

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 6 November 2002

The Council met at half-past Two o'clock

MEMBERS PRESENT:

THE PRESIDENT

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

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

THE HONOURABLE JAMES TIEN PEI-CHUN, G.B.S., J.P.

DR THE HONOURABLE DAVID CHU YU-LIN, J.P.

THE HONOURABLE CYD HO SAU-LAN

THE HONOURABLE ALBERT HO CHUN-YAN

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

THE HONOURABLE LEE CHEUK-YAN

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

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

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

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

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

THE HONOURABLE NG LEUNG-SING, J.P.

THE HONOURABLE MARGARET NG

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

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE HUI CHEUNG-CHING, J.P.

THE HONOURABLE CHAN KWOK-KEUNG

THE HONOURABLE CHAN YUEN-HAN, J.P.

THE HONOURABLE BERNARD CHAN, J.P.

THE HONOURABLE CHAN KAM-LAM, J.P.

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

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE SIN CHUNG-KAI

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

DR THE HONOURABLE PHILIP WONG YU-HONG

THE HONOURABLE WONG YUNG-KAN

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

THE HONOURABLE HOWARD YOUNG, J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE YEUNG YIU-CHUNG, B.B.S.

THE HONOURABLE LAU CHIN-SHEK, J.P.

THE HONOURABLE LAU KONG-WAH

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

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

THE HONOURABLE AMBROSE LAU HON-CHUEN, G.B.S., J.P.

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

THE HONOURABLE CHOY SO-YUK

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE SZETO WAH

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

DR THE HONOURABLE LAW CHI-KWONG, J.P.

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

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

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

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

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

THE HONOURABLE MICHAEL MAK KWOK-FUNG

THE HONOURABLE ALBERT CHAN WAI-YIP

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

DR THE HONOURABLE LO WING-LOK

THE HONOURABLE WONG SING-CHI

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE IP KWOK-HIM, J.P.

THE HONOURABLE LAU PING-CHEUNG

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

THE HONOURABLE MA FUNG-KWOK, J.P.

MEMBER ABSENT:

THE HONOURABLE LI FUNG-YING, J.P.

PUBLIC OFFICERS ATTENDING:

THE HONOURABLE DONALD TSANG YAM-KUEN, G.B.M., J.P.
THE CHIEF SECRETARY FOR ADMINISTRATION

THE HONOURABLE ANTONY LEUNG KAM-CHUNG, G.B.S., J.P.
THE FINANCIAL SECRETARY

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

THE HONOURABLE HENRY TANG YING-YEN, G.B.S., J.P.
SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY

THE HONOURABLE MICHAEL SUEN MING-YEUNG, G.B.S., J.P.
SECRETARY FOR HOUSING, PLANNING AND LANDS

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

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

THE HONOURABLE STEPHEN IP SHU-KWAN, G.B.S., J.P.
SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR

DR THE HONOURABLE SARAH LIAO SAU-TUNG, J.P.
SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

CLERKS IN ATTENDANCE:

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

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

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

TABLING OF PAPERS

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

Subsidiary Legislation/Instruments	<i>L.N. No.</i>
Specification of Public Office	158/2002
Chinese Medicine (Fees) Regulation	159/2002
Chinese Medicines Regulation	160/2002
Chinese Medicines Traders (Regulatory) Regulation	161/2002
Hospital Authority Ordinance (Amendment of Schedule 1) Order 2002	162/2002
Tax Reserve Certificates (Rate of Interest) (No. 8) Notice 2002.....	163/2002

Other Papers

No. 19 — Hong Kong Council on Smoking and Health
Annual Report 2001-2002

Report of the Bills Committee on Immigration (Amendment) Bill 2001

ORAL ANSWERS TO QUESTIONS

PRESIDENT (in Cantonese): Questions. First question.

Relieving Capital Flow Problems of SMEs

1. **MR KENNETH TING** (in Cantonese): *Madam President, it has been reported that in a crackdown on a loan-shark syndicate early last month, the*

police discovered that half of the debtors were owners of small and medium enterprises (SMEs). These debtors resorted to borrowing from the loan-shark syndicate at an annual interest rate as high as 400% to deal with their cash flow problems because they were not able to secure loans from authorized financial institutions. In this connection, will the Government inform this Council whether:

- (a) in the light of the case mentioned above, it will review expeditiously the effectiveness of each of the public-funded SMEs financial support schemes in relieving SMEs' capital flow problems; if it will, how this will be conducted; if not, of the reasons for that; and*
- (b) it will urge the Hong Kong Monetary Authority (HKMA) to expeditiously study whether the banks' lending policies are too rigid and unreasonable, compared to those in other countries?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, with regard to the police's discovery in a recent crackdown on a loan-shark syndicate that some debtors were owners of SMEs, we understand that investigation is still underway as to whether these SME owners have sought loans from the syndicate for business, personal or other reasons.

The Government has been showing much concern for the financing and other needs of our SMEs. Four funding schemes, namely, the SME Business Installations and Equipment Loan Guarantee Scheme (Loan Guarantee Scheme), the SME Export Marketing Fund, the SME Training Fund and the SME Development Fund, were launched in late 2001 and early 2002 for the specific purpose of helping SMEs secure loans for purchasing and upgrading their business installations and equipment, expanding their markets, providing more training, as well as enhancing their overall competitiveness. The four schemes represent a total commitment of \$7.5 billion and an estimated expenditure amounting to \$1.9 billion.

As at the end of October this year, over 13 100 applications were approved by the Trade and Industry Department under the four funding schemes. In all,

around 9 200 SMEs benefited from the over \$1 billion of guarantees and subsidies granted. The Loan Guarantee Scheme alone has provided guarantees of over \$0.9 billion, while the participating lending institutions have provided loans of about \$2.1 billion to some 1 950 SMEs for acquiring business installations and equipment.

Judging from the figures cited above, I believe that the four funding schemes have rendered real and substantial assistance to SMEs in acquiring installations and equipment, providing training for both employers and employees, expanding their markets and enhancing their overall competitiveness. Such support is conducive to helping our SMEs brace themselves up for new business opportunities.

When launching the four funding schemes, the Government undertook to conduct a comprehensive review one year after their operation to ensure that the funds were properly used and effective in meeting the needs of the SMEs. In view of the prevailing economic difficulties and the SME's more pressing needs and need for greater support, the Small and Medium Enterprises Committee (SMEC) has advanced the review to August 2002 at the request of the Government. The aim is to introduce improvement measures at an earlier date and to strengthen our support to SMEs. To this end, the SMEC has been seeking views and suggestions on the four funding schemes from the relevant sectors, including SME representatives, through various channels. It will soon complete its review and submit the findings and recommendations to the Chief Executive. We will brief the Legislative Council on the new recommendations as soon as practicable and hope to enjoy the support of Members and the Finance Committee for their early implementation.

Regarding the second part of Mr Kenneth TING's main question, we understand that the HKMA conducts regular reviews of the lending policies of banks as part of its regulatory functions over the banking business. According to the HKMA's observations, banks in Hong Kong have been adopting an increasingly proactive approach in extending their credit services to SMEs in recent years. Despite the overall sluggish demand for credit services under the present economic climate, some banks have recorded a marked increase in the amount of loans granted to SMEs.

To expand their SME loan business, banks have introduced various new measures in their operation, including the provision of more diversified products for SMEs and the adoption of new practices such as credit scoring (a statistical method to assess creditworthiness on the basis of repayment records) for credit assessment. In vetting loan applications, banks have also shown greater willingness to assess the cash flow and repayment capability of SME borrowers by examining financial documents such as bank statements and business orders instead of simply focusing on the value of the borrower's collateral.

It can be seen from the above that the keen competition in the banking sector has resulted in greater initiative on the part of banks to lend to SMEs. The HKMA is of the view that, although there is still room for improvement in the lending practices now adopted by local banks, they are generally in line with that of the banking sector in other financial centres. The HKMA will continue to pay close attention to the situation in this regard.

MR KENNETH TING (in Cantonese): *Madam President, as mentioned by the Secretary in the main reply, the Government originally undertook to conduct a review after one year. Why then has it conducted a review so soon? Does it think that something has gone wrong? And, when will the report be released?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): *Madam President, according to the original undertaking made at the time when the schemes were launched, a review would be conducted by the Government one year after implementation. But now the Government finds it necessary to consider several factors. One of them is our observation that the operation of SMEs are in need of greater assistance in many areas: SMEs are faced with financial difficulties; furthermore, SMEs also need greater assistance for market expansion and upgrading of technical training. Therefore, we have advanced the review and urged the SMEC to complete the review as soon as possible. I understand that the review will soon be completed, and once the report is available, we will submit it to the relevant Panel at the earliest possible opportunity for Members' reference and comments.*

MR ALBERT HO (in Cantonese): *Madam President, I have talked to the Secretary earlier about the funding schemes. In fact, what many SMEs need is just some help in respect of short-term liquidity, and their businesses are basically sound. However, sometimes, due to unforeseeable circumstances, such as the sudden shut-down of operations by their clients, which may cause them a liquidity problem. However, this situation is not covered by any of the existing schemes. We can say that any assessment will show that such SMEs can definitely keep their businesses going. That being the case, why does the Government not consider helping them? And, does the Government think that thoughts should be given to the expansion of these four categories of SMEs funding schemes, in order to support those SMEs which face a liquidity problem due to unforeseeable circumstances, but which can otherwise actually keep their businesses going?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, the Government's original intention of setting up these four funding schemes is to offer financing assistance to SMEs, so that they can purchase new equipment or upgrade their existing production facilities. The other main objective is to help SMEs expand their markets, provide training and upgrade their technical levels. The question that Mr Albert HO asked earlier was about the liquidity problem faced by SMEs after lending or "extending credit" to another company which subsequently shuts down. I understand that "extending credit" is a very common practice in the industry, but in spite of this, we also note the unsatisfactory risk management by many SMEs. On the one hand, this may be due to the fact that SMEs lack understanding on risk management, and on the other, this may be caused by the traditional operating practices of some SMEs. They may feel that since they have dealt with a certain company for many years and have always extended credit to it, there is no reason why they should not continue to do so. After taking all these factors into consideration, we are now encouraging SMEs to seek financing through some new channels, and one of these channels is "encashing at a discount". By "encashing at a discount", it is meant that when a company extends credit to its client, it can encash the invoice with a bank at a "discounted" rate. Of course, the operation of the relevant company must be sound and the client must have a reliable credit record. I understand that many banks have begun to show an interest in this kind of business, and several banks have told me that they are interested. I estimate that besides the existing funding scheme, the Government has no other plans to help those SMEs which face a default problem

or even eventual closure due to "extending credit". However, we would continue to negotiate with the banks to see how we can provide SMEs with more financing channels.

MR JAMES TIEN (in Cantonese): *Madam President, I would like to ask a supplementary question on the policy of the Government. The Government says in the main reply that the four funding schemes represent a total commitment of \$7.5 billion. But, as at the end of October, though more than 13 000 applications had been approved, the amount involved was just \$1 billion. Policy-wise, is it the aim of the Government to dish out all the \$7 billion as quickly as possible, so as to help SMEs? Or, is it acting in the attitude as a "goal keeper", trying to save as much taxpayers' money as possible by rejecting the applications? Is the policy of the Government really intending to approve or not to approve the applications?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): *Madam President, as the Government has already allocated funds to set up the funding schemes, it certainly hopes that appropriate assistance can be provided to SMEs. Therefore, the policy of the Government is to make the most appropriate use of the funding schemes as far as possible and to assist SMEs genuinely.*

MR HUI CHEUNG-CHING (in Cantonese): *Madam President, in his reply to Mr Albert HO's supplementary question, the Secretary mentioned that the Government is considering to make use of "encashing at a discount" as a means of dealing with the financing problem of SMEs. I recall that the Government has launched a Special Finance Scheme after 1988, and has so far acted as guarantor for a total amount of \$5 billion. The Government originally estimated the bad debt ratio would be 15%, but it has turned out to be just 7.55%. May I ask the Secretary whether the Government will continue to implement this Scheme, which will directly benefit SMEs?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): *Madam President, I am sorry, perhaps I did not make myself very clear just now. As regards the "encashing at a discount" approach, what I said*

in my reply to Mr Albert HO's supplementary question was that the Government would encourage SMEs to adopt this approach and continue to negotiate with the banks to see how SMEs could be assisted in using the "encashing at a discount" approach. That way, SMEs will have an additional financing channel. In this connection, only the banks, and not the Government, would know what to do. Therefore, the Government would not be involved in the "encashing at a discount" approach, but we would encourage SMEs to make use of this new channel.

And, Mr HUI Cheung-ching's supplementary question was on the Special Finance Scheme. The circumstances at the time when the Scheme was launched were somewhat different from those of today. At that time, there was an acute shortage of capital in the market, but today, the case is the opposite. For this reason, the Scheme has stopped receiving applications since April 2000. At present, there are still some outstanding cases under the Scheme, and upon the conclusion of these cases, we do not intend to continue with the Scheme anymore.

PRESIDENT (in Cantonese): This Council has already spent more than 15 minutes on this question. We shall now move onto the last supplementary question.

MR TOMMY CHEUNG (in Cantonese): *Madam President, the Secretary has referred to the "encashing at a discount" approach earlier and said some banks are interested in this kind of business. Companies in my constituency, for example, SMEs engaged in operating food factories, have tried to approach different banks. Can the Secretary provide us with a list of the banks that are interested in such business?*

The Secretary referred earlier to four funding schemes, the purpose of which is to help SMEs in upgrading equipment, expanding markets and staff training, but I have never heard that the catering industry has ever succeeded in securing loans under such schemes. While the catering industry may not actually have the need to purchase new equipment, sometimes, traders in the industry may have to carry out redecoration works in order to maintain competitiveness in the market. May I ask the Secretary, in reviewing the schemes, apart from considering to allow SMEs to apply for loans under the

schemes for the purpose of expanding their markets, training their staff and purchasing additional equipment, will the Government allow the SMEs of the catering industry to apply for loans under the schemes on grounds of carrying out redecoration works?

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Cantonese): Madam President, in fact, not only the manufacturing industry can apply for loans under the four funding schemes for the purpose of purchasing equipment. Certain service industries can also apply for loans under these schemes to carry out redecoration works and purchase new machinery, photocopying machines or computers. Therefore, we have not specifically categorized SMEs into catering, import and export or manufacturing industries. Basically, this scheme is quite general in scope. Plants manufacturing bean curd or vermicelli and noodles may also need to purchase new equipment, so they can certainly benefit from this scheme; and another example is that when restaurants wish to carry out redecoration works, purchase new equipment and kitchen utensils, they can also apply for loans under this scheme. However, in reviewing the scheme as a whole, our primary consideration will be whether the funds are appropriately used, that is, in granting the loan applications, we must ensure that the focus is on providing effective assistance to SMEs.

PRESIDENT (in Cantonese): Second question.

Mainland Visitors Under Group Tour Scheme

2. **MR AMBROSE LAU** (in Cantonese): *Madam President, it has been reported that only some 40 000 mainlanders in more than 1 900 tour groups visited Hong Kong under the Group Tour Scheme during the Mainland's National Day holidays this year, representing a drop of 23% and 30% respectively in the numbers of tour groups and tourists, from the corresponding figures for the Mainland's Labour Day holidays this year. In this connection, will the Government inform this Council:*

- (a) *whether the Administration and the Hong Kong Tourism Board (HKTB) have assessed why the number of mainland tourists who*

visited Hong Kong under the Group Tour Scheme was smaller than expected; if they have, of the outcome;

- (b) whether it will work with the industry to gauge systematically the comments of mainland tourists on the Group Tour Scheme, with a view to taking pertinent measures to improve service quality and enhance Hong Kong's attraction to mainland tourists; and*
- (c) as there are malpractices in some shops (commonly known as "black shops") which sell goods to tourists at exorbitant or unreasonable prices and thus seriously damage Hong Kong's reputation as a "Shoppers' Paradise", whether it has reviewed the effectiveness of current measures to counteract such black shops and to safeguard tourists' interests; if it has, of the outcome; and how it will restore expeditiously mainland tourists' confidence to shop in Hong Kong?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, my reply to Mr Ambrose LAU's question on mainland visitors is as follows:

- (a) According to the statistics of the Immigration Department, the number of mainland visitors to Hong Kong during the National Day holiday 2002 is higher than that of Labour Day holiday 2002. During the 10-day period of the National Day holiday this year (28 September to 7 October), a total of 281 320 mainland visitors came to Hong Kong. This represents a 20% increase from the number of mainland visitors over the Labour Day holiday (28 April to 7 May) and a 78% increase from the same period last year. The growth is mainly due to increases in visitors coming to visit families/friends or for business. For visitors joining the Hong Kong tour groups during the National Day holiday, the number is smaller than that of the Labour Day holiday but still 32% higher than that of the National Day holiday last year. We believe this reflects that efforts to tighten up on zero-fee tours are gradually taking effect and that a growing number of visitors are visiting Hong Kong through channels other than joining a tour group.

From January to September 2002, 4.7 million mainland visitors came to Hong Kong, representing an increase of 47.6% over the same period last year.

- (b) The HKTB carries out regular surveys among visitors at various boundary control points to collect feedback on various aspects of our tourism industry, including tourist attractions, service standards, and so on. The HKTB analyses the data collected to obtain a better understanding of the needs and expectations of our visitors. Based on the analysis, they will map out promotion strategies. We will continue to improve services to visitors and enhance Hong Kong's attractiveness. According to the HKTB, in 2001, 80% of mainland visitors reported that they have their expectations fulfilled. 74% of them said they might visit Hong Kong again and 92% said they would recommend Hong Kong to their friends and relatives.

