not setting such a precedent, so I need not repeat the arguments now. I do not agree with proposing amendments to reduce the pay because in fact, it is not possible to force the Government to do anything.

As regards the housing policy, this is the main body of my speech and I also want to divide it into two areas. The first is that the Financial Secretary, John TSANG, has proposed "TSANG's nine strokes" today to regulate the sale of uncompleted flats at present and I think they only amount to a toothless tiger. Why not enact legislation? If legislation is enacted, anyone violating the law can be prosecuted. If no legislation is enacted, there will not be any effective regulation and those nine relevant guidelines are only a toothless tiger posing no bite. If the Financial Secretary thinks that he can make property developers or property agents toe the line when doing business merely by voicing such opinions, I believe this only amounts to fishing for the moon in water — striving for the impossible, so they cannot serve the purpose. Since a motion debate will

be conducted in the Legislative Council next week, I must stress that introducing "TSANG's nine strokes" without enacting legislation is meaningless.

Separately, Chairman, I also wish to talk about arresting the abnormal rise in property prices. In fact, many Honourable colleagues have already voiced quite a lot of opinions and the mainstream opinion in the Panel on Housing of the Legislative Council is also very clear, that is, it urges the Government to resume building an appropriate amount of HOS flats and relaunch the Tenants Purchase Scheme (TPS). This is the view of the great majority of members in the Panel on Housing of the Legislative Council, but it is also the fact that individual members and political parties were opposed to it. However, the mainstream opinion is very clear and the Secretary has already heard it. This being so, why do I want to raise it again on this occasion? Because the Financial Secretary and even the Secretary still reiterated in their speeches that they would adhere to the policy of "big market, small government", that the Government's major responsibility was not to help the public in home ownership, and it also believes that the moratorium on the HOS back then was a major decision, so the HOS would not be restored rashly now.

After hearing those comments, I believe the most delighted party having the greatest cause for celebration is property developers in Hong Kong because the Government is incapable of imposing any constraint on them, nor is it capable of checking them. What I have heard the Government say most often is nothing other than increasing land supply and that in the next three to four years or the next couple of years, about 50 000 flats will probably be completed. Together with 4 000 unsold HOS units and other flats, there will perhaps be a total of 50 000 or 60 000 flats, so the present problem of the public having difficulties in home ownership can largely be solved. All these are cited in the response.

Chairman, as I say in a poem written by me, "Why are the people trapped in a state of worries? Because tigers are roaming freely in the market", the present situation is still the same. Members can see that the Mainland authorities, in clamping down on the abnormal property market and abnormal speculation, have adopted a holistic approach instead of piecemeal measures. The measures are holistic, with an increase in land supply, construction of housing priced within a certain price range and designation of some buildings for low-income people. Moreover, comprehensive counter-measures in such areas

as interest rates, lending and interest have been formulated. In contrast, our SAR Government has been feeble and ineffectual. Even though the public have made very good proposals, the Government is still obdurate, turning a deaf ear to them.

As regards restoring the HOS, some property developers have also said that an appropriate quantity would not pose any problem. The DAB proposes that 5 000 flats be built each year, so there is a limit, whereas I have not specified any figure. An appropriate quantity is not an unlimited quantity, rather, this is a balancing measure that would be introduced in view of the market condition. However, the Government said that all the 4 000 unsold units would be put on sale by mid-year. This is good news for property developers because after these 4 000 units are all sold, there will not be any more units and that is it, so no further tactic can be employed. As we all know, from planning to completion, the construction of HOS flats takes several years and in the interim, there will not be any supply of such units. In this way, the ferocious tigers in the property market can freely gobble up the hard-earned money of the public. This is exactly the current situation. As I say in my poem, people are trapped in a state of worries and this is self-perpetrated. This is a policy blunder by the Government. If the Government has justifications, please tell us later. Why is it not possible to build an appropriate quantity of HOS flats? Even property developers have said that building some would not pose any problem, so why can we not build some? Can this problem be tackled simply by simplifying the procedures, speeding up the process and liberalizing the market for second-hand HOS flats? After selling one's second-hand HOS flat, ultimately, it would be necessary for one to buy another flat but that ladder of mobility has been demolished, so may I ask how possibly can the problem be solved solely by liberalizing the market for second-hand HOS flats?