The Tourism Commission liaises closely with the HKTB and the trade to exchange views with them through tourism symposium, working groups and regular meetings of the Tourism Strategy Group chaired by the Commissioner for Tourism. Recently, we have worked closely with the trade in advance of the National Day holiday to make arrangements to facilitate mainland visitors coming to Hong Kong. A number of measures were implemented to facilitate passenger flow at control points and enhance services to visitors. We will continue to work closely with the trade.

- (c) To increase visitors' confidence in spending in Hong Kong, the HKTB has set up the Quality Tourism Services (QTS) Scheme since 1999. This operates in the retail and restaurant sectors and is intended to help visitors identify reputable shops and restaurants which abide by certain consumer service standards. According to the HKTB research, the satisfaction level of visitors patronizing QTS shops is much higher than that of those patronizing non-QTS shops (23% higher for the retail sector and 25% higher for restaurants). The HKTB is currently reviewing the Scheme with a view to expanding it, and is promoting greater awareness of the Scheme among visitors and local residents. In addition, the HKTB

distributes leaflets for mainland visitors printed in simplified Chinese characters at boundary control points which provide information to visitors on shopping and how to be wise consumers. The leaflets also contain information on complaints channel.

The Travel Industry Council of Hong Kong (TIC) has introduced a 100% refund policy since February this year which guarantees that group tour members can get 100% refund of their purchases within 14 days for shopping arranged by travel agents. In addition, the TIC has also introduced a hotline to handle visitors' enquiries and complaints.

Madam President, we attach great importance to tourism development in Hong Kong, particularly the mainland market which is our largest source market. We will continue to work closely with the trade to strengthen visitors' confidence of spending in Hong Kong.

MR AMBROSE LAU (in Cantonese): *Madam President, as the promotion of group tours visiting Hong Kong is of great importance to local tourism development; and that the number of tourists visiting Hong Kong under the Group Tour Scheme is decreasing, will the authorities and the HKTB inform this Council of the effective measures and publicity strategies that they will adopt to promote the Group Tour Scheme business in the Mainland?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I would like to thank Mr LAU for his question. We think it is of utmost importance to boost the number of tourists visiting Hong Kong irrespective of whether they have joined tour groups under the Group Tour Scheme, held two-way exit permits, or come to Hong Kong for business travel or just for seven days as passengers in transit. Most important of all is that they visit Hong Kong and spend here. We have actually done a lot in relation to the Group Tour Scheme. For example, we have lifted the quota on the Group Tour Scheme. Starting from this month, the number of travel agents allowed to organize Hong Kong tour groups has increased tremendously, from four to 67,

and to 528 at present. In other words, some 500 travel agents in the Mainland are allowed to organize Hong Kong tour groups and price competition is keen. The HKTB has already established offices in Beijing and Shanghai to promote the Group Tour Scheme, and has planned to set up offices in Guangzhou and Chengdu. In fact, we have made a lot of efforts to promote the Scheme in Beijing and Shanghai, such as launching publicity programmes on television. We will continue to do such work.

DR TANG SIU-TONG (in Cantonese): *Madam President, it is stated in part (a) of the main reply that, from January to September this year, 4.7 million mainland visitors have visited Hong Kong, representing an increase of 47.6% over the same period last year. There is no doubt that the number of visitors has increased, but what is the actual amount of spending and how much spending have been increased over the same period last year?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): Madam President, I do not have the exact figures at hand. However, we anticipate that the total number of visitors to Hong Kong, including mainland visitors, will exceed 15 million this year and the total spending will be close to \$70 billion. The amount of spending by mainland visitors can be worked out easily. Mainland visitors will normally stay 3.5 nights in Hong Kong with an average spending of about \$5,100 per head, which is actually very high if compared to visitors from other regions. By multiplying this average spending with the number of mainland visitors, I think we can come up with the amount of spending by mainland visitors.

MRS SELINA CHOW (in Cantonese): *Madam President, I believe the Secretary understands clearly that regarding certain complaints about spending, the blame cannot actually be completely ascribed to the travel agents. Although some travel agents organizing Hong Kong tour groups are not offering zero-fee tours, they are charging fees below costs, which make their business bristle with difficulty. While mainland travel agents refer visitors to local travel agents, the travel agents in both places must co-operate with one another. May I ask the Secretary if he intends in the near future to discuss with mainland authorities, in*

collaboration with the trade, whether this mode of operating below costs can be reduced so that travel agents will not have to make profits via heresy means such as forcing visitors to spend or purchase goods at exorbitant prices?

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I have to thank Mrs Selina CHOW for her question. I certainly agree with the views that Members have just expressed, and we have all along liaised closely with the National Tourism Administration (NTA). In fact, the NTA has implemented measures to prohibit the offering of zero-fee tours. In respect of Mr Ambrose LAU's question, I have said in my main reply that the number of Hong Kong tour groups has decreased which is actually due to the prohibition of zero-fee tours. When zero-fee tours were offered in the past, many visitors joined such tours but now the number has dropped significantly. At the same time, the TIC also disallows the offering of zero-fee tours. With efforts made in Hong Kong and the Mainland, the drawbacks of zero-fee tours will be minimized. Certainly, as Members have just proposed, we will continue to liaise closely and negotiate with the NTA to ensure as far as possible that no zero-fee tours or tours charging fees below costs will be offered.

MR MICHAEL MAK (in Cantonese): *Madam President, we often learn from newspapers and news reports that many "black shops" or ordinary shops are making exorbitant profits from tourists. Have the authorities taken place any measures such as distributing lists of black shops to visitors upon their arrival to make them vigilant and for the effect of deterrence?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I have to thank Mr MAK for his question. There is actually not a great number of black shops in Hong Kong and there are only a few black sheep that damage the reputation of Hong Kong. Shopping is the most important attraction to tourists, therefore, I have just said that colleagues of the HKTb will distribute leaflets on shopping printed in simplified characters to mainland visitors at boundary control points reminding them to be careful when shopping, that they have to compare the prices of different shops and to check the contents on the invoices. The leaflets also contain information on complaint channels. I think a list of black shops will not be very useful, as their names can be changed

at any time. Shop A today can be renamed as shop B tomorrow. It is especially difficult for newly arrived visitors to identify which shops are black shops. Rather, I think a list of "white shops", that is, quality shops, will be more useful than a list of black shops. When a visitor wants to buy something, say electrical appliances, he may refer to a list of quality shops if available. This is actually the QTS Scheme I have just mentioned. We have been extending the coverage of the Scheme, for example, the number of retail shops participating is more than 2 000 and the number of restaurants is almost 1 000. At present, copies of the directory of these quality shops are distributed at hotels and other places. We hope to expand this Scheme as far as possible to allow visitors to refer to the directory of quality shops and patronize shops which are up to a certain standard.

MR HUI CHEUNG-CHING (in Cantonese): *Madam President, the Secretary states in part (c) of his main reply that the HKTB has set up the QTS Scheme. May I ask the Secretary how the Government encourages travel agents to arrange for mainland visitors to patronize those quality shops?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I have to thank Mr HUI for his question. I believe that operators of group tours and travel agents will be the ones to suffer ultimately if they arrange for tour members to patronize black shops because such people will lodge complaints. Moreover, with effect from February this year, group tour members will receive a 100% refund on their purchases within 14 days after shopping at black shops as arranged by travel agents if they are dissatisfied. This is a very good measure and few places in the world have provided such a facility, thus, we are strongly promoting the measure. In addition, the HKTB is filling up the directory on quality shops that I have just mentioned and I hope that more and more shops will join the scheme. We will also continue to promote the scheme together with hotels and the trade, aiming at providing the directory to all visitors to Hong Kong in future, in a bid to help them identify better shops.

PRESIDENT (in Cantonese): This Council has spent more than 15 minutes on this question. Last supplementary question.

DR RAYMOND HO (in Cantonese): *Madam President, the Secretary states in part (b) of his main reply that according to the information provided by tourists, one out of five visitors considered their expectations on the journey to Hong Kong not fulfilled; and one out of four said they would not visit Hong Kong again. I think such figures are not too encouraging. Are such figures on the low side if compared to similar figures in foreign countries? Do the authorities have a target in mind, if so, how can we hit the target?*

SECRETARY FOR ECONOMIC DEVELOPMENT AND LABOUR (in Cantonese): I have to thank Mr HO for his question. Mr HO said that one out of five visitors would not visit Hong Kong again, in other words, four visitors will visit Hong Kong again. If those statistics are to be interpreted in a positive way, we will find the situation better than what Mr HO has just described. I think that even the best tourist spot in the world cannot attract 100% of its visitors to revisit it. Mr HO frequently visits places overseas and he certainly understands this. Of course, we expect each and every visitor to visit Hong Kong again but I think our performance is not too bad, now that only one out of five visitors will not visit Hong Kong again. The Chairman of the HKTB and I will certainly work hand in hand to increase the number of spots for tourist attractions, strengthen our services, boost visitors' confidence in shopping in Hong Kong and enhance the attractiveness of our restaurants. If we can do so, I hope that every visitor will really visit Hong Kong again in the future.

PRESIDENT (in Cantonese): Third question.

Impact of Road Closure and Traffic Diversion in Tsim Sha Tsui on Shop Business

3. **MRS SELINA CHOW** (in Cantonese): *Madam President, since mid-September this year, the authorities have closed off part of the traffic lanes along a section of Nathan Road within Tsim Sha Tsui and implemented traffic diversion measures to facilitate the modification works of the Mass Transit Railway (MTR) Tsim Sha Tsui Station. In this connection, will the Government inform this Council:*

- (a) *of the number of complaints lodged by shop owners with the relevant authorities on the ground that the road closure and traffic diversion measures have caused their business turnover to drop;*
- (b) *whether it has assessed the financial losses suffered by shop owners as a result of the road closure and traffic diversion measures; if so, of the results of the assessment; and*
- (c) *whether the relevant authorities will pay compensation to the affected shop owners; if so, of the criteria and mechanism for determining the amount of compensation?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I would like to thank Mrs Selina CHOW for raising this question.

- (a) As at 31 October 2002, the Administration has not received any complaint on business loss due to the road closure of Nathan Road since August this year. Regarding the road closure of Mody Road and Middle Road which started in March 2002 and September 2001 respectively, we have received 12 complaints. In addition, we have so far received 139 claims for business loss and 49 applications for reserving their rights to lodge claims.
- (b) Assessment of the implication of the construction works of the Kowloon-Canton Railway (KCR) Extension to Tsim Sha Tsui and the related road closures has been conducted and appropriate remedial measures have been carried out. These measures include temporary traffic management measures to alleviate the impact of road closures on road traffic and pedestrians, phasing out of the construction works to minimize the impact on the local community and nearby shops as much as possible, and strict site management to comply with the noise restriction and air quality standard in accordance with the Environmental Permits. Regarding the financial loss suffered by shop owners due to the road closure, the relevant documents or business records from the shops affected are required before an accurate assessment of the amount of financial losses and compensation could be made.

- (c) Section 32 of the Railways Ordinance (Cap. 519) sets out the right to compensation. A person whose access to his land is adversely affected by road closure may claim compensation for the expenditure and loss of money actually and reasonably incurred and arising from that road closure. Based on the relevant documents or business records provided by the claimant in support of the amount claimed, the Lands Department will consider the claim for compensation. According to the Railway Ordinance, the Lands Department should, within six months of the receipt of the claim, decide whether it is accepted or rejected, or a counter offer may be made to the claimant. If no agreement can be reached on the amount of compensation within seven months of the receipt of the claim, either the claimant or the Administration may refer the claim to the Lands Tribunal for determination. The Lands Department has distributed pamphlets to shop operators in the vicinity to provide them with information on compensation matters under the Railways Ordinance and is actively considering the claims received for compensation.

MRS SELINA CHOW (in Cantonese): *Madam President, the Secretary mentioned in part (b) of the main reply that appropriate remedial measures had been carried out in order to minimize the impact as much as possible. May I ask the Secretary, before the measures she mentioned were implemented, was there any mechanism which may give shop owners the opportunity to express their views or have they been consulted on any occasion as to how such remedial measures can be properly implemented?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, we have sent our staff to visit affected shops and discussed with shop operators on the implementation of these measures including the temporary traffic management measures and the erection of panel walls; we have also released an open letter to elucidate the project and its progress, and we have distributed pamphlets with the relevant information to residents in the vicinity. Furthermore, Kowloon-Canton Railway Corporation (KCRC) has set up Community Liaison Offices at Tsim Sha Tsui and Wing On Plaza in Tsim Sha Tsui East respectively, with a view to maintaining a direct contact with the residents in the vicinity and hearing their views.

MR ANDREW CHENG (in Cantonese): *Madam President, as future infrastructure projects would cost hundred billions of dollars, they will definitely affect the environment as well as small shop owners in the vicinity. Has the Government ever considered drawing up the compensation criteria and the basic compensation amount, so that the authorities may have the criteria to follow in the course of assessing the amount of relevant financial losses, that the assessment time could be reduced as much as possible, with initiatives being taken to deal with the claims, and the financial losses of shop owners could be minimized accordingly?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): *Madam President, of course we understand that shop owners may suffer financial losses or may even have to face financial difficulties if there is no business at all. The Railways Ordinance prescribes that the relevant compensation agreement should be made within six months. The Lands Department has taken the initiative to shorten the negotiation time, which is expected to be completed within four months. As to the first batch of claims applications, 10 cases are to be concluded by end of November or early December. I understand that Mr CHENG is asking the Government to establish a mechanism for compensation, but as the business activities of the shops are quite varied, the extent of their losses may be very different. Under this circumstance, a rigid compensation formula may give rise to controversies. Nevertheless, it is a good suggestion. We will consider whether a more lucid guideline could be formulated so as to allow all parties concerned to identify where their efforts should be directed.*

MS EMILY LAU (in Cantonese): *Madam President, I would like to follow up the supplementary question raised by Mr Andrew CHENG. In view of the current economic doldrums, this project, which has given rise to some 200 claims for business loss and applications for reserving their rights to lodge claims, is surely an added burden to the general public. Madam President, a six-month period is quite long, some shops may even have closed down by then; some applications may only be referred to the Lands Tribunal for determination after seven months. Since the Secretary likes to conduct outreach visits, may I ask whether she has visited that district and inspected the conditions there? Can the*

Government speed up the relevant process, and avoid the practice of taking action only after the public have conducted processions in protest or staged demonstrations?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, as I have said just now, we are aware of the urgency of the issue. Shops may run into cashflow problems if they have no business, therefore a provisional compensation programme is being actively considered. We hope the Lands Department can cut short the assessment time to seven weeks, so the claims applications from shop owners can be processed more rapidly. At present, we have finished processing 10 such cases, which is very speedy enough. We will follow this matter up.

MR HENRY WU (in Cantonese): *Madam President, two Honourable Members have raised the supplementary I wish to ask most. However, that does not matter, since I still wish the Secretary to reply another supplementary.*

The Secretary mentioned in part (a) of the main reply that 139 claims for business loss were received, may I ask what is the total amount claimed for? Moreover, is a contingency fund already in place to take care of the claims put forward by affected shop owners?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, there were 139 claim cases, however, I do not have any figures on the total amount of compensation claimed at hand. I will give a reply to Mr WU in writing. (Appendix I)

MS MIRIAM LAU (in Cantonese): *Madam President, I believe the best way to help affected shop owners is to reduce the duration of the entire construction project to a minimum. May I ask the Secretary, how could it be ensured that the duration of works required by the KCRC is the shortest? Furthermore, since most of the works are conducted beneath the road surface, has the measure of not closing the roads during daytime ever been considered? Have these kinds of*

arrangement been considered with a view to minimizing the time requiring road closures?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, of course the Government hopes these works could be completed within the shortest possible time. I believe the railway company has showed its expertise in this respect as far as its performance in past project management is concerned. However, as these road digging works may cause a nuisance to the public, I have also asked whether the duration of such works could be minimized, that is, to have them carried out during night time instead of daytime, so that the roads could be opened to traffic during daytime. However, this approach will cause a significant rise in project costs. Therefore, under such circumstances, it is impossible for such an approach to be adopted.

MS MIRIAM LAU (in Cantonese): *Madam President, I am asking the Secretary how can the Government ensure that the duration of the works required is the shortest alternative? Has the Government made any assessment? Let us say the railway company has demanded a three-month duration, but the Government thought two and a half months would be adequate, therefore the Government only approved of a duration of two and a half months. May I ask the Government whether or not this kind of assessment has been conducted?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, we will certainly consider whether the duration of works is reasonable when we assess the project. Insofar as construction sequence and feasibility are concerned, the duration required by the relevant works is the shortest alternative available, unless the works were to be carried out around-the-clock.

MR LAU KONG-WAH (in Cantonese): *Madam President, the main reply only mentioned the financial losses arising from road closures, however, the current problem in Tsim Sha Tsui encompasses not only road closure, but also numerous*

traffic diversion measures which cause complete traffic chaos in that district. May I ask whether claims could be lodged on the ground of consequences caused by traffic diversion measures? Who will make the compensations, will it be the KCRC or the Government?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, according to the Railways Ordinance, only those whose access to their land is adversely affected by road closure may be compensated for loss arising from road closures. Losses arising from traffic diversions would not be compensated.

MR LAU KONG-WAH (in Cantonese): *Madam President, I was asking who would make the compensations?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, if that is a KCRC project, then the KCRC shall make the compensations.