Moreover, it is the residents in public rental housing who have been treated the most unfairly. Residents in public rental housing want to buy their units in instalments but the Government is unwilling to relaunch the TPS no matter how. This is absolutely unjustifiable. Originally, it would be the turn for some of them to buy in Phase 7 or Phase 8 — we often made visits to the local communities and residents there told us that their aim in moving to those such faraway places was to save money, so as to buy the units in which they lived in in instalments, but this hope of acquiring one's own home and settling down had been dashed.

On another front, the Government continues to implement its well-off tenant policy. Tenants have a higher income after their children have grown up, so they have to pay rent that is double or 1.5 times the original rent. In order not to pay rent that is 1.5 times or double the original rent, their children can only move out. As a result, only old folks remain in the housing estates, which became "housing estates for the elderly". Subsequently, in order to remedy the blunder, the Government came up with plans with names like "enjoying a peaceful life" and "happy ageing", so its policy is self-contradictory and a slap on its own face. I really do not understand why the Government is always so obdurate and bent on refusing to build an appropriate quantity of HOS flats and relaunch the TPS. In fact, doing so would only make the general public think that there is collusion between the Government and business. This is precisely the problem. The public believe that the policy is skewed towards property developers and that all members of the Hong Kong public and the grassroots are only surrendering their incomes to property developers. They may not be able to pay off the mortgage for a flat even after toiling for their entire life, or perhaps not even for two lives.

Chairman, all along, the FTU advocates "using public housing as the mainstay and HOS flats as secondary support", much like support in the form of counselling and assistance, whereas the private market will play a regulatory or supplementary role. This has been our proposal all along and we have proposed this to the Government for many years, time and again, over and over. Unfortunately, the Government cannot hear our voice, so we are very disappointed. For this reason, on the comments made by the Financial Secretary, John TSANG, today on putting a damper on the property market, putting a brake on new flats and his so-called housing policy, I believe this kind of rhetoric cannot serve to solve the problem. It is obvious that a clear consensus and direction can be found in society, but the Government simply chooses not to consider or adopt them. I think this would only make the credibility of the Government decline further. The extent of public trust in the Government is ever decreasing and this also explains why, in many public opinion surveys, the popularity rating of the Chief Executive and many accountability officials is showing a trend of decline. This warrants some serious soul-searching indeed.

Chairman, my speech has repeated the proposals put forward just now. I sincerely hope that the Financial Secretary and the Secretary can listen to the

mainstream voice of society on the housing issue as reflected by us. Thank you, Chairman.

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

MR FREDERICK FUNG (in Cantonese): Chairman, first, I will try to cite an example to the Secretary. In 1996 or 1997, a new development in Sham Shui Po asked for less than \$5,000 per sq ft., at about \$4,800. Last month, in the case of another single private residential building in Sham Shui Po — the one mentioned by me just now was also a single private residential building — the price of the cheapest unit offered is \$7,500 per sq ft. This is only the average price because the bigger the unit, the higher the price per sq ft. The price of \$7,500 per sq ft mentioned by me just now refers to that of small units with an area of about 400 to 500 sq ft, whereas flats with a larger area of 700 sq ft are selling at as high as \$9,000 per sq ft. Of course, the units are located on the upper floors. In other words, in the 14 years between 1996 and 2010, the price of newly completed single private residential buildings in Sham Shui Po has doubled. Why did I use Sham Shui Po as an example? As we all know, according to the figures of the Census and Statistics Department, for over a decade, Sham Shui Po has been the community with the lowest household income in Hong Kong and this has been the case for over a decade. In this arguably the poorest community, even the lowest price of newly completed flats stands at \$7,500 per sq ft, whereas the next price level to \$7,500 per sq ft is a leap to \$9,500.

If these buildings are intended for purchase and inhabitation by people nowadays, why are their prices so high even in such a poor community? Some people ask if flats costing almost \$10,000 per sq ft are considered luxury flats, but Members may as well look at this building located in Pei Ho Street. Its price per sq ft ranges from \$7,500 to \$9,500, but we would not consider it a luxury flat, thinking that ordinary residents will live in this kind of buildings. However, let me tell you that ordinary residents and even better-off residents in Sham Shui Po may not be able to afford such a price. Why?

President, I suppose you and I are about the same age and perhaps you are a little older than me. I remember that when I was studying in junior secondary

forms, there was a Japanese film called "Tengoku to Jigoku" and how was heaven and hell in it like? In a poor district in Japan lived some poor people and the residents there only had to look up to see the luxury residential area. In fact, the difference between the two was only their locations at the top and bottom of a hill, but the difference was like heaven and hell. Although I was very young at that time, only a junior secondary student, I was very moved on watching that film. However, I found that the situation is not like this in Sham Shui Po now. What I mean is that if one looks from Sham Shui Po at the bottom of the hill to the hilltop, that is, to the Beacon Heights, it is like heaven and hell but now, it is not necessary to look towards the hilltop and one only needs to look at Pei Ho Street to find that even a high-riser costing \$10,000 per sq ft has been built in hell. This being so, is heaven not be found in hell now? Sorry, these buildings are meant not for people in hell. What actually does this show? What is the purpose of erecting buildings nowadays, must I ask. What sort of people does the construction of buildings serve nowadays? For whom are the buildings nowadays intended? What are buildings actually meant for?

Just now, Mr LEE Wing-tat talked a lot about such issues as speculation, the market and the rise in property prices. To the public, they only want a home. The average number of people in a family in Hong Kong is about three nowadays. To a family of three, is living in a flat of 300 or 400 sq ft a luxury? Should they not be entitled to it? Or is it only right for a family of three to live in a cubicle of 100 sq ft? Too bad if you are poor. Too bad if you live in Sham Shui Po. However, we then say that we have to help the poor and give them a lot of welfare by giving away computers and footing the bill for Internet access. How actually should the Government help the poor?

Let me cite another example. Three people live in a partitioned room of less than 100 sq ft, can Members guess whether or not a child is willing to do homework in the room and whether he can do his homework there? In the room, in addition to a cabinet and a table, there is only a bed, no room even for a computer. If one wants to use the computer, one has to go to the school or the library. After this child has grown up, compared with a child living in a flat of 1 000 sq ft complete with a study and a bedroom, who do Members think would fare better? Their starting points appear to be similar because the Government provides free education and the classrooms, teachers and extra-curricular activities in their schools are the same. However, since their family

backgrounds are different, it is difficult for efforts to help the poor to be effective. Poverty can be passed from one generation to the next and housing has a background influence.

President, having said so much, what I wish to tell the Secretary is that housing is not just a commodity. Apart from being a commodity, housing is also a basic need, the most important need among clothing, food, housing and transport. It is not just a dwelling place, but also a place to protect individuals, their family and the next generation. It also serves as a reasonable platform for the growth of the next generation, for them to stand up, take one's strides and begin one's race with other people on an equal footing. President, in view of this, I cannot accept leaving housing to the disposal of and determination by the market. However, Hong Kong is a free-market society, so should the Government intervene and interfere? If it interferes and intervenes, will it violate the principle of a free market? If yes, should the Government just stand on the side line and refrain from interfering? However, if it leaves everything alone, how can it deal with this issue of housing, which is vitally important to the people, as I said just now? This is a matter of how we should cope when a commodity or an item is a basic need and also a commodity in the market.