MR JAMES TO (in Cantonese): *Madam President, my supplementary is similar to the one raised by Mr LAU Kong-wah. According to section 32 of the Railways Ordinance, a person whose access to his land is adversely affected by road closure may claim compensation for the loss incurred and arising from that road closure, which is a statutory compensation. May I ask the Government whether it will consider ex gratia compensation or other forms of compensation in addition to that of statutory compensation, or has the Government already devised other plans? For example, if the Land Development Corporation (LDC) has to make compulsory acquisition as the procedure requires, due to the inadequacy or inaccuracy of the tax return records of the shop being acquired, the LDC could draw up a basic amount of compensation for the shop owner to choose. That is, the shop owner may either choose the statutory compensation or the basic amount of the ex gratia compensation. Has the Secretary ever considered from this perspective?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, under the existing mechanism, the Government will provide compensations according to legal provisions. As for *ex gratia* payment, the Government has not taken that into consideration in respect of these cases. Just now I have mentioned that part of the compensations would be made by the KCRC. Moreover, tunnelling works are underway in Tsim Sha Tsui as well. If the works affects any shop, the Government will make the relevant compensation accordingly. Therefore, it involves two mechanisms: for the impact caused by the construction works of the railway company, the railway company will take care of the compensation issue; for the impact caused by the construction works of the Government, the Government will make the compensations according to law.

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

MR JAMES TO (in Cantonese): *Madam President, I was asking whether an ex gratia mechanism would be established on top of the statutory compensation mechanism?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, as far as this project is concerned, no *ex gratia* mechanism is in place yet.

PRESIDENT (in Cantonese): This Council has already spent more than 16 minutes on this question. We shall now move onto the last supplementary.

MR ABRAHAM SHEK (in Cantonese): *Madam President, just now when the Secretary gave a reply to Ms Miriam LAU, she said that the current duration of works was the shortest alternative, and there would be a significant rise in the costs of the project if the duration had to be further reduced; the Secretary also mentioned around-the-clock operation. I would like to ask whether the Secretary has viewed these issues from the perspective of shop owners, that is, if the works could be carried out around-the-clock, the progress of the project*

could actually be expedited. Besides, since the number of residents in Tsim Sha Tsui is relatively small while the shops are a majority, working around-the-clock may speed up the progress of the project on the one hand and allow more job opportunities on the other, why is it not feasible to carry out the works around-the-clock?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, as far as the method of construction or project arrangement are concerned, such as carrying out works around-the-clock, I trust Mr SHEK will surely mention the Noise Control Ordinance. In fact, I have also studied into this issue, the approach is workable in that vicinity, because the site is not too close to residential buildings, which will cause less nuisance to the residents, therefore the relevant party may be granted the special works permit to carry out the works around-the-clock. However, with regard to MTR management, many more factors have to be considered, such as night time works will increase the project costs. As a result, we can only try our best. However, adopting such an approach for these short projects with a duration of less than three months would be less cost-effective.

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

MR ABRAHAM SHEK (in Cantonese): *Madam President, yes. I know the costs for the MTR would be higher, but the interests of the general public should not be exploited just because the costs of the company have to be kept down in the interests of the company.*

PRESIDENT (in Cantonese): Mr SHEK, this is your personal view, not a follow-up supplementary.

MR ABRAHAM SHEK (in Cantonese): *Madam President, why is it not a supplementary? Why should the entire matter not viewed from the perspective of the general public? It is the duty of the Government to deal with that.*

PRESIDENT (in Cantonese): Mr SHEK, please sit down. Secretary, do you have anything to add?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS (in Cantonese): Madam President, I have nothing to add.

PRESIDENT (in Cantonese): Fourth question.

Consultation on Legislative Proposals to Implement Article 23 of Basic Law

4. **MR ALBERT HO** (in Cantonese): *Madam President, regarding the consultation on legislative proposals to implement Article 23 of the Basic Law, will the Government inform this Council:*

- (a) *whether it will compile a compendium of the submissions received during the consultation period; if it will, of the time to publish the compendium; if not, the reasons for that and how it will deal with the submissions received;*
- (b) *whether, to date, it has decided to revise or considered revising the proposals set out in the Consultation Document on Proposals to Implement Article 23 of the Basic Law; if it has, of the proposals involved as well as the reasons and details of the revision; and*
- (c) *as the Administration is already preparing the drafting instructions for the relevant bill while the consultation period has not yet expired, how the Administration currently formulates the definite policies on the legislation for implementing Article 23 of the Basic Law and prepares the drafting instructions for the relevant bill for the Department of Justice to proceed with the drafting of the bill?*

SECRETARY FOR SECURITY (in Cantonese): Madam President,

- (a) The Government will prepare a compendium of the submissions received after the end of the consultation period.

- (b) At present, we are seeking public views on our proposals to implement Article 23 of the Basic Law, and we have taken every opportunity to explain and clarify the proposals. At the joint meeting of the Panel on Security and Panel on Administration of Justice and Legal Services on 21 October, we stated our intention to put beyond doubt that freedom of the press will be adequately protected, in that no search or seizure of journalistic materials will be allowed to take place without prior judicial approval.

In the light of concerns expressed that the proposals might undermine Hong Kong's status as a financial centre, the Government has also decided not to seek additional financial investigation powers for the police. Instead, the police will continue to rely on financial investigation power under the existing Police Force Ordinance. The Government is prepared to review the proposals in the light of comments received.

- (c) We have not issued any drafting instructions, but are in the process of contemplating how the proposals to implement Article 23 should be drafted in legal language. However, it must be stressed that this is a preparatory step and would in no way prejudice the public consultation exercise currently underway. All the views and comments received during the public consultation period will be taken into account before we introduce a bill into the Legislative Council.

MR ALBERT HO (in Cantonese): *Madam President, before I formally state my supplementary question, will the Secretary please answer the second point of part (a) of my main question, for it appears that she did not give us an answer as to when the compendium would be published?*

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

SECRETARY FOR SECURITY (in Cantonese): Madam President, I can add a point or two.

PRESIDENT (in Cantonese): Please do, Secretary.

SECRETARY FOR SECURITY (in Cantonese): Madam President, we certainly have to wait until the consultation period ended before the compendium can be published. After the conclusion of the consultation period, we will have to collate the submissions received, and we will also need to do photocopying for the compendium. Besides, we are currently considering whether all the submissions will be publicized. As some submissions are personally signed, and some carry the names of companies, we have to do something in privacy protection before the submissions can be made public. Also, we will have to conduct some analysis. Therefore, after the expiry of the consultation period on 24 December, I think the compendium can be published early next year at the earliest.

PRESIDENT (in Cantonese): Mr Albert HO, are you going to ask your supplementary question now?

MR ALBERT HO (in Cantonese): *Madam President, I will formally ask a follow-up question now.*

PRESIDENT (in Cantonese): It should be a supplementary.

MR ALBERT HO (in Cantonese): *Madam President, as the Secretary may remember, I asked a question in this Council sometime ago on the legislative proposals to implement Article 23 of the Basic Law, and in her reply she said that drafting instructions were being prepared. But her reply this time around is different, as she said that contemplation was being given to how the proposals would be drafted in legal language. Does it mean that her remarks on the last occasion that drafting instructions were being prepared are incorrect and she therefore will have to withdraw what she had said then? According to the Secretary's main reply, if preparations are being made to draft the proposals in legal language, that should be the job of the Department of Justice. Furthermore, as the consultation exercise is still underway, the Secretary should*

not know whether or not there would be further amendments, but she has already asked the Department of Justice to consider how the legislative proposals can be drafted in legal language. It seems that the Secretary has already finalized the proposals and that conducting public consultation is a mere formality with no substantive meaning at all.

SECRETARY FOR SECURITY (in Cantonese): Madam President, I thank Mr Albert HO for asking this supplementary question, so that I can explain the law drafting work of the Government. If a proposal is to be ultimately expressed in legal language, it will be drafted in the form of a bill, and this is the duty of colleagues responsible for law drafting in the Department of Justice. But the Policy Bureau will prepare drafting instructions to instruct colleagues responsible for law drafting in the Department of Justice how its proposals can be expressed in legal language. For example, the Legislative Council is currently scrutinizing a bill on the regulation of child pornography, and the Policy Bureau has, based on the concept of child pornography, given drafting instructions to colleagues in the Department of Justice, asking them to express "child pornography" in legal language for incorporation into the bill, which will subsequently be submitted to a Bills Committee of the Legislative Council for deliberations. Therefore, the bill that we ultimately present to the public and the Legislative Council is the proposal of the Policy Bureau being expressed in legal language. Insofar as the legislative proposals to implement Article 23 of the Basic Law are concerned, we are currently preparing the drafting instructions.

MR ALBERT HO (in Cantonese): *Madam President, just now I have stated my supplementary question very clearly. Does it mean that the Secretary's reply in the Legislative Council on the last occasion was correct and so, she does not need to revise or withdraw her remarks, for she is actually preparing the relevant drafting instructions?*

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

SECRETARY FOR SECURITY (in Cantonese): Madam President, I have nothing to add.

PRESIDENT (in Cantonese): Members, as there are still 12 Members waiting to ask their supplementaries, Members should be as concise as possible when asking questions, so that more Members can ask their questions.

MR MARTIN LEE (in Cantonese): *Madam President, since the consultation period will end only sometime later, the proposals in the consultation paper are therefore not final. Such being the case, why does the Government have to "hard sell" the proposals in the consultation paper and even make fallacious comments about HITLER to dismiss the people's aspiration to democracy? Even after those comments were found to be fallacious, the Secretary did not withdraw her views, saying that those were only her personal views. But nobody from the Government has ever come out to clarify the view of the Government. Is the Government actually trying to "strike at" democracy as well?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I am here today to answer questions relating to the procedure of the drafting of a bill to implement Article 23 of the Basic Law. I do not wish to answer this supplementary question asked by Mr Martin LEE about my personal views on democratic development. Certainly, on some other occasions, say, private occasions as Mr Martin LEE thinks fit, where I can further express my views on democracy with no implications on a certain position held by the SAR Government, I can discuss this with him in private. However, I do not wish to dwell further on this question today.

MR MARTIN LEE (in Cantonese): *Madam President, my supplementary question asked why she had to "hard sell" the proposals? Since the consultation period has not yet expired, she should listen to public opinions, rather than resorting to "hard sell".*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I do not think there is any question of "hard sell" on our part. As I said in some radio programmes, every official responsible for this issue considers in good faith that

our proposals (that is, the proposals announced on 24 September) are in the interest of Hong Kong people, and that they are very generous proposals that can fully put the Basic Law into practice. Obviously, after the proposals were publicized, we have heard concerns from different people and we have already stated that we are willing to conduct a review. But since the Government has put forward the proposals, we are duty-bound to explain them to the people. I do not consider this "hard sell" in any sense.

MISS MARGARET NG (in Cantonese): *Madam President, in part (b) of the main reply the Secretary mentioned that additions would be made to some of the contents of the consultation paper. The Secretary has admitted in a forum that when drawing a comparison with the relevant laws in foreign countries, the Government, in citing foreign laws, has only chosen to draw on references that are favourable to the Government. Will the Government consider also adding references not favourable to the Government's proposals, so that the public can consider the matter in a more comprehensive manner?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I would like to explain to Miss Margaret NG two opinions that I have read in the newspapers today. Roughly speaking, scholars in the United States considered that we should follow the laws of the United States more, whereas scholars in Canada considered that we should follow the Canadian laws more. Since there are so many laws in the world, the SAR Government can only draw up a piece of legislation that it considers to be the most suitable and appropriate for the conditions of Hong Kong after studying different laws and then propose it to the public. The consultation paper is, of course, meant to commend our proposals to the public, rather than to arouse extensive discussion on the views of law reform commissions of different countries or the detailed provisions of other countries. If the consultation paper is published for the latter purpose, it would come in hundreds of pages. Moreover, the consultation paper is not an academic paper, and its purpose is not to extensively discuss or compare the provisions in places all over the world. So, we will not do what the Member has suggested. There are views that making reference only to the Canadian Law Reform Commission is misleading and erroneous. In this connection, the Solicitor General, Mr Robert ALLCOCK, has explained in detail that this is not

misleading. Certainly, some people may disagree, but we have already explained it.

DR YEUNG SUM (in Cantonese): *Madam President, with regard to the protection of the freedom of the press, many academics, including librarians, and the press strongly oppose the Government's proposal concerning the handling and possession of seditious publications. Will the Secretary, in the light of their concern, revise the original proposal?*

PRESIDENT (in Cantonese): Dr YEUNG, were you asking the Secretary how she is going to revise it?

DR YEUNG SUM (in Cantonese): *I was asking whether she would revise it.*

PRESIDENT (in Cantonese): This question is about consultation and how the submissions received will be subsequently handled. Dr YEUNG, are you asking the Secretary whether she will consider revising the proposal?

DR YEUNG SUM (in Cantonese): *Madam President, it is because Mr Albert HO's main question consists of three parts and my supplementary question focused mainly on part (b).*

PRESIDENT (in Cantonese): Fine. Your question is allowed.

DR YEUNG SUM (in Cantonese): *Thank you, Madam President.*

SECRETARY FOR SECURITY (in Cantonese): Madam President, in fact, as I have said on various occasions, we have noticed that some people are concerned that whether the proposed offence of possession of seditious publications will

affect the academic freedom and freedom of thoughts. We have stated that meetings will be held with librarians, and I have also stated publicly that I am willing to review the Government's proposal.

MR TAM YIU-CHUNG (in Cantonese): *Madam President, with regard to the consultation paper on legislative proposals to implement Article 23 of the Basic Law, although it is written in relatively popular or simple language, a fairly large proportion of people still have not read this document. Will the Government consider printing a simpler version or pamphlets during the consultation period to make it easier for the public to read and understand the proposals, or offering more explanations of the legislative intent relating to Article 23 of the Basic Law through television and radio programmes?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, I wish to thank Mr TAM Yiu-chung for his supplementary question. In fact, two more pamphlets had just been printed on Monday. One is a brief response to frequently asked questions, whereas the other gives a detailed reply to more in-depth questions. Our objective is that in the coming days, or even after the consultation period, a pamphlet can be printed each week, focusing on, say, what would constitute an offence of treason, some common misconceptions, the nature of the offences proposed by us, and so on. We hope to continue with these initiatives. On the Member's proposal of doing explanations through radio and television, there are some inherent constraints. For example, the airtime of television stations is very precious, so it is seldom used to cover officials' lengthy explanations of state secrets and their types, and the meaning of damaging disclosure. I personally like to attend live radio programmes. After the programmes, I had received e-mails from some members of the public saying that they felt a lot more relieved after listening to the programmes. Certainly, as to whether the media would, on the next day, print those explanations that are almost academic or legal in nature, it is beyond the control of government officials. But we will still try our best to explain to the public.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, Mr TAM Yiu-chung's supplementary question and Secretary Regina IP's reply make a*

perfect match. But that may not necessarily be the case for my supplementary question. Madam President, in part (c) of the main reply the Secretary said that the Government is "in the process of contemplating how the proposals to implement Article 23 should be drafted in legal language". Drafting the proposals in legal language, so to speak, is surely for publication purposes. Does it mean that the Government will consult the Legislative Council and the public by way of something similar to a White Paper or a White Paper in disguise, or even a White Paper? If so, on what date and in what way will it be published? If not, why not?

SECRETARY FOR SECURITY (in Cantonese): Madam President. I thank Mr CHEUNG Man-kwong for this supplementary question. I think his supplementary is perfect too, and I am grateful to him. I wish to take this opportunity to point out that if Members ask us to come up with a bill as early as possible on the one hand but say on the other that we, by getting started to draft the bill and giving drafting instructions at this stage, are conducting bogus consultation, then that would be downright self-contradictory. If we do not make preparations for the law drafting work, how could we come up with a bill? Preparing drafting instructions does not constitute bogus consultation either. For example, under the proposal in the consultation paper, the definition of the offence of treason is drafted as collaboration with foreign countries to levy war and invade the country by force. The drafted legal provisions can be amended. Even if a bill is proposed and gazetted, its provisions can still be amended in the Committee stage of the Legislative Council. For example, the Bill proposed by the Security Bureau on child pornography publications is now under scrutiny, and Members have also raised questions on it. This shows that the bill is subject to consideration and amendment. Therefore, revising our views in the light of our proposals or the submissions that we have been receiving and then giving instructions to the Law Draftsman do not amount to bogus consultation at all.

MR CHEUNG MAN-KWONG (in Cantonese): *Madam President, I believe you can already rule that Secretary Regina IP had only seized the opportunity to play up another issue and did not answer my supplementary question at all. The thrust of my supplementary question is this: If she is going to express the*

legislative proposals concerning Article 23 in legal language, then insofar as the way of expression is concerned, does it mean that the Government will publish the proposals in a form similar to a White Bill or in the form of a White Bill in disguise, or even by way of a White Bill? Is the Government going to do that?

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

SECRETARY FOR SECURITY (in Cantonese): Secretary, *(laughter)* I am sorry, Madam President. I have heard the word "Secretary" for too many times. Madam President, please accept my apology for offending you.

PRESIDENT (in Cantonese): Never mind.

SECRETARY FOR SECURITY (in Cantonese): Madam President, you are indeed more superior than Secretaries. *(Laughter)* What I wish to say is that the final product to be presented to the public by the Department of Justice next year will be our policy decision expressed in legal language, and that will certainly take the form of a bill. I think it is meaningless for us to be entangled in the question of a Blue or a White Bill.

PRESIDENT (in Cantonese): We have spent over 18 minutes on this question. This is the last supplementary question now.

MR CHAN KAM-LAM (in Cantonese): *Madam President, I wish to ask the Secretary how she will handle issues relating to opinions. Last month, Mr Martin LEE went to the United States to market his views. He said that the Secretary had been "hard selling" Article 23 of the Basic Law. I would rather say that he had been "soft selling" the issue of legislating to implement Article 23 of the Basic Law. He also met with the Assistant to President for National Security Affairs of the United States.....*

MR MARTIN LEE (in Cantonese): *Madam President, this is outside the scope of the question. If he wants to ask anything about this, he can ask me.*

PRESIDENT (in Cantonese): Mr Martin LEE, please sit down. I have to wait until Mr CHAN Kam-lam has finished asking his question before I can rule whether or not his question is outside the scope of the question.