It is necessary for the SAR Government and the governing team of the SAR Government to use their wisdom to resolve this contradiction and deal with this problem. If it were possible to resolve them merely by leaving it to the market, the Transport and Housing Bureau and even the Secretary would not have been necessary as the market could already do the job. May I ask why "TSANG's nine strokes" announced today and the "SUEN's nine strokes" announced in the past were introduced? In fact, we are all interfering with the market, not trusting totally in market forces or leaving it to the market. However, after introducing "TSANG's nine strokes" and "SUEN's nine strokes" into the market, would they be capable of solving the basic housing needs of Hong Kong people mentioned by me just now? If not, what other measures are available? In the past, I believed that the Housing Authority, in providing HOS flats, had actually also set a direction, that is, it was possible for two different housing markets to exist in Hong Kong at the same time. One of them meets the demand of the free market, which regards properties as commodities. If one likes to regard properties as commodities, one can enter the free market and play.

Its ups and downs are the result of people's speculation and they represent one's success or failure. No matter if one becomes a millionaire or billionaire or goes bankrupt, it is entirely of one's making. No matter if one is steeped in the glory of making money or becomes a beggar due to failure, it is one's own business. However, it should not be allowed to affect the basic housing need of the public. The HOS provided another market that completely disallowed the speculative activities of the free market to extend into the basic needs of the public, so that this second market can remain stable. People with the need can afford the flats and the prices of such flats would not rise or fall drastically.

In fact, a condition of HOS flats is the discouragement of speculation. Why was it specified at the beginning that they could be sold on the market only after 10 years, something that was subsequently changed to five years? Why are applications for mortgage not allowed after a mortgage has been taken out? Because the entire system does not encourage speculation and the flats are meant for self-occupation. Why were 70% to 80% of the HOS flats sold to residents of public rental housing? First, their basic income is low; second, their housing problems have to be resolved, rather than allowing them to speculate on their HOS flats and get rich. If these are the reasons, may I ask the Government why it only lets those 300 000 or so residents of public rental housing buy HOS flats and become well-off but denies me, Frederick FUNG, Mr LEUNG Yiu-chung or people who cannot buy HOS flats this avenue? This is not reasonable or fair, and taxpayers' money should not be spent in this way.

The moratorium on the HOS in 2003 was due to the outbreak of the financial turmoil, the SARS outbreak and people's concern about the large number resulting from the "85 000 flats policy" introduced by Mr TUNG. If we compare the present situation with that in 2003, when the sale of HOS flats was halted, and read it together with the prices of newly completed flats in Sham Shui Po in 1996 cited by me just now, I cannot find any similarity between the present situation and that in 2003. Rather, it is like the insane situation in 1997 or 1998, when property prices kept surging until they reached the peak in 1998. I wonder if the team headed by Donald TSANG has overestimated the destruction of the financial tsunami. When the financial tsunami battered Hong Kong and wreaked havoc, the Hong Kong economy was relying on the property and banking sectors for support. In that case, did the financial tsunami cause even

greater destruction to Hong Kong? Now, all over the world, it is believed that the financial tsunami has passed and I believe it has been overestimated.

Now, I am concerned that when the Government sees that the United States, the United Kingdom and other countries are preparing to withdraw countless billions of dollars of capital injection, will it overestimate the impact of this withdrawal of capital and interest rate rises? The property market may be the first to take the brunt and banks would be the next, but the Government has not taken any action yet. It can thus be seen that after it had overestimated the destruction of the financial tsunami, it did not take any action and after it has overestimated the damage of interest rate rises and the withdrawal of capital, it has not taken any action either. This being so, I hope the Secretary and the Financial Secretary, Mr John TSANG, will think harder about this. Housing is not just a commodity that is like a toy in the market, it is also basically a cozy home, particularly for low-income people or the sandwich class whose income is only slightly higher than the requirements for application for public housing. The aim of having such a cozy home is not to get rich, but to hope that one can live in Hong Kong. Hong Kong is my home, I feel settled and stable, so I love Hong Kong. Housing can give a person and a family a sense of belonging to this place.

I have a further proposal. Since the prices of private properties were increasing incessantly, so much so that even the HOS could not solve this problem because people whose income was higher than the upper income limit for application for HOS flats could not buy HOS flats or afford private flats, the Sandwich Class Housing Scheme was introduced. My view on this issue is that if housing is linked to the needs of people and their sense of belonging, the present approach is totally unjustified and unacceptable. The authorities have not done anything whatsoever.

I support the amendment by Mr LEE Wing-tat. A pay reduction is only a reminder and I believe if the Government still does not take any action whatsoever, the Hong Kong public will need no prompting. Rather, they will resort to actions, politics and use their feet to declare their position or use even worse means — according to reports in the press, 1.5 million people consider more violent conduct acceptable — and this is the political consequence. Thank you, Chairman.

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

MR LEUNG YIU-CHUNG (in Cantonese): President, this motion has again given us a platform to express our views on some of the policies in force and talk about the issues faced by the Transport and Housing Bureau. In fact, the housing problem is one of the hottest issues in society lately, in particular as many of the grassroots and middle class find it very difficult to buy their homes due to the rocketing property prices.

While recently the Government appears to be proactively working on and containing this problem in the hope of doing something to curb the soaring property prices, one can only express deep regret at the so-called measures proposed, as we cannot see concrete measures that can achieve specific effects. Take the nine proposals put forth by Financial Secretary John TSANG today as an example, the so-called regulation only focuses on some trivial aspects of new residential developments. What is most ludicrous is — to address comprehensively the public's concern about sales arrangement and the dissemination of pricing and transaction information, the Transport and Housing Bureau has requested the Real Estate Developers Association of Hong Kong (REDA) to issue new guidelines in respect of the nine proposals — well, it is clear that the Government has issued nine new guidelines, but the first one is most ludicrous already. Why? Because he said "Developers should duly observe REDA's guidelines in selling all uncompleted and completed first-hand private residential properties". The truth is there are guidelines under guidelines. Indeed guidelines are useless. Despite the guidelines being in place, if the developers do not follow, and for that reason more guidelines are issued, what will happen if the developers still do not comply?

Therefore, the so-called nine proposals that we have now not only fail to address the problem at root, they are basically futile. Mr WONG Kwok-hing described these guidelines as a "toothless tiger", and that carries the truth. In this case, what function do these guidelines serve? What effects are they going to bring about? I have a question for the government representatives: What will happen if the developers ignore the guidelines again? May you please give me an answer. Hence, I can praise the SAR Government for only one thing — its "window-dressing", something at which it is most adept. Yet it fails to give any

practical response that can address and resolve the prevalent problems. The Government has "handed in a blank answer sheet", so to speak.

Other than its failure to curb property prices, the people feel most indignant about the Government's failure to resolve the housing problem faced by the grassroots. Today, the Secretary has repeatedly said that they wish to construct more public housing in the hope that those living in caged homes and cubicles can be allocated a flat soon, this is what they want to do. However, in this regard, they have encountered many difficulties such as no available site, even if they manage to find one, they can hardly get the support of local groups, residents or the District Councils. That explains why their work is so difficult now. Yes, I agree that there are cases of having the land but not the green light from local bodies or the District Councils. Nevertheless, if today we announce that it is already extremely difficult to find land in Hong Kong, is that there will be no future for Hong Kong? If Hong Kong has a future, our population will continue to grow in that future. In that case, and if the Administration tells me that today there is no land for constructing buildings, what are we supposed to do in the future? This is a big joke, not even a joke, but a nightmare. If today we already say there is no land for housing construction, then what will Hong Kong society become in one or two decades later? Should we put our population growth to an end? This is really weird. I recall that I once said similar things in this Council 10 years ago when the Government proposed the demolition of the "Red Mansion" in North Point and described the matter as utterly urgent, or else they would not have enough land for housing construction. Certainly, the demolition of the "Red Mansion" was an idea under the "85 000" housing policy. Fortunately, the request was turned down, and the "Red Mansion" was preserved as a historic building instead of being demolished. At that time, I pointed out that if there was no land for development already, then what should we do in the future? Ten years flown by, and some of the problems have been fixed, yet today the Administration still tells us that the slow progress in public housing construction is again due to the lack of land. President, I am worried indeed.