Mr CHAN Kam-lam, please go on with your question.

MR CHAN KAM-LAM (in Cantonese): *Alright, Madam President. He also met with the Assistant to President for National Security Affairs, asking the United States Government to pay attention to the SAR Government legislating for the purpose of Article 23, which would undermine human rights and freedoms. While the Secretary has said that Mr Martin LEE had been cold-shouldered in the United States, Mr Martin LEE said that he had been warmly received, so to speak, by all levels of the political arena in the United States.....*

PRESIDENT (in Cantonese): Mr CHAN, please state your supplementary direct.

MR CHAN KAM-LAM (in Cantonese): *Madam President, I am just going to do so. (Laughter) How will the Secretary handle the opinions expressed by foreign countries — I refer not only to the United States, for Mr Martin LEE is also going on a visit to Europe and by then, the governments of European countries may also express their opinions — on the legislative proposals of the SAR Government? Moreover, will it constitute a breach of the Basic Law to invite intervention from foreign countries with the making of laws by the SAR Government to implement Article 23?*

SECRETARY FOR SECURITY (in Cantonese): Madam President, since we announced the proposals on 24 September, I have certainly noted the interest openly expressed by foreign governments and that they would pay close attention

to the implications on human rights and freedoms. This is understandable. But so far, no foreign government has put forward concrete views, apart from follow-ups on and inquiries about some legal technicalities. We have maintained close liaison with the representatives of foreign governments in Hong Kong. I just wish to point out that the Basic Law has clearly provided that Hong Kong shall enact laws on its own and in accordance with the Constitution, the decision to enact laws ultimately rests with the people of Hong Kong.

PRESIDENT (in Cantonese): Fifth question.

Installation of Noise Barriers at Roadsides

5. **DR RAYMOND HO** (in Cantonese): *Madam President, regarding the installation of noise barriers at roadsides to alleviate noise nuisances caused by road traffic to neighbouring residents, will the Government inform this Council:*

- (a) *of the total expenditure on the installation of noise barriers in the past three years;*
- (b) *of the annual budget for noise barrier projects for the coming three years; and*
- (c) *given the negative effects of noise barriers on roadscape and motorists, whether it has explored more new and effective ways to mitigate traffic noise; if so, of the results?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I would like to thank Dr Raymond HO for asking this question on noise barriers.

- (a) In the past three financial years (including the current financial year), the Government spent about \$1 billion on building noise barriers on new and existing roads.

- (b) As we are currently reviewing the allocation of resources for and the priority of public works projects, the allocation for noise barrier projects for the coming three years has not been decided yet.
- (c) When planning new roads, we will first consider how to avoid the new roads causing an excessive traffic noise impact on nearby residents or noise sensitive buildings. In this connection, the measures that we will consider include choosing the most suitable road alignment, proper land use planning and surfacing the roads with low noise materials in order to reduce the traffic noise as much as practicable. If the above measures fail to reduce the traffic noise to an acceptable level, the relevant authority will consider installing noise barriers. When planning for noise barriers, the relevant authority has to consider their impacts on landscape as well as the safety of road users, and design the noise barriers appropriately.

It is comparatively difficult to retrofit existing roads that generate traffic noise in excess of the noise limit. Where financially and technically feasible, the relevant authority will consider to install noise barriers and resurface suitable road sections with low noise materials and, taking into account the need to balance different interests, the feasibility of implementing traffic management measures (such as speed limit and vehicular traffic restriction at night and outside rush hours) that will reduce traffic noise.

DR RAYMOND HO (in Cantonese): *Madam President, the relevant figure is rather appalling: In the past 36 months, the Government has already spent \$1 billion on noise barriers which are sometimes not at all effective. May I ask the Secretary if she will ensure in the planning stage that roads will not be positioned too close to nearby residents in the future? Although the Secretary said in part (c) of the main reply that the most suitable alignment would be chosen, road planning in Tsim Sha Tsui East some 20 years ago, for instance, failed to cope with the actual development of the area. Will the Secretary and the Secretary for Housing, Planning and Lands look at every possible means to take this into account at the initial development stage of all projects and areas? In doing so, it will not be necessary for so many noise barriers to be installed in the future, and traffic noise from roads will not affect nearby residents too.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I would like to thank Dr Raymond HO for his views. I share his view that noise barriers affect the livelihood of the people in many ways. Both roadscape and the safety of road crossing are greatly affected too. I believe a compromise is to segregate roads and nearby residents at the planning stage. In fact, in newly developed areas, the authorities have already tried as far as possible to have roads constructed one tier below the ground level and all buildings above the ground. In this way, the impact of noise can be eliminated completely and noise barriers will not be required. This is a relatively unique example. When it comes to planning, we will definitely work closely with the Housing, Planning and Lands Bureau in future. In addition, since the environment, transport and works portfolios have been grouped together, my colleagues in the Highways Department and the Environmental Protection Department are already working closely together in the hope of solving this problem completely so that it will no longer be necessary to install so many noise barriers.

MR LAU PING-CHEUNG (in Cantonese): *Madam President, I very much agree with Dr Raymond HO that the relevant figure is appalling: \$1 billion has been spent in the past three years to install noise barriers. In the Tolo Highway, for example, noise barriers are installed at both sides and the centre of the Highway. But nobody knows the purposes of the barriers.*

The Secretary said in part (b) of the main reply that the allocation of resources for public works projects is now under review. Is it necessary for the Government to also review the actual needs of planned or approved noise barrier projects which have yet to be implemented? Not only does the Government need to review the allocation of resources for public works projects, it needs to review the actual need and effectiveness of the relevant projects too.

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, in reviewing the allocation of resources for and the priority of public works projects, we will certainly consider their cost-effectiveness. We will definitely not undertake projects that cost a lot and yet yield no cost-effectiveness. As regards the possibility of "scrapping" certain

approved Category A projects, I am actually looking into several projects. However, we may not be able to do so because of certain constraints of the relevant contracts. If it is proved that certain completed noise barriers are useless, they will be demolished. I reckon only a few such noise barriers will be demolished. However, I believe the authorities must have calculated the works design properly when installing the noise barriers. As regards the example cited by Mr LAU Ping-cheung, in which noise barriers are installed in the centre of the road, it is because there are residents on both sides of the road, thus it is necessary to protect both sides. Therefore, additional noise barriers are provided in the centre as well. There are of course justifications in terms of physics. However, this will pose a great nuisance to the roadscape. I promise Members that I will re-examine these noise barrier projects in detail.

MR FRED LI (in Cantonese): *Madam President, my fear is precisely that some of the projects will be scrapped. It is difficult to surface slopes with low noise materials. While the greatest noise nuisance is created by heavy vehicles travelling on slopes, it is not possible for slopes to be surfaced with low noise materials. In launching noise-barrier projects, the Government mentioned the cost-effectiveness factor. Will the Government "scrap" some of the projects which we have been lobbying for years, such as the Tseung Kwan O Road project, originally a phase-one project, for such reasons as cost-effectiveness? What criteria will the Government base on in conducting its review? Will it be based on the number of residents being affected, or will the less expensive projects get the green light, while the more expensive ones will be shelved? I would like to know what criteria the Government will employ for its review.*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, in conducting its review, the Government will not merely consider cost-effectiveness. Many Members have reflected to me also their views on the installation of noise barriers. In reviewing the allocation of resources for and the priority of the projects, the Government will definitely examine whether the projects will bring about substantial benefits in terms of reducing the noise nuisance and whether this is the best solution to reduce noise. Mr Fred LI mentioned earlier that road surface improvement measures for noise mitigation are not feasible. We are now also studying this matter. Since

continuous improvements are being made to such materials, we may consider adopting some new measures. Members can rest assured that the Government will not look at the monetary aspect only.

DR LUI MING-WAH (in Cantonese): *Madam President, the installation of noise barriers is a very expensive project. Will the Secretary tell us what standards will be adopted in deciding whether or not noise barriers should be installed? To what extent noise can be reduced after noise barriers are installed? What standards are considered to be acceptable?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): *Madam President, there are fixed standards for calculating traffic noise. We use 70 dB as the benchmark. The noise level is measured 1 m from the windows outdoors, rather than from within the building. Before installing noise barriers, it is necessary to first determine the type of noise to be blocked and the height of the building in question. In fact, as long as a road is within our view, we will be able to hear the noise generated by vehicles on the road. Therefore, if a very tall building is located adjacent to a very straight stretch of highway, a very tall noise barrier has to be installed because the entire road has to be hidden from our view before the noise can be blocked.*

The effectiveness of noise barriers will also depend on the type of material used. As I said earlier, if three noise barriers are built, including one in the centre, the echoes or reverberation produced will be very strong. Therefore, different materials may be used. However, it is not possible for me to explain each type of material in detail today. Of course, we will also consider planting some trees when installing noise barriers to beautify the roadscape.

MR ALBERT CHAN (in Cantonese): *Madam President, I am not sure if it is because I am forgetful. In fact, all projects on installation of noise barriers on roads were scrutinized and approved by this Council, particularly the Finance Committee and the Public Works Subcommittee. I wonder why Dr HO approved the funds and then forgot about them.*

If we calculate in terms of the hundreds of billions of dollars spent on public works each year, the \$1 billion spent over three years is a meagre sum only. Yet the tranquility of tens of thousands or even hundreds of thousands of residents will be affected by traffic noise. Is the Secretary going to sacrifice the rights of hundreds of thousands of residents to enjoy a more peaceful environment merely for the sake of a few Members who care only about their own feeling and enjoyment while driving? Traffic noise can sometimes reach up to 80 dB, and that will awaken some residents from their sleep. Will the Secretary bear in mind the interests of these residents, instead of merely considering the visual enjoyment of some Members while they drive?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, as I said earlier, in reviewing the priority of public works projects, we will definitely consider the effectiveness of the measure in question. I agree with Mr Albert CHAN that at places subject to noise nuisance, we must adopt certain noise mitigation measures. We are now conducting a comprehensive review to examine whether the installation of noise barriers offers the best and most effective solution. We will not definitely consider the driving pleasure of a certain party only. As regards the many residential buildings located close to highways or flyovers, special consideration will be given to them. We will make the best decision in the light of different circumstances and needs.

MS EMILY LAU (in Cantonese): Madam President, the number of households affected by noise nuisance should be around 300 000. I hope the Government can adopt the required measures as soon as possible.

Madam President, the Secretary said in the main reply that \$1 billion was spent over the past three years. Opinions may differ as to whether the amount is large or small. However, \$600 million out of the total sum was spent on one single project, that is, the Tolo Highway project mentioned by Mr LAU Ping-cheung earlier. Approved by this Council, this project has cost a total of \$593.1 million. In terms of cost-effectiveness, may the Secretary tell us how many households out of the 300 000 households live near the project areas? Having spent nearly \$600 million on this project, we definitely hope that tens of

thousand of residents can benefit from it. Will the Secretary tell us how many households can benefit from the \$600 million spent?

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I do not have the data at hand to answer Ms Emily LAU's supplementary. Yet the number of households will definitely not amount to hundreds of thousands. So why is it necessary to install noise barriers on the Tolo Highway? This is a legal requirement because, according to the Noise Control Ordinance, the noise generated from the Highway will exceed the standard by 1 dB after the road-widening works. Furthermore, noise mitigation measures must be implemented when reconstructing the Highway if the total noise level exceeds 70 dB. This explains why priority was given to the project. It has nothing to do with the number of residents living in the vicinity. I agree that this noise barriers project may not benefit the greatest number of people.

MS EMILY LAU (in Cantonese): *Madam President, the Secretary said that she did not have the relevant information at hand. In that case, will the Secretary give me a written reply?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I will give Ms LAU a written reply. (Appendix II)

PRESIDENT (in Cantonese): This Council has spent more than 15 minutes on this question. This is the last supplementary.

MS MIRIAM LAU (in Cantonese): *Madam President, as far as I know, the principle of offsetting sound vibrations can be applied to reduce noise. May I ask the Secretary if the Government is aware of such technology? Has such technology been applied in the installation of noise barriers? If not, will the Government conduct any study on this?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, the theory of sound vibrations is tenable in physics. I know it was once put into trial use in Japan. Studies are also being carried out in Hong Kong, and it has proved to work in the laboratory. However, sound vibrations are not designed to combat noise. Sound vibrations can be used to offset sounds with fixed frequencies, such as music. Since noise consists of sounds of various frequencies, the cost of offsetting it will be very high. Theoretically this is possible, but in practice, not only is it very costly, it will also be rather difficult to do so on roads in open areas. We are aware of such technology, but it is not very effective in practical application.

PRESIDENT (in Cantonese): Last oral question.

Modification of Redevelopment Projects Under URA

6. **MR LEUNG YIU-CHUNG** (in Cantonese): *Madam President, it has been reported that the Urban Renewal Authority (URA) plans to modify some of its redevelopment projects as revitalization or rehabilitation projects, so as to relieve its financial pressure. In this connection, will the Government inform this Council whether:*

- (a) *it knows if any of the 25 redevelopment projects announced in 1998 will be modified as revitalization or rehabilitation projects; if so, of the details;*
- (b) *it knows if the URA will consult the public before deciding which option of development, that is, redevelopment, revitalization or rehabilitation, should be adopted for a particular project; if so, of the consultation procedures; if not, the reasons for that; and*
- (c) *as the co-operation agreement between the URA and the Hong Kong Housing Society (HS) provides the latter with autonomy over development projects, the authorities concerned have assessed if such autonomy will affect the original mode of development of the 25*

redevelopment projects, as well as the residents affected by such projects; if so, of the assessment results?

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, the urban renewal policy seeks to address the problem of urban decay through a comprehensive and holistic approach. According to the Urban Renewal Authority Ordinance, the purposes of the URA include demolishing and redeveloping dilapidated buildings, promoting the rehabilitation of old buildings as well as preserving buildings of historical, cultural or architectural interest.

The Government's objective is that the urban renewal programme should be self-financing in the long run. However, financial consideration is not the only factor in determining the mode of implementation. The URA has to consider a host of other factors, including the condition of the buildings, the living environment of the residents and whether the buildings have preservation value.

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

- (a) The URA will decide on the mode of implementation for the 25 projects announced by the Land Development Corporation (LDC) in early 1998 in accordance with the law and having regard to the different circumstances of each project.

According to the first Corporate Plan of the URA, projects to be launched in the relevant five-year period include all the 25 uncompleted projects of the LDC. We are aware of the proposed mode of implementation for these projects. However, as the Corporate Plan is a rolling plan which has to be updated annually and as sensitive information is involved, the URA will only announce the details of these projects, including their mode of implementation, at the commencement of the projects.

Since its establishment, the URA has announced and commenced five redevelopment projects under this arrangement. We believe

that in determining the mode of implementation for the remaining 20 projects, in addition to the factors mentioned above, the URA will fully consider the expectation of the residents for redevelopment in these project areas.

- (b) The Urban Renewal Authority Ordinance and the Urban Renewal Strategy have been made after extensive public consultation and deliberation. They contain sufficient provisions for regulating and guiding the operation of the URA. Regarding the overall planning of different districts and the need for urban renewal, the URA will consult the respective district advisory committees. When deciding on the mode of implementation for each project, the URA will take into account the relevant factors mentioned above. As sensitive information is involved, the URA will not conduct prior public consultation solely on the mode of implementation for individual projects.
- (c) The URA and the HS are discussing the details of their strategic co-operation agreement. The underlying principle of this strategic partnership is that the HS will act as the URA's agent in implementing a number of urban renewal projects in accordance with the existing statutory framework and the Urban Renewal Strategy. The factors to be considered in determining the mode of implementation for these projects should be the same as those for projects directly implemented by the URA.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I have been prompted to ask this question mainly because, according to reports, the Secretary had reportedly said that some of the buildings covered in these 25 projects might be designated for revitalization or rehabilitation. The affected residents are rather worried as a result of such reports, because they were once told by the URA that all these 25 projects would be redevelopment projects. That is why they very much hope that the Secretary can give them some kind of "assurance". May I ask what will become of these 25 projects? Is there actually any common understanding between the Secretary and the URA on the prospects of these projects? Are they revitalization projects, or are they redevelopments?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, actually, as is clearly stated in my main reply, the relevant functions of the URA are already clearly set out in the Urban Renewal Authority Ordinance. The URA will take forward urban renewal in several modes. It has designated the 25 uncompleted projects of the former LDC as priority development projects. Details of five of these projects have been announced, and they are all redevelopment projects. As for the rest of the projects, as I have pointed out in the main reply, the URA will handle them in accordance with the law and its obligations therein. The URA will act in accordance with the proposals made by the former LDC, and it will also take account of the affected residents' expectations. However, since all these projects are to be launched within five years under the Corporate Plan of the URA, it will not be appropriate for me to disclose their details at this stage. But I may still add that we are convinced that the URA will act in accordance with the law and take account of the affected residents' expectations.

PRESIDENT (in Cantonese): Mr LEUNG Yiu-chung, has your supplementary question not been answered?

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, the Secretary was simply repeating the terms of reference of the URA. I actually wish to ask whether the Secretary has reached any consensus with the URA, and if yes, what it is. I am not asking the Secretary to repeat the terms of reference of the URA*

PRESIDENT (in Cantonese): Mr LEUNG, your question did not touch upon any point on consensus.

MR LEUNG YIU-CHUNG (in Cantonese): *Madam President, I did ask the Secretary what the common understanding between the Secretary and the URA was, and whether he could give the affected residents some kind of "assurance". The Secretary simply replied that the URA would act in accordance with its terms*

of reference. But we still do not know what will become of those 25 projects. May I ask the Secretary what actually the situation is now?

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

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, I do not have too much to add. I just wish to say that the URA is a statutory body, and I am not its member.

MR LAU PING-CHEUNG (in Cantonese): *Madam President, the Secretary is not a member of the URA, but I am one of its non-executive directors, which is why I have to declare my interest.*

PRESIDENT (in Cantonese): Mr LAU, do you wish to answer the question?

MR LAU PING-CHEUNG (in Cantonese): *No, I do not intend to answer Mr LEUNG Yiu-chung's supplementary question. But I do have one question for the Secretary. It is stated in his main reply that one of the missions of the URA is to preserve buildings of historical, cultural or architectural interest. And, the Government has once promised that it will release a consultation paper this year on the preservation of buildings of historical, cultural or architectural interest. This consultation paper is meant to suggest, in particular incentives, how the URA can, as far as its terms of reference permits, convert the plot ratios for those buildings which must be preserved. When will the Government release this consultation paper?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, this involves the portfolio of another bureau, because the preservation of historical relics should be the work of the Home Affairs Bureau. For this reason, we will co-operate closely with it. As far as I know, the work of the Home Affairs Bureau on this issue has reached a very advanced stage.

But I still have to wait until the Bureau has completed its work before I submit the relevant documents to the URA.

MR ALBERT CHAN (in Cantonese): *Madam President, in respect of urban renewal, besides the 25 projects mentioned, there are still roughly 200 projects under study, either by the former LDC or by the URA now. May I ask the Government whether it will conduct any full-scale consultation or discussions on the redevelopment, beautification or other required works pertaining to these 200 or so projects, so as to ensure that urban renewal can tie in with public interests and people's demands?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, we all know that there are large numbers of such projects, and precisely because of this reason, we have to consider whether demolition and redevelopment is the best mode. That must be considered because this mode requires long periods of time, and to put it in a pessimistic perspective, we may perhaps fail to catch up with the rate of urban decay. In the urban areas, there are now totally 9 000 private buildings with an age of over 30 years. This number will increase by 50% within 10 years, becoming 14 000. Statistically, therefore, we can see that urban renewal through demolition then redevelopment will not possibly be a sustainable alternative. Actually, many old buildings may not necessarily have to be demolished for redevelopment; as long as they are given proper repairs, revitalization or maintenance, their conditions will be greatly improved, and we will also be able to achieve savings in expenditure and time on redevelopment. Given proper and sustained maintenance, many buildings can last a very long time. That is why rehabilitation may well be a quicker solution to urban decay. For all these reasons, we will, at appropriate times, consult the residents and owners concerned on strengthening the maintenance and management of buildings, with a view to increasing their life-span and in turn reducing the time and expenditure required for redevelopment.

MR ALBERT CHAN (in Cantonese): *Madam President, the Secretary has not answered my supplementary question. I asked the Government whether it would conduct some full-scale consultations and discussions on the 200 or so projects.*

But the Secretary simply described the situations with individual projects and read out the "prepared" reply.

The URA has studied these 200 or so projects. What mode of implementation — rehabilitation or redevelopment — will the Government adopt for these 200 or so projects? Does the Government plan to conduct any full-scale consultations to gauge people's opinions before deciding on which projects should be rehabilitation, and which should be redevelopment? May I ask the Secretary whether there will be any full-scale consultations?

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, let me emphasize once again that I do not belong to the URA. But I will still relay this opinion to the URA for its proper consideration.

MR JAMES TO (in Cantonese): *Madam President, with respect to the 25 uncompleted projects of the former LDC, the affected residents do have very manifest expectations regarding redevelopment and rehabilitation. It is stated at the end of part (a) of the main reply that the expectations of the residents for redevelopment will be fully considered. But I hope that the Secretary will not consider the residents' expectations only, and that he will also take account of the fact that the projects concerned were announced as early as seven to eight years ago. I hope he will consider whether this has in fact inflicted very far-reaching and immense harm on the residents. I have made this point because the residents may have been induced by the authorities' projects to make some financial or life decisions, decisions which they plan to implement. So, the Secretary must not consider their expectations only, but must also consider the actual impact they have suffered.*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, Members must realize that what we are talking about are all private properties, but because of various reasons, the LDC at the time announced that the buildings concerned would be included in its scope of work. In spite of this, however, for as long as these buildings do not formally become part of the development projects or programme, we must not make any

assumption on the outcome, the reason being that we have to complete many other statutory procedures. That is why, as I said just now, we can only undertake at this stage that the URA will, in accordance with the law and the residents' expectations for redevelopment, consider how best to incorporate these projects into its scope of work and make appropriate decisions.

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

MR JAMES TO (in Cantonese): *Madam President, my question was on the impact of the relevant projects on the residents. The Secretary replied that the buildings concerned were included in the scope of work but have not yet been formally announced as part of the development programme. Does the Secretary mean that if the residents are not affected, the Government will not consider them at all?*

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

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, I have nothing to add. But I did not mean that. What Mr James TO has referred to is all included in the consideration of the 25 projects. I only said that we have not set down a mode of implementation for every project. But what he said is of course included in the consideration of the 25 projects.

PRESIDENT (in Cantonese): This Council has spent more than 17 minutes on this question. This is the last supplementary question.

MR FRED LI (in Cantonese): *Madam President, I am not going to ask the Secretary any question on the URA because I am also a non-executive director of the URA. I wish to ask a supplementary question on part (c) of the main reply.*

The HS and the URA have just started their initial co-operation. Does the Government think that in the long run, the URA and the HS should take further steps towards a merger, so as to form a new urban renewal body?

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Cantonese): Madam President, Mr Fred LI's supplementary question is based on what is currently still very much a speculation. As I pointed out in the main reply, what the HS is currently doing is to render its co-operation to URA to expedite the latter's work.

PRESIDENT (in Cantonese): Question time ends here.

WRITTEN ANSWERS TO QUESTIONS

Use of Alcohol Candle on Dining Tables in Restaurants

7. **MISS CHOY SO-YUK** (in Chinese): *Madam President, the use of "alcohol candle" (solidified alcohol) on dining tables as fuel for preparing hotpots or keeping the food warm has become very popular among the restaurants in Hong Kong in recent years. In this connection, will the Government inform this Council whether:*

- (a) *the use of "alcohol candle" by restaurants for such purposes is in violation of their licensing conditions; if so, whether the Fire Services Department (FSD) and the Food and Environmental Hygiene Department (FEHD) have ever instituted prosecutions against the restaurants concerned;*
- (b) *it will conduct extensive publicity programmes among restaurants so that they will not unwittingly violate the licensing conditions; and*
- (c) *it will consider relaxing the licensing conditions for restaurants to allow them to use "alcohol candles"?*

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

- (a) According to the existing fire safety requirements for licensed restaurants, only fuels permitted by the FSD can be used in the seating accommodation for cooking or food warming purpose. At present, permitted fuels in this regard are limited to electricity, town gas and liquefied petroleum gas and do not include "alcohol candle". While the use of "alcohol candle" is not permitted by the existing licensing conditions, it is not an offence under the Public Health and Municipal Services Ordinance. The FEHD has therefore not initiated any prosecutions against the restaurants concerned. Nevertheless, warnings may be given to the operators for breaching the licensing conditions.
- (b) and (c)

We are aware of the increasing use of "alcohol candle" for food warming and heating in food business premises in recent years. Recognizing the relatively low fire risk arising from the proper use of "alcohol candle" in small quantity, the FEHD, FSD and Buildings Department are actively reviewing the existing fuel restrictions. These departments are working closely to formulate a suitable regulatory scheme that addresses the trade's concern without compromising fire safety as soon as practicable. In the meantime we will keep overseeing the use of "alcohol candle" to ensure that it does not compromise fire safety.

MTRCL Seeking Capital Injection from Government for Constructing MTR South Island Line

8. **MR BERNARD CHAN** (in Chinese): *Madam President, it has been reported that MTR Corporation Limited (MTRCL) is planning to seek a \$4 billion capital injection from the Government to finance the construction of the MTR South Island Line. In this connection, will the Government inform this Council:*

- (a) *of the criteria for deciding whether or not to provide financial support for the MTRCL;*
- (b) *of the form of support (such as cash injection or the granting of property development rights) that it will consider; and*
- (c) *whether it has studied the appropriateness of using public money to subsidize the MTRCL, which is a listed company?*

SECRETARY FOR FINANCIAL SERVICES AND THE TREASURY (in Chinese): Madam President, the Government would first of all have to consider the extent to which the proposed railway project serves Hong Kong's transport needs. If the Government decides to proceed with the project and if the MTRCL were to be invited to take up this project, my reply to the question is as follows:

- (a) The Government has agreed in the Initial Public Offering Prospectus and in the Operating Agreement with the MTRCL that it would not require the company to construct and operate any future railway project without the latter's agreement. The Government also acknowledged that the MTRCL would require an appropriate commercial rate of return on its investment in any new railway projects, which would ordinarily be between 1% and 3% above the estimated weighted average cost of capital (WACC) of the company. In order for a particular new railway project to earn such a commercial rate of return and for the MTRCL to maintain its financial standing and profile, financial and other support from the Government may be required.

The Government will consider each request for financial support on its own merits. We would only provide such support if we saw substantial benefit to the public from the project in question (for example, its ability to relieve congestion). Financial information provided by the MTRCL will also be vetted to establish the need for financial support.

- (b) There is no "one size fits all" solution. We will explore different options including, for example, capital grant, equity injection, loan, grant of property development rights, and the provision of essential public infrastructure works.
- (c) The Government's long-term objective is to develop railway as the backbone of transportation in Hong Kong. The Government's policy is also not to subsidize the operation of public transport. To these ends, the Government acknowledges that any new railway project will have to provide a commercial return to the operators chosen to implement the project.

When processing requests for financial support from the MTRCL, the Government will strive to strike a balance between our undertaking to the company and its minority shareholders during its privatization and its status as a publicly listed company. Consideration will be given to whether the MTRCL is the entity with the greatest capacity and expertise to deliver the projects on time and in the most effective manner, and to the assessed economic and other benefits of the proposed railway projects in relation to the level of support sought.

Regulation of Ice-making Plants

9. **DR DAVID CHU** (in Chinese): *Madam President, it was reported that the hygiene conditions of a local ice-making plant were unsatisfactory and coliform was detected in the ice particles it produced. In this connection, will the Government inform this Council whether:*

- (a) *inspections have been conducted by the Food and Environmental Hygiene Department (FEHD) on all ice-making plants in the territory; if so, of the number of inspections in the past year;*
- (b) *any ice-making plant has been prosecuted for producing ice particles that contain bacteria or for poor hygiene conditions; if so, of the number of such prosecutions; and*

- (c) *consideration will be given to introducing legislative amendments to require ice-making plants to obtain a food business licence, so as to strengthen the regulation of such plants?*

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

Madam President,

- (a) and (b)

As the making of ice-cubes is currently not a form of business regulated by the Food Business Regulation, the FEHD has not carried out inspections to ice-making plants; nor has the Department instituted any prosecution against such plants in the past. Notwithstanding this, the Administration is closely monitoring the safety of edible ice for drinks at the retail end. Section 62 of the Public Health and Municipal Services Ordinance empowers FEHD officers to take samples of any substance that may be used in the preparation of food or drinks for bacteriological examination. In 2002, 36 samples of ice-cubes were thus far taken from restaurants and other food premises for testing and all results were satisfactory.

- (c) The FEHD is reviewing the regulatory framework including the need to introduce legislative amendments for ice-making plants intended for human consumption in the interest of food safety and protection of public health.

Training Costs for and Employment Situation of Graduates in Medical and Nursing Courses

10. **MR MICHAEL MAK** (in Chinese): *Madam President, regarding the expenditure of tertiary institutions on full-time courses for training staff of the medical, nursing and allied health professional grades, as well as the*

employment situation of the graduates concerned, will the Government inform this Council of the following, in respect of each grade:

- (a) the total expenditure, number of graduates and per capita cost for training the graduates of the respective institutions in each of the past five years;*
- (b) the respective total numbers of places for bachelors' degree, diploma and high diploma courses in each of the next five years;*
- (c) the employment situation of graduates of the respective institutions at the end of the graduation year over the past five years; and, among them, the number and percentage of those who are involved in duties related to their studies, and their average starting salaries; and*
- (d) the respective numbers of graduates employed/to be employed by government departments and publicly-funded organizations in each of the past five years and next five years, as well as the terms of appointment concerned?*

SECRETARY FOR THE CIVIL SERVICE (in Chinese): Madam President,

- (a) The annual student unit cost and the number of graduates of medicine, nursing and allied health full-time first degree programmes in the University Grants Committee (UGC) sector are set out at Annex I.

As the accounts for 2001-02 are yet to be finalized, the figures for 2001-02 are not yet available.

- (b) The planned student intakes of the relevant programmes in this triennium are presented below. However, since student numbers

in the next triennium are still being planned, we do not have the figures for the 2004-05 academic year and beyond.

		<i>(headcount)</i>		
		<i>Academic Year</i>		
		<i>2001-02</i>	<i>2002-03#</i>	<i>2003-04#</i>
 Undergraduate programmes				
(1)	Medicine	316	301	280
(2)	Nursing	273	329	395
(3)	Dental Surgery	50	50	50
(4)	Optometry	29	35	30
(5)	Occupational Therapy	80	65	50
(6)	Pharmacy	31	30	30
(7)	Physiotherapy	126	105	80
(8)	Health Technology (Prosthetics and Orthotics)	28	30	30
(9)	Radiography	47	36	42
(10)	Speech and Hearing Sciences	44	40	34
 Higher Diploma programmes				
(11)	Nursing	160	160	230
(12)	Biomedical Science	39	40	40
#	Planned figures			

- (c) According to the annual graduate employment surveys conducted by the UGC-funded institutions, the employment situation of full-time graduates of the relevant first degree programmes as at the end of the graduation year between 1998 and 2001 is set out at Annex II. The employment situation of graduates in 2002 is not yet available.
- (d) The number of staff recruited by the Department of Health (DH), the Social Welfare Department (SWD), the Hospital Authority (HA) and the Prince Philip Dental Hospital (PPDH) in the past five years are as follows:

		<i>Number of staff recruited*</i>				
		<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>	<i>2001-02</i>
(1)	Medicine	390	347	309	330	344
(2)	Nursing	1 502	1 575	1 086	1 229	1 407
(3)	Dental Surgery	19	21	13	16	14
(4)	Optometry	6	0	3	1	2
(5)	Occupational Therapy	50	43	24	33	32
(6)	Pharmacy	15	19	12	14	36
(7)	Physiotherapy	73	64	20	46	46
(8)	Prosthetics and Orthotics	0	7	3	3	4
(9)	Radiography	69	35	6	36	22
(10)	Speech Therapy	13	4	4	4	6

Note

* There is no separate statistics on the number of fresh graduates recruited.

The number of staff to be recruited in future years would depend primarily on service need. The emphasis of the future health care system will be placed more on primary health care, ambulatory care and community care programmes. This will result in greater demand for a multi-skilled health care workforce and provide more flexibility in manpower planning. As far as the terms of employment is concerned, the HA and the PPDH have been employing staff on contract terms. Regarding the two government departments, that is, the SWD and the DH, about half of their new recruits in the past five years were employed on civil service terms while the rest were on non-civil service contract terms.

Annex I

Annual expenditure and number of first degree graduates in UGC sector

(1) Medicine

<i>Academic Year</i>	<i>(\$'000) for costs</i>			
	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost ^{Note}	566	558	609	623
Number of Graduates	285	313	300	313
Total Cost	161,310	174,654	182,700	194,999

Note: The average annual student unit costs of the UGC-funded programmes represent the unit cost per full-time equivalent student by academic programme categories (instead of individual programmes).

(2) Nursing

<i>Academic Year</i>	<i>(\$'000) for costs</i>			
	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost	250	221	226	239
Number of Graduates	83	156	155	174
Total Cost	20,750	34,476	35,030	41,586

(3) Dental Surgery

<i>Academic Year</i>	<i>(\$'000) for costs</i>			
	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost	614	527	542	592
Number of Graduates	42	50	58	45
Total Cost	25,788	26,350	31,436	26,640

(4) Optometry

<i>Academic Year</i>	<i>(\$'000) for costs</i>			
	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost	230	197	210	230
Number of Graduates	26	33	29	30
Total Cost	5,980	6,501	6,090	6,900

(5) Occupational Therapy

<i>Academic Year</i>	<i>(\$'000) for costs</i>			
	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost	230	197	210	230
Number of Graduates	43	49	53	85
Total Cost	9,890	9,653	11,130	19,550

(6) Pharmacy

<i>Academic Year</i>	<i>(\$'000) for costs</i>			
	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost	299	262	268	282
Number of Graduates	26	27	22	22
Total Cost	7,774	7,074	5,896	6,204

(7) Physiotherapy

(\$'000) for costs

<i>Academic Year</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost	230	197	210	230
Number of Graduates	81	99	99	141
Total Cost	18,630	19,503	20,790	32,430

(8) Health Technology (Prosthetics and Orthotics)

(\$'000) for costs

<i>Academic Year</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost	230	197	210	230
Number of Graduates	18	26	22	24
Total Cost	4,140	5,122	4,620	5,520

(9) Radiography

(\$'000) for costs

<i>Academic Year</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost	230	197	210	230
Number of Graduates	69	70	66	62
Total Cost	15,870	13,790	13,860	14,260

(10) Speech and Hearing Sciences

(\$'000) for costs

<i>Academic Year</i>	<i>1997-98</i>	<i>1998-99</i>	<i>1999-2000</i>	<i>2000-01</i>
Student Unit Cost	262	255	232	225
Number of Graduates	18	29	34	41
Total Cost	4,716	7,395	7,888	9,225

Annex II

Employment situation of full-time first degree graduates at the end of the graduation year

(1) Medicine¹

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	285	313	300	313
Number of responded graduates	198 (69%)	234 (75%)	246 (82%)	261 (83%)
Number of responded graduates in full-time employment	196 (99%)	229 (98%)	246 (100%)	260 (100%)
Number of responded graduates employed in areas related to their own discipline ²	196 (100%)	229 (100%)	246 (100%)	260 (100%)
Average annual starting salary of responded graduates in full-time employment in all occupations ³	\$628,000	\$600,000	\$513,000	\$518,000

(2) Nursing

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	83	156	155	174
Number of responded graduates	62 (75%)	135 (87%)	146 (94%)	159 (91%)

1 The results of graduate employment survey on medical graduates refer to the employment situation after the one-year internship. The number of full-time medical graduates refers to the graduates a year ago (that is, before internship).