Insofar as this problem is concerned, I hold that the Secretary should first draw up some long-term plans instead of repeating the pattern of producing a plot of land for public housing only when it is available. How can the problem be solved in this way? For in the long run, our planning and development should cater for our population growth, or our population growth should be brought in

line with our land planning, any unilateral attempt will not work. However, it happens that we lack of this kind of planning, and that makes my heart ache so much. Actually, Hong Kong's caged homes and cubicles had been a frequent subject of international jokes before the reunification, yet to date many people are still homeless, what are they supposed to do? Can we turn a blind eye to this? Can we act like an ostrich? If not, what is the reason for not advancing the construction of more public housing for the grassroots? It is certainly better than living in those substandard and inhumane dwellings. What are the reasons for not doing that? Currently we have some 100 000 people waiting for the allocation of public housing, but the actual queue is much longer than that. We arrive at that figure only because the Government has lowered the income threshold to a very low level, and the real figure is actually bigger. In fact, we have many more people who need public housing. But due to the lack of public housing supply, the income ceiling was lowered to such an extremely low level. Yet this is unfair indeed.

While the Secretary emphasized that currently the average waiting time for the allocation of public housing is three years, but the so-called average three-year wait is in fact a lie, why? For some of the applicants, such as singleton applicants, have not been taken into account, or else they cannot make it three years. I have researched that some singleton applicants may not be allocated a flat even after a 10-year wait. Hence I find this practice inappropriate. In this regard, over the years, we have not seen the Government make any long-term planning. I hold that this is an actual failure, also an inappropriate practice insofar as the grassroots are concerned.

As we can see, nowadays not only the grassroots have to face housing problems, even the so-called middle-lower class finds it difficult to buy and own a cozy home. Instead of doing something it should do, the Government intends to revitalize the secondary market of HOS flats, and I have no idea of the impact it is likely to cause. Upon revitalizing the secondary market of HOS flats and allowing the owners to sell their HOS flats, do the people not have any need for housing? They will only look for better homes after pocketing the money. To the grassroots, this is utterly useless and cannot help their home ownership. As such, many colleagues, bodies and neighbourhood groups have been urging the authorities to resume the construction of HOS flats on the ground that it will allow the public housing tenants to better their living environment when their income has improved, and also give the grassroots who can neither apply for

public housing nor afford private flats an option to buy the HOS flats. But the authorities will not do that.

As Mr LEE Wing-tat mentioned just now, the Government keeps emphasizing two points: Firstly, the policy cannot be changed frequently, and whether the resumption of HOS construction is an effective solution to the problem is uncertain; secondly, what and how much will be the impact is still an unknown. President, today these questions should not be answered by us; they should be answered by the Government instead. At the time when the construction of HOS flats was put to a halt by the Government for no reason, neither detailed consultation nor deliberation had been conducted. But today, the Government said that the policy cannot be changed casually, which is so very typical of "an official speaking with two mouths". The Government can say whatever it likes to say, change whatever it likes to change, maintain whatever it does not want to change; everything is up to the Government's preference.

"People-oriented" is the Chief Executive's stock phrase, yet in what area can we see people-oriented initiatives? Similarly, he tends to say one thing but do another. Regarding this problem, the Government can see the current concerns and demands of society, and the voices come not only from the grassroots and many colleagues in this Chamber. Even the representatives of some major developers have commented that currently we have a concrete need to resume the construction of HOS flats. But the Government just turns a blind eye or a deaf ear to that. Why is it so stubborn? Are there any special reasons for that? Can the Government give us a detailed explanation? I think this is a very important point.