2 The percentage in bracket shows the ratio of responded graduates in full-time employment who are engaged in areas related to their own disciplines.

3 The average annual starting salary includes commission and other cash allowance.

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of responded graduates in full-time employment	60 (97%)	130 (96%)	146 (100%)	158 (99%)
Number of responded graduates employed in areas related to their own discipline	59 (98%)	125 (96%)	139 (95%)	156 (99%)
Average annual starting salary of responded graduates in full-time employment in all occupations	\$295,000	\$266,000	\$240,000	\$240,000

(3) Dental Surgery

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	42	50	58	45
Number of responded graduates	40 (95%)	45 (90%)	52 (90%)	43 (96%)
Number of responded graduates in full-time employment	40 (100%)	45 (100%)	41 (79%)	39 (91%)
Number of responded graduates employed in areas related to their own discipline	40 (100%)	45 (100%)	41 (100%)	39 (100%)
Average annual starting salary of responded graduates in full-time employment in all occupations	\$304,000	\$264,000	\$279,000	\$251,000

(4) Optometry

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	26	33	29	30
Number of responded graduates	22 (85%)	32 (97%)	27 (93%)	29 (97%)

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of responded graduates in full-time employment	19 (86%)	28 (88%)	27 (100%)	26 (90%)
Number of responded graduates employed in areas related to their own discipline	18 (95%)	26 (93%)	24 (89%)	26 (100%)
Average annual starting salary of responded graduates in full-time employment in all occupations	\$199,000	\$189,000	\$212,000	\$211,000

(5) Occupational Therapy

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	43	49	53	85
Number of responded graduates	41 (95%)	49 (100%)	51 (96%)	82 (96%)
Number of responded graduates in full-time employment	39 (95%)	46 (94%)	48 (94%)	66 (80%)
Number of responded graduates employed in areas related to their own discipline	35 (90%)	42 (91%)	36 (75%)	48 (73%)
Average annual starting salary of responded graduates in full-time employment in all occupations	\$248,000	\$236,000	\$204,000	\$186,000

(6) Pharmacy

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	31	29	25	32
Number of responded graduates	26 (84%)	27 (93%)	22 (88%)	22 (69%)

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of responded graduates in full-time employment	26 (100%)	27 (100%)	22 (100%)	22 (100%)
Number of responded graduates employed in areas related to their own discipline	26 (100%)	26 (96%)	22 (100%)	22 (100%)
Average annual starting salary of responded graduates in full-time employment in all occupations	\$181,000	\$181,000	\$139,000	\$142,000

(7) Physiotherapy

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	81	99	99	141
Number of responded graduates	70 (86%)	97 (98%)	94 (95%)	133 (94%)
Number of responded graduates in full-time employment	65 (93%)	63 (65%)	77 (82%)	107 (80%)
Number of responded graduates employed in areas related to their own discipline	65 (100%)	45 (71%)	60 (78%)	82 (77%)
Average annual starting salary of responded graduates in full-time employment in all occupations	\$241,000	\$230,000	\$193,000	\$177,000

(8) Health Technology (Prosthetics and Orthotics)

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	18	26	22	24
Number of responded graduates	15 (83%)	25 (96%)	22 (100%)	23 (96%)

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of responded graduates in full-time employment	15 (100%)	18 (72%)	16 (73%)	20 (87%)
Number of responded graduates employed in areas related to their own discipline	12 (80%)	12 (67%)	3 (19%)	5 (25%)
Average annual starting salary of responded graduates in full-time employment in all occupations	\$221,000	\$157,000	\$141,000	\$145,000

(9) Radiography

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	69	70	66	62
Number of responded graduates	61 (88%)	66 (94%)	62 (94%)	53 (85%)
Number of responded graduates in full-time employment	46 (75%)	51 (77%)	57 (92%)	48 (91%)
Number of responded graduates employed in areas related to their own discipline	33 (72%)	35 (69%)	34 (60%)	26 (54%)
Average annual starting salary of responded graduates in full-time employment in all occupations	\$217,000	\$145,000	\$158,000	\$142,000

(10) Speech and Hearing Sciences

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of full-time graduates	18	29	34	41
Number of responded graduates	18 (100%)	28 (97%)	32 (94%)	36 (88%)

<i>Year of Graduation</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Number of responded graduates in full-time employment	17 (94%)	27 (96%)	29 (91%)	36 (100%)
Number of responded graduates employed in areas related to their own discipline	17 (100%)	25 (93%)	29 (100%)	30 (83%)
Average annual starting salary of responded graduates in full-time employment in all occupations	\$284,000	\$275,000	\$215,000	\$216,000

Promoting the Use of Open Source Software

11. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, it is learnt that, since June 2000, the European Union (EU) has implemented the "eEurope" Plan to promote the use of Open Source Software (OSS) in the public sector and encourage its member states to use OSS for the implementation of e-government projects, so as to set an example for the private sector. The "e-Government Interoperability Framework" Plan introduced by the United Kingdom in the same year has also formulated a clear policy on the use of OSS. France, Brazil, Spain, Mexico and Peru have drawn up relevant legislation or rules for the use of OSS. Moreover, Germany, Malaysia and the Mainland have promoted the use of OSS through non-legislative means. In this connection, will the Government inform this Council whether:*

- (a) *it has knowledge of the plans implemented and the measures adopted by the above organizations and countries in promoting the use of OSS; and*
- (b) *it will consider making reference to the overseas experience concerned so as to promote the use of OSS in Hong Kong; if so, of the details; if not, the reasons for that?*

SECRETARY FOR COMMERCE, INDUSTRY AND TECHNOLOGY (in Chinese): Madam President,

- (a) The EU announced its new "eEurope 2005" policy in mid-2002, under which member states will exchange experience and promote

the use of OSS in the public sector. The EU is also examining the necessary prerequisites for the sharing of OSS software. We are closely monitoring the progress of the examination work.

The British Government also implements a policy on the use of OSS. It requires government entities to maximize cost-effectiveness by considering both OSS and proprietary software in the procurement of information technology products.

We have also taken note of reports regarding promotion of OSS by the governments of France, Brazil, the Mainland and other places, but so far no specific official information has been obtained. We will continue to keep in view the use of OSS in other governments.

- (b) OSS technology is conducive to the development of the software market. It also provides a wider choice of software products, and the competition arising from product diversification will enable software users to obtain better value for money and have access to goods and services of better quality. We have formulated policies and issued guidelines to encourage and assist government departments to adopt OSS. This will also set an example for the private sector to follow so as to drive the adoption of OSS in Hong Kong.

It is the Government's established policy to adopt, as far as possible, software products of open standards as supporting platforms for application systems. When deciding which software product to use, we will consider the product's functions, maintenance services, compatibility with other software, security features and cost-effectiveness. The Information Technology Services Department (ITSD) has issued a circular to all departments, urging them to consider different types of software including OSS in procurement and, based on the principle of cost-effectiveness, select among the products which meet basic functional requirements the one that offers best value for money. The Government is now drawing up an Interoperability Framework, which will provide reference to departments in selecting software products and designing their

systems. The Framework will enhance interoperability of the systems of different government departments, as well as between government and external systems. It will also indirectly promote and accelerate the development of the local software industry and bring down the cost of software development.

As regards concrete initiatives taken by the Government to promote the use of OSS in government departments, these mainly include enhancing the awareness of OSS among the management and technical staff of departments, as well as assisting departments in choosing software products, including OSS products. Information on technology, products, services, procurement, suppliers, and so on, provided by the ITSD through its Information Technology Solution Centre also covers OSS. Details about the special features and limitations of individual products will enable user departments to acquire more comprehensive knowledge about the concerned products and help them make the right choice. In addition, a series of activities was organized by the ITSD and suppliers this year to promote open source technology among government departments, and over 900 public officers had participated. The ITSD has also arranged for 16 departments to test the products of a number of OSS suppliers in order to provide them with better product knowledge so as to facilitate them in considering whether the products should be adopted.

At present, the software portion of the Government's computer bulk contracts covers a wide variety of products, including OSS. So far over 290 systems in about 30 departments have been using OSS products.

Apart from promotion of the use of OSS within the Government, the Small and Medium Enterprise (SME) Development Fund has also approved in principle the allocation of funds to two local support organizations for setting up OSS solutions/resource centres to provide OSS information, solutions and support services to SMEs so

as to encourage and assist them in the adoption of OSS. This will help increase the cost-effectiveness for SMEs in applying information technology to enhance their competitiveness.

As stated in (a) above, we will keep in view the developments in other places and make reference to experience elsewhere for promoting the use of OSS in Hong Kong.

Statistics on Patients of A&E Departments in Public Hospitals

12. **MR FREDERICK FUNG** (in Chinese): *Madam President, will the Government inform this Council of the following, broken down by the patients' age profile (in age groups each covering five years):*

- (a) *the number of attendances at the accident and emergency (A&E) departments of public hospitals in each of the past five years; and*
- (b) *a breakdown of the numbers in (a), according to the patients' triage categories based on the urgency of their cases?*

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

(a) and (b)

The number of attendances (for age group 0-4, age groups 5-54 each covering 10 years, age groups above 55-84 each covering five years and age group above 84) at the A&E departments of the Hospital Authority (HA) during 1999 to 2001, with breakdown according to five triage categories, is at Annex. The HA only started to implement the standardized five-category triage system in its A&E departments in 1999. Comprehensive statistics broken down by standardized triage categories prior to 1999 are not readily available. Also, attendance statistics for age groups 5-54 and age group above 84 broken down by age groups each covering five years are not readily available.

Number of first attendances at the HA's A&E Departments in 1999

Age Group	Total		Triage I (Critical Cases)		Triage II (Emergency Cases)		Triage III (Urgent Cases)		Triage IV (Semi-urgent Cases)		Triage V (Non-urgent Cases)		Not Classified*	
	No. of Attendances	% [@]	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}
0-4	240 092	10.6	383	0.2	1 579	0.7	47 393	19.7	159 116	66.3	25 922	10.8	5 699	2.4
5-14	238 227	10.5	288	0.1	968	0.4	26 520	11.1	162 428	68.2	42 410	17.8	5 613	2.4
15-24	328 481	14.5	848	0.3	2 875	0.9	41 484	12.6	211 270	64.3	60 859	18.5	11 145	3.4
25-34	308 285	13.6	1 088	0.4	3 136	1.0	47 427	15.4	193 156	62.7	54 735	17.8	8 743	2.8
35-44	317 441	14.0	1 200	0.4	3 118	1.0	47 928	15.1	201 242	63.4	57 029	18.0	6 924	2.2
45-54	236 114	10.4	1 161	0.5	2 989	1.3	42 911	18.2	144 718	61.3	39 868	16.9	4 467	1.9
55-59	77 949	3.4	543	0.7	1 441	1.8	18 157	23.3	44 395	57.0	12 063	15.5	1 350	1.7
60-64	89 010	3.9	804	0.9	2 340	2.6	25 721	28.9	47 122	52.9	11 709	13.2	1 314	1.5
65-69	102 578	4.5	1 179	1.1	3 352	3.3	35 280	34.4	50 601	49.3	10 735	10.5	1 431	1.4
70-74	103 008	4.5	1 440	1.4	4 080	4.0	40 457	39.3	47 271	45.9	8 405	8.2	1 355	1.3
75-79	93 413	4.1	1 527	1.6	4 357	4.7	40 563	43.4	40 125	43.0	5 676	6.1	1 165	1.2
80-84	68 885	3.0	1 299	1.9	3 345	4.9	32 011	46.5	28 196	40.9	3 180	4.6	854	1.2
85+	63 618	2.8	1 354	2.1	3 444	5.4	33 196	52.2	23 243	36.5	1 700	2.7	681	1.1
Not Classified [#]	1 693	0.1	298	17.6	44	2.6	341	20.1	740	43.7	184	10.9	86	5.1
Total	2 268 794	100.0	13 412	0.6	37 068	1.6	479 389	21.1	1 353 623	59.7	334 475	14.7	50 827	2.2

Note: * Triage information not available.

Age information cannot be acquired from patients.

@ Age group total as a percentage of total attendances.

& Triage cases as a percentage of age group total.

Number of first attendances at the HA's A&E Departments in 2000

Age Group	Total		Triage I (Critical Cases)		Triage II (Emergency Cases)		Triage III (Urgent Cases)		Triage IV (Semi-urgent Cases)		Triage V (Non-urgent Cases)		Not Classified*	
	No. of Attendances	% [@]	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}
0-4	217 437	9.4	365	0.2	1 609	0.7	43 785	20.1	137 850	63.4	29 109	13.4	4 719	2.2
5-14	244 967	10.6	292	0.1	996	0.4	25 903	10.6	157 752	64.4	54 641	22.3	5 383	2.2
15-24	336 498	14.5	810	0.2	3 130	0.9	41 168	12.2	209 495	62.3	70 213	20.9	11 682	3.5
25-34	314 754	13.6	1 185	0.4	3 491	1.1	48 768	15.5	192 529	61.2	59 862	19.0	8 919	2.8
35-44	321 877	13.9	1 203	0.4	3 366	1.0	49 416	15.4	198 676	61.7	62 796	19.5	6 420	2.0
45-54	255 185	11.0	1 340	0.5	3 328	1.3	46 099	18.1	153 939	60.3	46 372	18.2	4 107	1.6
55-59	78 969	3.4	602	0.8	1 515	1.9	18 293	23.2	44 548	56.4	12 861	16.3	1 150	1.5
60-64	88 387	3.8	843	1.0	2 312	2.6	25 348	28.7	46 356	52.4	12 448	14.1	1 080	1.2
65-69	103 664	4.5	1 279	1.2	3 542	3.4	35 217	34.0	50 687	48.9	11 764	11.3	1 175	1.1
70-74	109 546	4.7	1 615	1.5	4 522	4.1	42 284	38.6	50 612	46.2	9 466	8.6	1 047	1.0
75-79	98 472	4.3	1 690	1.7	4 682	4.8	42 122	42.8	42 643	43.3	6 493	6.6	842	0.9
80-84	74 177	3.2	1 356	1.8	3 869	5.2	34 420	46.4	30 544	41.2	3 469	4.7	519	0.7
85+	70 029	3.0	1 705	2.4	4 075	5.8	36 383	52.0	25 624	36.6	1 771	2.5	471	0.7
Not Classified [#]	1 313	0.1	212	16.1	41	3.1	224	17.1	605	46.1	164	12.5	67	5.1
Total	2 315 275	100.0	14 497	0.6	40 478	1.7	489 430	21.1	1 341 860	58.0	381 429	16.5	47 581	2.1

Note: * Triage information not available.

Age information cannot be acquired from patients.

@ Age group total as a percentage of total attendances.

& Triage cases as a percentage of age group total.

Number of first attendances at the HA's A&E Departments in 2001

Age Group	Total		Triage I (Critical Cases)		Triage II (Emergency Cases)		Triage III (Urgent Cases)		Triage IV (Semi-urgent Cases)		Triage V (Non-urgent Cases)		Not Classified*	
	No. of Attendances	% [@]	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}	No. of Attendances	% ^{&}
0-4	222 378	9.2	333	0.1	1 480	0.7	45 120	20.3	146 192	65.7	26 405	11.9	2 848	1.3
5-14	256 050	10.6	312	0.1	1 039	0.4	28 625	11.2	171 840	67.1	50 842	19.9	3 392	1.3
15-24	327 451	13.6	751	0.2	3 148	1.0	41 408	12.6	216 336	66.1	59 057	18.0	6 751	2.1
25-34	322 165	13.4	1 153	0.4	3 664	1.1	50 948	15.8	206 752	64.2	54 164	16.8	5 484	1.7
35-44	333 632	13.8	1 252	0.4	3 554	1.1	51 921	15.6	214 181	64.2	58 872	17.6	3 852	1.2
45-54	283 794	11.8	1 383	0.5	3 740	1.3	51 895	18.3	177 592	62.6	46 511	16.4	2 673	0.9
55-59	85 701	3.6	575	0.7	1 498	1.7	19 849	23.2	50 198	58.6	12 842	15.0	739	0.9
60-64	90 070	3.7	803	0.9	2 227	2.5	25 622	28.4	49 032	54.4	11 695	13.0	691	0.8
65-69	108 292	4.5	1 243	1.1	3 628	3.4	36 550	33.8	55 178	51.0	11 022	10.2	671	0.6
70-74	117 619	4.9	1 561	1.3	4 570	3.9	45 636	38.8	56 133	47.7	9 089	7.7	630	0.5
75-79	105 294	4.4	1 778	1.7	4 849	4.6	45 237	43.0	46 912	44.6	6 003	5.7	515	0.5
80-84	79 692	3.3	1 444	1.8	4 090	5.1	37 846	47.5	32 809	41.2	3 165	4.0	338	0.4
85+	77 386	3.2	1 868	2.4	4546	5.9	41 353	53.4	27 677	35.8	1 645	2.1	297	0.4
Not Classified [#]	1 162	0.0	216	18.6	36	3.1	210	18.1	552	47.5	108	9.3	40	3.4
Total	2 410 686	100.0	14 672	0.6	42 069	1.7	522 220	21.7	1 451 384	60.2	351 420	14.6	28 921	1.2

Note: * Triage information not available.