Chairman, we all understand that Hong Kong people at large have two major concerns: Firstly, the employment issue, we are all very much afraid of losing our jobs; secondly, the housing issue, that concerns whether we can have a cozy home. These two are vitally important.

Regarding the employment issue, though now the situation looks slightly improved, the unemployment rate still stands at 4.4%, signalling that unemployment as a major social problem is still pending an effective solution. Add to this the red-hot and pressing housing issue at the same time, both problems have yet to be resolved. In this case, we can no longer react to the problem like an ostrich. I have a feeling that the whole Government resembles

an ostrich in the sense that it always buries its head in the sand and refuses to rise to the problems. This attitude is most undesirable really.

We must respond seriously to the demands of society. In this connection, I hope the Government can do some kind of review after listening to our speeches and refrain from its old practice. If the Government worries if the social responsibility is too heavy for it to assume, it can, with an open mind, leave the matter to open discussion. It should not insist on ruling out the resumption of the construction of HOS flats as an option; it should not take a position like that. Can a new round of discussion be started in the community? This is also one of the options, but today the Government is even unwilling to do that. We feel strongly indignant because such an important issue is everyone's concern, yet there is still no solution to it.

President, today many colleagues have focused on housing issues in the discussion relating to the Secretary for Transport and Housing. In fact, many transport problems are still unresolved. Regarding transport issues, one of my biggest concerns is half-fare concession for people with disabilities. While the MTR Corporation Limited is offering this concession to people with disabilities, it is regrettable that other modes of public transport, including buses, still have not rolled out such a policy. I find regrettable about this.

In this connection, I call for offering people with disabilities half-fare concession as soon as possible because it will give them more opportunities of integration into society. I will not repeat my arguments here. The same issue was discussed during each of the last eight years, hence I am not going to repeat the arguments here. I think this is a very humble demand, and it reflects that our community has a high regard for the rights of people with disabilities. Therefore, I hope the Government can offer some help expeditiously in this regard so that people with disabilities can also enjoy half-fare concession for bus rides.

President, I so submit.

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

(No Member indicated a wish to speak)

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Cantonese): Chairman, as I pointed out when responding to the amendment moved by Mr LEE Cheuk-yan to the Appropriation Bill 2010 earlier on, it is inappropriate and unreasonable of Members to propose amendments in an attempt to change the pay of the officials concerned through the examination of this Bill. The Administration opposes this amendment.

Thank you, Chairman.

SECRETARY FOR TRANSPORT AND HOUSING (in Cantonese): I have already explained clearly the thinking behind our policy earlier on, so I have nothing to add.

Thank you, Chairman.

MR LEE WING-TAT (in Cantonese): Chairman, I did not expect the reply of the Secretary to the queries of Honourable colleagues to be so brief. Although she needs not say much in response, we all know that we are discussing these issues today because the Financial Secretary has announced some new proposals today. However, if the Secretary is unwilling to reply, we cannot pry open her mouth to make her speak. I do not want to use the word "expensive" to describe the Secretary's pay because, if she is competent, I would agree to giving her this pay. I have never believed that competent accountable ministers should only receive a very low pay. Perhaps the Financial Secretary has announced these matters only today and perhaps the Secretary thinks that there has been little debate in society, that these matters have not been digested and responses have not been given, but at least, several Honourable colleagues have voiced their views, so I do not understand why the Secretary does not deign to speak, unwilling to respond to the queries of Honourable colleagues about why the Government insists that HOS flats should not be built. I wonder if it is because she is in a hurry to quit work as it is now 14 minutes to 10 pm. However, the Secretary has five minutes of speaking time. She is unwilling to speak even though she has five minutes of speaking time, so I may as well speak. The Chairman is reasonable and sensible. I believe that if the legislature is conducting a debate on an important motion, the Chairman would not suspend the

meeting at 10 pm sharp. I believe the Chairman did not expect the Secretary's reply to be as short as one minute either. I consider this utterly unacceptable.

Chairman, I believe we are discussing a very solemn motion and I call on the Secretary to consider if she needs to speak again. Even if she does not agree with the comments made by the four Honourable Members, we included, the four of us have really voiced our views and we all hope that the Government can restore the HOS. Even if it will not be restored, a review should still be conducted. If the Secretary really thinks that she has justifications, I ask her to respond to the queries raised by all Honourable colleagues in the legislature and to respond to the views of the public through this television broadcast. The Democratic Party has conducted a survey and half of the respondents live in private buildings rather than public housing. Even so, why do they support the restoration of the HOS? However, the Government says resolutely that it is not prepared to do anything and in today's reply, it even said that this matter would not be considered and that it had nothing to add. Is this what a reasonable Government should do?

Chairman, in fact, I do not have any new point to raise for debate because the Secretary did not answer my questions in any way, so am I supposed to box with the air? This would not do. For this reason, Chairman, I wonder if procedurally, I can ask the Secretary again, through you, whether she intends to resolutely refuse to give any response to a motion on restoring the HOS that has been passed by the Legislative Council and the questions raised by four Honourable Members of this Council.

Thank you, Chairman.

CHAIRMAN (in Cantonese): I now put the question to you and that is: That the amendment moved by Mr LEE Wing-tat be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Mr LEE Wing-tat rose to claim a division.

CHAIRMAN (in Cantonese): Mr LEE Wing-tat has claimed a division. The division bell will ring for one minute.

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

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

Functional Constituencies:

Dr Margaret NG, Mr CHEUNG Man-kwong, Dr Joseph LEE and Mr CHEUNG Kwok-che voted for the amendment.

Dr Raymond HO, Mrs Sophie LEUNG, Dr Philip WONG, Mr WONG Yung-kan, Mr LAU Wong-fat, Ms Miriam LAU, Mr Timothy FOK, Mr Abraham SHEK, Ms LI Fung-ying, Mr Jeffrey LAM, Mr Andrew LEUNG, Mr WONG Ting-kwong, Prof Patrick LAU, Dr LAM Tai-fai, Mr Paul CHAN, Mr CHAN Kin-por, Mr IP Wai-ming, Mr IP Kwok-him, Dr PAN Pey-chyou and Dr Samson TAM voted against the amendment.

Geographical Constituencies:

Mr Albert HO, Mr Fred LI, Mr LEUNG Yiu-chung, Ms Emily LAU, Mr Frederick FUNG, Mr LEE Wing-tat, Mr KAM Nai-wai, Ms Cyd HO and Mr WONG Sing-chi voted for the amendment.

Mr CHAN Kam-lam, Mr LAU Kong-wah, Mr TAM Yiu-chung, Mr WONG Kwok-hing, Mr CHEUNG Hok-ming, Ms Starry LEE, Mr CHAN Hak-kan, Dr Priscilla LEUNG, Mr WONG Kwok-kin and Mrs Regina IP voted against the amendment.

THE CHAIRMAN, Mr Jasper TSANG, did not cast any vote.

THE CHAIRMAN announced that among the Members returned by functional constituencies, 24 were present, four were in favour of the amendment and 20 against it; while among the Members returned by geographical constituencies through direct elections, 20 were present, nine were in favour of the amendment and 10 against it. Since the question was not agreed by a majority of each of the two groups of Members present, he therefore declared that the amendment was negatived.

CHAIRMAN (in Cantonese): I now propose the question to you and that is: That the sum for head 158 stand part of the schedule.

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 sum for head 158 stand part of the schedule. 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.

SUSPENSION OF MEETING

CHAIRMAN (in Cantonese): I now suspend the Council until nine am tomorrow.

Suspended accordingly at Ten o'clock.