Age information cannot be acquired from patients.

@ Age group total as a percentage of total attendances.

& Triage cases as a percentage of age group total.

Alleviating Living Conditions of Over-crowded Families

13. **MR ALBERT CHAN** (in Chinese): *Madam President, at present, a significant number of residents live in small flats with limited space for manoeuvring. The situation is particularly grave among over-crowded families living in public rental housing (PRH) estates. In this connection, will the Government inform this Council:*

- (a) *of the respective numbers of households in PRH and private housing with living space per person under 5.5 sq m, the smallest living space per person and the number of such households;*
- (b) *whether it has assessed if the living conditions of overcrowded families have affected the overall quality of life of Hong Kong residents and are detrimental to the growth of children and young people; and*
- (c) *whether the Administration has laid down an overall policy to alleviate the living conditions of the overcrowded families; if so, of the details of the policy and its implementation; if not, the reasons for that?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President, my reply to the three-part question is as follows:

- (a) For PRH, as at September 2002, there are 10 324 families with a living area of less than 5.5 sq m Internal Floor Area^{Note 1} (IFA) per person, constituting 1.7% of the total number of public rental households. The smallest living space is about 2 sq m IFA per person, with five households having this space provision. Of them, three households had been offered over-crowding relief but had refused. One household became over-crowded recently as a result of addition of three newly-arrived children. All these households will be invited to apply for transfer to bigger flats under the Territory-wide Over-crowding Relief Scheme, which is described in part (c) of my reply. The remaining household is under investigation of suspected tenancy abuse.

Note 1 Internal Floor Area (IFA) is the total area inside the flat measured to the internal face of external and/or party walls (that is, common walls between two flats).

We have no comparable figures for private housing, where living density is normally expressed in terms of Saleable Area per person. Nevertheless, according to the findings of the Survey of Housing Aspirations of Households conducted in 1999, about 10 000 families renting private permanent housing (about 3% of total) have a living area of less than 5.5 sq m Saleable Area per person. We do not have information on the smallest living area per person in private-sector accommodation.

- (b) While we have not conducted any socio-economic research on the effect of over-crowding on residents and the young, we reckon that adequate living space is an important facet of quality life and residents' general well-being. Therefore, in the past five years, we have undertaken a vigorous rehousing programme to improve the living conditions of some 231 000 households in both private and public housing, benefitting about 205 000 children and young people aged under 20, through the Waiting List for PRH, redevelopment of old estates, squatter clearances and provision of over-crowding relief.
- (c) The central tenet of the Government's housing policy is to help all households gain access to affordable and decent housing. In line with this overall direction, over-crowded households in private housing who meet the prevailing income and asset eligibility limits are encouraged to apply for PRH to improve their living conditions. Families in public housing who have become over-crowded as a result of inclusion of new household members can apply for transfer to bigger flats if their living space per person falls below 5.5 sq m IFA.

To make better use of the resources for over-crowding relief, in January 2001 the Housing Authority approved the implementation of the Territory-wide Over-crowding Relief Scheme. So far three exercises were launched with 9 170 flats in various parts of the territory available for allocation. A total of 7 480 eligible over-crowded families applied for transfer under these exercises and 3 310 of them had transferred to bigger flats of their choice.

Moreover, the Housing Authority also launches transfer exercises several times a year subject to availability of suitable flats. Tenants who are not eligible for over-crowding relief can apply for transfer to more spacious flats through these exercises.

Cross-boundary Coach Service

14. **MISS CHAN YUEN-HAN** (in Chinese): *Madam President, it is learnt that there are quite a number of public bus routes in the Mainland connecting different provinces and cities, with designated terminals for selling tickets and for boarding and alighting. In Hong Kong, people rely mostly on trains as the means of land transportation for travelling to and from the Mainland, and cross-boundary coach routes are limited and without a designated venue for selling tickets and boarding and alighting. In this connection, will the Government inform this Council whether it will consider encouraging the provision of more coach routes between Hong Kong and different provinces and cities in the Mainland and designating venues for selling tickets and for boarding and alighting in Hong Kong, so as to relieve the pressure on trains and the Lo Wu Boundary Crossing; if not, of the reasons for that?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, the railway, which is an environmentally-friendly mass carrier with high carrying capacity and operating frequency, is the major land transport mode for cross-boundary passengers. Other land transport alternatives include the cross-boundary shuttle bus service running between Lok Ma Chau and Huanggang, and cross-boundary coach services operating via the three land crossings at Lok Ma Chau, Man Kam To and Sha Tau Kok.

At present, there are about 680 cross-boundary coaches operating some 150 routes between different parts of Hong Kong and destinations in the Mainland, mostly in the main cities in the Pearl River Delta Region. The choice of destinations outside Hong Kong is the commercial decision of individual operators and is subject to the approval of the relevant mainland authorities.

Cross-boundary coach services operate under a quota system jointly administered by the Hong Kong and mainland authorities. The purpose of the quota system is to prevent overloading of the limited capacity of the boundary clearance facilities. The quota for cross-boundary coach services is regularly reviewed by the Hong Kong and mainland authorities, having regard to factors including passenger demand for coach services and capacity constraints at the crossing points.

Passengers of cross-boundary coach services can board and alight at locations in Hong Kong at the choice of the operators, subject to the approval of the Transport Department which would take into account factors such as passenger convenience, road safety and traffic situations in considering operators' applications. The Government is also providing off-street termini at suitable public transport interchanges to facilitate passenger accessibility and convenient interchange with other public transport services. Passengers can buy tickets from the operators at these termini, operators' sales offices, or through travel agents and by advance booking through telephone and Internet.

In addition to the off-street cross-boundary coach terminus (CBCT) at Austin Road in Tsim Sha Tsui, six new CBCTs are planned for completion in the next five years — one on Hong Kong Island, three in Kowloon and two in the New Territories.

Traffic Accidents Involving Professional Drivers

15. **MR LAU KONG-WAH** (in Chinese): *Madam President, regarding traffic accidents involving professional drivers, will the Government inform this Council:*

- (a) *of the number of serious traffic accidents involving vehicles driven by such drivers in each of the past three years, together with a breakdown by the types of vehicles; and whether such figures have shown an upward trend on a yearly basis;*
- (b) *whether it has studied the correlation between long working hours of such drivers and the incidence of traffic accidents; if so, of the conclusions and the relevant data; and*

- (c) *whether it knows the normal duration of rest breaks available to bus drivers of each franchised bus company after completing each bus journey; whether it has assessed if the duration of such rest breaks is adequate; if it is assessed to be inadequate, whether it will require the bus companies concerned to extend the duration of such rest breaks?*

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Chinese): Madam President, the number of professional drivers involved in serious road traffic accidents in 1999, 2000 and 2001 were 2 078, 2 131 and 2 232 respectively. Breakdown by class of vehicle in the past three years is set out in the table below:

<i>Class of Vehicle</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Light Goods Vehicle	645	663	659
Medium and Heavy Goods Vehicle	271	264	292
Public Bus (including franchised and non-franchised)	421	382	423
Taxi	466	547	616
Public Light Bus	233	237	196
Private Light Bus	10	17	16
Tram	19	13	26
Light Rail Vehicle	13	8	4
Total	2 078	2 131	2 232

During the past three years, the number of professional drivers of the various classes of vehicle involved in serious road traffic accidents remains at more or less the same level except for taxi which showed an upward trend. A series of measures have been introduced by the Transport Department to raise the safety awareness among professional drivers, especially taxi drivers. The Administration monitors and will continue to closely monitor the accident statistics of the different classes of vehicles to ensure that timely and appropriate actions will be taken where necessary. We do not have information on the working hours of drivers involved in these traffic accidents.

The Transport Department has provided guidelines to franchised bus operators regarding break times for bus drivers, which *inter alia* state that

drivers should have a break of at least 30 minutes after six hours of duty and within that six-hour duty the driver should have a total service break of at least 20 minutes. Franchised bus operators generally follow this guideline and arrange for bus drivers' rest breaks after completing each bus journey having regard to their respective operational requirements and conditions.

Efforts Against Crimes Involving Credit Cards

16. **MRS SELINA CHOW** (in Chinese): *Madam President, it was reported that the number of crimes involving credit cards, including theft of credit cards, use of counterfeit credit cards, or using false information to apply for credit cards, and so on, was higher around the Christmas holidays last year than the ordinary days. In this connection, will the Government inform this Council of the measures the police will take to step up efforts against such crimes during the coming Christmas?*

SECRETARY FOR SECURITY (in Chinese): Madam President, in partnership with the credit card industry, the police have organized a number of educational programmes to raise the awareness of the public and merchants on credit card fraud. An example was a three-day seminar organized at the Hong Kong Cultural Centre in October 2002 in which over 400 participants attended. On 6 November 2002, a similar seminar will be held in conjunction with the hotel industry for approximately 100 participants. The distribution of educational pamphlets to heighten the awareness of credit card fraud would also be jointly conducted by the police and the credit card industry in the run-up to this coming Christmas.

For the first 10 months of this year, police enforcement action has resulted in the seizure of over 1 400 counterfeit credit cards and 130 persons have been arrested in connection with the seizure. In October 2002, a total of three syndicates engaged in credit card fraud have been successfully neutralized. The police will continue to conduct intelligence-based operations to suppress this kind of criminal activity. When compared with the corresponding period in 2001, the industry has reported a drop of approximately 30% in credit card fraud loss for the first six months of this year.

Arrangements of Housing Department for Single Persons

17. **DR RAYMOND HO** (in Chinese): *Madam President, regarding the Housing Department's arrangement for single person households to share public rental housing (PRH) units with unrelated single persons, or to move into PRH units with shared use of common facilities, will the Government inform this Council of:*

- (a) *the criteria for allocating such flats to PRH applicants prior to November 2001;*
- (b) *the number of cases in which applications for transfer were made because of grudges against fellow occupants in the past three years; and*
- (c) *the current respective numbers of these flats and self-contained one-person units available for application for transfer?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President, my reply to the three-part question is as follows:

- (a) In the past when the supply of self-contained single-person flats were inadequate, family flats were partitioned into small units with shared common facilities for allocation to single persons meeting the eligibility criteria for PRH. These partitioned flats, together with self-contained small flats, were allocated at random by computer to eligible single persons, who were allowed to choose from a maximum of three offers. Since November 2001, the Housing Authority has ceased to allocate partitioned flats.
- (b) If disputes arise among occupants of partitioned flats, staff of the Housing Department will first give them counselling. Special transfers will be arranged for those with persistent sharing problems. In the past three years, 202 applications for special transfers were made and accepted.
- (c) As explained in (a) above, partitioned flats are no longer open for allocation. There are still about 4 300 households living in

partitioned flats. To improve their living conditions, in 2002 we launched two transfer exercises for these households and have made available 1 000 flats in different estates in Tuen Mun and 230 flats in Sau Mau Ping, Po Tat and Tsz Ching Estates for the purpose. A total of 236 tenants of partitioned flats had applied for transfer under these exercises.

Holding Territory-wide Sports Competitions at LCSD Venues

18. **MISS CHOY SO-YUK** (in Chinese): *Madam President, I have learnt that it is the practice of the Leisure and Cultural Services Department (LCSD) to require applicants for using its venues to hold territory-wide sports events must have the prior consent of the relevant National Sports Associations (NSAs) of the Sports Federation and Olympic Committee of Hong Kong, China (SF&OC). However, the LCSD has recently rented out its sports venue to a local amateur basketball association for holding a territory-wide basketball competition without consulting the Hong Kong Basketball Association of SF&OC. In this connection, will the Government inform this council:*

- (a) *whether the LCSD has changed its practice to allow any organization to apply for the use of its venues to hold territory-wide sports competitions without the prior consent of the relevant NSAs of SF&OC; if so, of the reasons for such a change;*
- (b) *if the LCSD has changed its practice, whether it has considered if such a change will:*
 - (i) *cause the public to doubt the representativeness of the territory-wide sports competitions held at the LCSD venues and the recognition of such competitions by the relevant NSAs; and*
 - (ii) *discourage the public from participating in sports competitions and affect the standards of play and selection of local athletes, thereby undermining Hong Kong's reputation in the international sports arena;*

- (c) *if the LCSD has not changed its practice, of the reasons for not adhering to this practice in approving the venue application in respect of the above-mentioned basketball competition; and*
- (d) *of the criteria adopted by the LCSD for approving future applications for using its venues to hold territory-wide sports competitions?*

SECRETARY FOR HOME AFFAIRS (in Chinese): Madam President, my reply to the Honourable Member's questions are as follows:

(a) to (d)

The LCSD has no regulation requiring that the applicants for the use of its venues for territory-wide sports event must be the NSAs or organizations endorsed by the NSAs. According to the current booking policy of the LCSD, any members of the public or *bona fide* organizations can hire the LCSD facilities for recreation and sports activities. However, higher priority is given to the NSAs and schools. They may reserve the LCSD venues one year in advance to facilitate event co-ordination and preparation, whereas other *bona fide* organizations and members of the public can make reservations three months and one month in advance respectively. The policy is fair, impartial and open. There has not been any special arrangements made or departure from the established policy.

Rentals of Market Stalls Outsourced by Housing Authority to Single Operators

19. **DR DAVID CHU** (in Chinese): *Madam President, it has been reported that the rentals of some market stalls outsourced by the Housing Authority (HA) to single operators have, instead of decreasing in line with the HA's rent rebate scheme, risen against the market trend at a time of economic downturn, causing grievances among the tenants of the markets concerned. In this connection, will the Government inform this Council:*

- (a) *of the respective median rents of market stalls of various outsourced markets before and after the outsourcing;*
- (b) *as there is no provision in the tenancy agreements between the HA and single operators for regulating the levels of rental adjustments for the stalls of the markets concerned, and the tenants of the markets concerned are experiencing business hardship, whether the Housing Department (HD) will consider strengthening its regulation over the rentals of market stalls determined by single operators;*
- (c) *of a breakdown by subject of the numbers of complaints against single operators received by the HD in each of the past five years; and*
- (d) *of the measures (such as punitive measures) adopted by the HD, apart from assessing the performance of single operators and not renewing the tenancy agreements with those who have failed to meet the required performance standard, to ensure that the quality of services provided by single operators during their agreement period is up to the HD's prescribed standard?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese):
Madam President, my reply to the four-part question is as follows:

- (a) As at 30 September 2002, the median rent of market stalls in Single Operator Markets is \$499 per sq m. As only new markets are outsourced to Single Operators, there is no information on the rental levels of market stalls before outsourcing.
- (b) The Single Operator Market Scheme aims to tap into the experience of the private sector in the management of markets. For the Scheme to achieve its objective, Single Operators should be given sufficient flexibility to manage their markets and respond to changing circumstances. In line with this principle, the rents of individual stalls are negotiated and agreed contractually between the Single Operators and their licensees. Notwithstanding, the HD monitors the rental charges and any subsequent adjustments by requiring the Single Operators to report the rental levels charged for each and every market stall.

To assist commercial tenants including those of Single Operator Markets to tide over the current economic downturn, the HA conducted a rent reassessment exercise in November 2001. The Single Operators are required to pass on the rent reductions they have received to their licensees in full, and freeze stall rentals at the reduced levels for three years, or for the residual contract terms of the Single Operators concerned.

- (c) In the past five years from 1998 to 2002, the HD has received a total of 42 complaints against Single Operators. Most of these complaints concern the designation and mix of trades and market management. Details are set out at the Annex.
- (d) The performance of Single Operators is appraised bi-monthly through regular visits to the markets by HD staff, customer opinion surveys and contacts with licensees. Operators who fail to meet the prescribed service standards will be asked, by means of written warnings and interviews, to improve their performance. If the operator fails to improve upon warning, apart from non-renewal of contract after completion, the HD also has the ultimate right to re-enter the premises and terminate the tenancy, and remove the operator from the approved list of operators qualified for future tenders.

Annex

Complaints against Single Operators in the past five years

<i>Nature of Complaint</i>	<i>Number of Complaints</i>					<i>Total</i>
	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002*</i>	
1. Profiteering	-	1	2	1	1	5
2. Trades Mix/Designation	1	-	1	3	6	11
3. Market Management	3	-	1	5	3	12
4. Licence Terms or Charges	2	-	2	2	1	7
5. Insufficient Air-conditioning Supply	-	1	1	2	3	7
Total	6	2	7	13	14	42

* Up to 30 September 2002

Management Problems in Outsourced Markets

20. **MR SIN CHUNG-KAI** (in Chinese): *Madam President, it is learnt that the tenants of Kwai Shing East Estate Market, which is one of the markets outsourced by the Housing Authority (HA) to single operators (outsourced markets) for management, went on a two-day strike in early October this year due to unreasonable rents, and air-conditioning, management and other fees charged by the single operator. In this connection, will the Government inform this Council whether:*

- (a) *it knows how the single operators calculate the air-conditioning, management and other fees payable by tenants of outsourced markets;*
- (b) *the HA has monitored the fees mentioned in (a) to see if they are reasonable and charged according to the sizes of the market stalls; and how such fees compare to those of the markets managed by the Housing Department (HD); and*
- (c) *the management problems in an outsourced market (such as strikes by market tenants) will be used as a reference when the HA considers whether to renew the tenancy agreement with the single operator; if it will, of the details?*

SECRETARY FOR HOUSING, PLANNING AND LANDS (in Chinese): Madam President, the HD monitors closely the charges imposed on the licensees of Single Operators Markets by their operators. While the rents of individual market stalls are determined and agreed between the operators and their licensees, the levels of rents charged need to be reported to the HD for monitoring purpose.

Fees other than rents include air-conditioning charges, rates and management fees. According to the contract provisions between the HD and the Single Operators, the air-conditioning charges collected from the licensees should be calculated on a cost recovery basis, with the amount payable by each licensee to be derived pro-rata according to his licensed area. Similarly, rates are charged on the basis of the Rating and Valuation Department's assessments on individual market stalls.

As for management fees, in the past Single Operators determined the appropriate levels after taking into account the expenses required for staff salaries, maintenance and repairs, cleansing, promotion drives, and other miscellaneous items such as water and electricity charges, telephone charges, and so on. To forestall disputes between Single Operators and their licensees over management fees, the HA has recently revised the contract conditions for Single Operator Market lettings. For contracts commencing 1 April 2002 or after, Single Operators are not allowed to collect fees other than rents, air-conditioning charges, rates and management fees from their licensees. Air-conditioning charges and rates will continue to be collected on a cost recovery basis. The levels of management charges have to be the same as those stated in the Single Operator's leasing proposal submitted to the HA at tendering stage. Any subsequent increase has to be proportional to the movement in the Nominal Wage Index published by the Census and Statistics Department.

As for comparison between the levels of fees for stalls in Single Operator Markets and markets managed by the HD, the basis for the calculation of rates and air-conditioning is the same in both types of markets. For markets under the HD's direct control, management fees are included in the rents for individual stalls and are not accounted for separately.

The ability of the Single Operator to manage the market effectively and smoothly is the most important factor for the HA to decide whether or not to renew the contract. The HD appraises the performance of Single Operators bi-monthly, having regard to their overall performance and any management problems arising. Since April 2002, the new contract terms provide that the licensees' assessments of the performance of their Operators in running the market will also constitute 15% of the overall appraisal scores.

BILL

Second Reading of Bill

Resumption of Second Reading Debate on Bill

PRESIDENT (Cantonese): Bill. We will resume the Second Reading debate on the Immigration (Amendment) Bill 2001.

IMMIGRATION (AMENDMENT) BILL 2001**Resumption of debate on Second Reading which was moved on 28 November 2001**

PRESIDENT (in Cantonese): Mr James TO, Chairman of the Bills Committee on the Immigration (Amendment) Bill 2001 will speak to this Council on the report of the Bills Committee.

MR JAMES TO (in Cantonese): Madam President, I now speak in my capacity as Chairman of the Bills Committee on Immigration (Amendment) Bill 2001.

It has been a long-standing policy of the Administration to allow mainland residents to enter Hong Kong under official sponsorship by the Central People's Government to work in State organizations or enterprises in Hong Kong. Since the reunification, mainland residents have been entering Hong Kong on the strength of Chinese Travel Permits (CTPs) bearing a relevant exit endorsement for travelling to Hong Kong for employment. Upon review by the Administration and clarification from the mainland authorities on the duties of mainland officials, the Administration has decided that those who are posted to Hong Kong under the directive of the State in their official capacity should not be treated as ordinarily resident in Hong Kong.

The mainland authorities have indicated that there is no intention that these officials shall enter Hong Kong for the purpose of settlement in accordance with Article 22 of the Basic Law. These officials are required by the Central People's Government to return to the Mainland upon expiry of their working assignment in Hong Kong. The Central People's Government has implemented with effect from 11 October 2001 a new administrative measure to clearly identify mainland officials directed to work in Hong Kong. A special endorsement will be stamped on the CTPs of the officials concerned stating that "Holder of this document is a public official of the State directed to work in Hong Kong/Macao Special Administrative Region".

The Immigration (Amendment) Bill 2001 seeks to exclude mainland officials holding CTPs with a specific endorsement from being treated as ordinarily resident in Hong Kong during their stay as such holders.

The main concern of some members of the Bills Committee is whether the Bill is consistent with the Basic Law. They note that some members of the Constitutional Affairs Committee of the Law Society do not think that it is improper of the Legislative Council to pass a piece of local legislation to interpret the Basic Law and the Bill appears to be an attempt to amend the Basic Law to restrict the core constitutional right of certain persons to become permanent residents. It is considered that one should not derogate from, or restrict, the common law meaning of "ordinarily resident".

These members have pointed out that the categories of permanent residents of the Hong Kong Special Administrative Region as set out in Article 24 of the Basic Law include, *inter alia*, Chinese citizens and persons not of Chinese nationality who have ordinarily resided in Hong Kong for a continuous period of not less than seven years. They question the basis for excluding mainland officials who are Chinese citizens from being treated as ordinarily resident in Hong Kong. They think that a generous and purposive approach should be adopted in the interpretation of the Basic Law, especially in matters of basic human rights. The fact that more than 1 400 mainland officials have already acquired the permanent resident status implies that this category of persons has all along been regarded as ordinarily resident in Hong Kong in the context of Article 24 of the Basic Law and the Immigration Ordinance. They consider that the Administration is seeking to impose restrictions on the meaning of "ordinarily resided" in Article 24 of the Basic Law through amendment of local legislation. A member has indicated that she does not support the Bill.

The Administration has noted that the term "ordinarily resided" is not defined in the Basic Law. The term should be interpreted in accordance with its purpose in the context of Article 24 of the Basic Law and with section 2(4) of the Immigration Ordinance, which exclude certain categories of persons from being treated as ordinarily resident during the period of their stay in Hong Kong. The purpose of the Bill is to provide "details" for the implementation of Article 24 of the Basic Law. The Administration stresses that the Bill is legally in order and consistent with the Basic Law.

The Administration has also explained that the Hong Kong Garrison is one of the categories excluded from being treated as ordinarily resident during the period they remain in Hong Kong under section 2(4)(a)(viii) of the Immigration Ordinance. The section was added to the Immigration Ordinance on 1 July 1997. The consistency of the section with the Basic Law has never been called

into question by the Standing Committee of the National People's Congress. The Administration is of the view that the nature of the presence of mainland officials is analogous to that of the Garrison, that is, they are all posted to Hong Kong in their official capacity. In addition, the mainland authorities have made it clear that these mainland officials are not intended to enter Hong Kong for settlement for the purpose of Article 22 para 4 of the Basic Law.

Some members of the Bills Committee support the Bill. They consider that mainland officials directed to work in Hong Kong should be treated on par with members of consular posts or the Hong Kong Garrison. As the Bill will clarify the status of mainland officials posted to work in Hong Kong, they urge for its early enactment in the interest of Hong Kong.

The Bills Committee has requested the Administration to explain why the Bill would have no retrospective effect. The Administration has explained that as the meaning of the term "ordinarily resided" in respect of mainland officials was not certain at the time and therefore it has been construed in favour of those mainland officials who have lived in Hong Kong for seven years or more. As a matter of general legal policy, actions involving retrospectivity should only be considered in exceptional circumstances. The Administration does not consider that the present circumstances justify taking retrospective action to invalidate the permanent resident status of the mainland officials concerned. The Administration has also confirmed that although the Central People's Government has issued the special endorsement with effect from 11 October 2001, the proposed legislative amendment will have no retrospective effect on mainland officials who are eligible for the permanent resident status before commencement of the Bill.

Madam President, the above remarks are made in my capacity as the Chairman of the Bills Committee. I would like to speak now in my personal capacity. Sometime ago, with the permission of Miss Margaret NG, I had read out the speech which was originally supposed to be delivered by her. As all the members of the Democratic Party and I agree with all the contents of Miss Margaret NG's speech, I would not spend time discussing them here. There is one point which I would like to stress and that is, both the Democratic Party and I have never regarded mainland officials who come here to work as ordinarily resident in Hong Kong, hence we would not oppose any policy which excludes them from obtaining the permanent resident status. The only problem now is that both the Democratic Party and I have reservations about the principles and

technicalities behind this piece of legislation and its constitutionality. Therefore, we do not support the motion on the resumption of the Second Reading of this Bill.

I so submit.

MISS MARGARET NG: Madam President, I oppose the Second Reading of the Bill.

Under the Basic Law, this Council can only enact laws which are consistent with the Basic Law. Under Article 24 para 2(2), Chinese citizens who have ordinarily resided in Hong Kong for a continuous period of not less than seven years before or after the establishment of the Hong Kong Special Administrative Region (SAR) is a Hong Kong permanent resident. The SAR has no power to cut down on the rights and status conferred by the Basic Law. If the traumatic right of abode cases have taught us anything, surely it has taught us this.

The crucial, and indeed only, question is: Is a mainland official posted in Hong Kong "ordinarily resident" in Hong Kong? What is important is that the SAR can only implement Article 24 of the Basic Law. It cannot restrict it by defining certain categories of people as not to be treated as "ordinarily resident". Section 2(4) of the Immigration Ordinance explicitly defines certain categories of stay as not to be treated as "ordinarily resident". Some of the categories were already there before the Basic Law came into effect. Other categories were added afterwards. But, whether before or after, a category will stand only if it is compatible with Article 24 of the Basic Law. If not, then it is of no effect and will be struck down by the Court.

Whether the Bill before this Council contravenes the Basic Law depends on how the words "ordinarily resided" in Article 24 should be interpreted. But under Article 158, only the Courts are authorized to interpret the Basic Law in the SAR. This Council has no such power. Insofar as this Bill purports to give a legislative interpretation of Article 24, it must be *ultra vires* and unlawful.

I go further. I believe that the Bill, if enacted, will restrict the meaning of "ordinarily resided", thereby contravening the Basic Law, because, in my view, a mainland official posted to Hong Kong is plainly ordinarily resident in

Hong Kong within the meaning of Article 24. I say this on legal grounds. In *CHONG Fung-yuen vs Director of Immigration*, the Court of Final Appeal (CFA) held that the Basic Law must be interpreted according to the principles of the common law. Under the common law, the term "ordinarily resident" is to be given its natural and ordinary meaning, and what that is depends on the context in which it is used. Now, I may say that the Government relies heavily, indeed almost solely, on the judgement of the CFA in *Fateh MUHAMMAD vs Director of Immigration*. But what the CFA said there is what I have just quoted and no more. In that case, the CFA upheld the exclusion of imprisonment under the Immigration Ordinance as "ordinarily resident", because by its natural and ordinary meaning, imprisonment cannot be considered "ordinarily resident".

The attention of the Bills Committee was drawn to a number of authorities in which the Court considered the meaning of "ordinarily resident" in the context of resident status. They make clear that it has the following characteristics:

- (1) the residence is voluntary;
- (2) it is for settled purposes as part of the regular order of life for the time being, as opposed to residence which is casual, temporary or unusual.

The Government tries to argue that a mainland official's residence in Hong Kong is not "voluntary", because he has no choice in the matter of his posting. He has to obey the posting order of his unit. But this is stretching the meaning of "voluntary" beyond common sense. As the House of Lords explained in an authority provided to the Bills Committee, "voluntary" is to be contrasted with such involuntary stay as "enforced presence by reason of kidnapping or imprisonment, or a Robinson CRUSOE existence on a desert island with no opportunity of escape". Can we seriously put into the same category a posting of a mainland official in the SAR? Madam President, the answer is clearly "no".

Madam President, the strongest evidence that the Government is restricting the ordinary meaning of "ordinarily resident" is that some 1 400 mainland officials have already acquired permanent resident status on the basis that they have ordinarily resided in Hong Kong for seven years or more. If this kind of residence is not ordinary residence, then they should all be disqualified. It is not even for the Government to give or refuse them permanent resident

status. They simply would not qualify under Article 24. The fact that the Government has stated that they will retain their permanent resident status can only mean one thing: It is not a matter of the meaning of "ordinarily resident", but a matter of policy — the policy of whether such mainland officials should be allowed to acquire Hong Kong permanent resident status.

This is borne out by the Government's brief for this Council. Following the introduction of a new administrative measure by the Central People's Government last October, it was decided that mainland officials will be excluded from being treated as ordinarily resident in Hong Kong for the purposes of acquiring permanent resident status.

I have no objection at all to a policy whereby mainland officials posted here should not thereby become Hong Kong permanent residents. Indeed I am astonished that this has been allowed to go on for so long. But policy objectives, however desirable, should not be pursued by doing violence to the law. I may put it the other way: The Basic Law and the principle of the rule of law must be upheld no matter how unpalatable the consequence may be.

The Constitutional Affairs Committee of the Law Society of Hong Kong has stated very clearly their reasons for opposing this Bill. In paragraph 14 of their submission, they have said: "If, as a policy, we do not want to grant permanent residency to these mainland officials, the simple way out is to require them to return to the Mainland before they have lived here for more than seven years. If (upon legal advice) the Administration truly believes that the correct interpretation of the Basic Law is that reflected in the proposed legislation, what it should do is just to change its policy administratively and refuse to grant permanent residency to these mainland officials even if they have lived here for more than seven years. In case of dispute, the matter may be resolved by the Court." I heartily agree.

MRS SELINA CHOW (in Cantonese): Madam President, the Liberal Party supports the amendments to the Immigration Ordinance. The Liberal Party is of the view that section 2(4)(a) of the Immigration Ordinance has explicitly defined the exclusion of several categories of persons from being treated as ordinarily resident in Hong Kong, namely members of the Hong Kong Garrison, workers imported under the Supplementary Labour Scheme, members of a

consular post and imported workers. These people would not be regarded as "ordinarily resident" in Hong Kong even if they have stayed in Hong Kong for seven years or more.

Instead of settling in Hong Kong, the purpose of mainland officials directed to work here is to perform their duties. Furthermore, the existing provisions of the Immigration Ordinance have explicitly defined members of the Hong Kong Garrison and workers imported under the Supplementary Labour Scheme, among other categories, will not be treated as "ordinarily resident", it is therefore reasonable to exclude mainland officials directed to work here as "ordinarily resident" in Hong Kong. I believe the community at large will have no objection to this. This approach is also compatible with the spirit of the Basic Law.

For the above reasons, the Liberal Party supports the amendments to the Immigration Ordinance.

Thank you, Madam President.

MS AUDREY EU: Madam President, we are talking about mainland officials holding Chinese Travel Permits sent to work in Hong Kong. On the one hand, their seven years' residence may qualify as ordinary residence and thus they may acquire the right of abode in Hong Kong under Article 24 of the Basic Law. On the other hand, our Government tells us that the Government of the People's Republic of China does not intend for these people to settle in Hong Kong under Article 22 of the Basic Law. But ordinary residence, under Article 24, does not depend on the intention of the Government of the People's Republic of China or, indeed, Article 22. Whether these people acquire a constitutional right is not to be resolved by the Legislative Council. This is the main reason why I oppose the Second Reading of the Bill.

Secondly, it is well established that ordinary residence is a matter of fact, which should be decided by the Court on the facts of each case. The Legislative Council should be cautious in trying to legislate on cases such as this.

Thirdly, it has been five years since the Basic Law was implemented in Hong Kong. According to the government information, close to 1 500 mainland residents have been working in Hong Kong under official sponsorship,

and some of these people have indeed acquired their Hong Kong permanent identity cards. The current Bill appears to reverse this situation under the guise of constitutional interpretation, but through the Legislative Council.

Fourthly, some mainland officials holding their permits may have, in fact, resided in Hong Kong for more than or close to seven years, and it is wrong as a matter of principle to pass a law which may affect their rights.

For these reasons, I oppose the Second Reading of the Bill.

MR LAU KONG-WAH (in Cantonese): Madam President, the Democratic Alliance for Betterment of Hong Kong (DAB) supports the passage of the Immigration (Amendment) Bill 2001.

According to the existing Ordinance, different categories of mainland officials enjoy different treatments. The Government of the Hong Kong Special Administrative Region (SAR) has not been able to confirm whether the general understanding of "ordinarily resident" could be applied to mainland officials, so it has adopted a more relaxed interpretation to allow all mainland officials with seven years' residence to enjoy the right of abode in Hong Kong. However, this expedience has created discrepancy in the treatment of different categories of mainland officials. The existing Immigration Ordinance stipulates clearly that, soldiers of the People's Liberation Army stationing here shall not be considered as ordinarily resident in Hong Kong. However, mainland officials working in Hong Kong are by nature similar to soldiers of the Hong Kong Garrison, in that both are directed to work in Hong Kong in their official capacity. Since soldiers of the Hong Kong Garrison are not considered as ordinarily resident in Hong Kong, other mainland officials should not be given any special treatment. Therefore, it is appropriate for us to amend the Immigration Ordinance to explicitly provide that "ordinary residence" also does not apply to mainland officials.

The provisions in the Immigration Ordinance governing people who are not considered as "ordinarily resident" are not compatible with the existing policy, leaving a loophole in the laws of Hong Kong. The mainland authorities have made it clear that there is no intention of allowing mainland officials to acquire the right of abode through working in Hong Kong in their official capacity, and the SAR Government also agrees to this principle. From this we

can see that the present policy is not of the view that mainland officials working in Hong Kong are "ordinarily resident" here. However, there is no explicit provision in the Immigration Ordinance to this effect. That explains why 1 500 mainland officials have been granted the right of abode. It is like creating additional channels for the acquisition of the right of abode. So the Government is now proposing to amend the relevant legislation in order to clarify the constitutional intent of Article 24, so as to enable the laws of Hong Kong to reflect the intended policy. Therefore, the proposal should be supported.

I have just heard certain Members raise the question that "Would this amendment violate the Basic Law?" I do not think so.

Firstly, mainland officials are not eligible for obtaining the right of abode in Hong Kong because they have to get the approval from the mainland authorities before they could come and work in Hong Kong, and their stay in Hong Kong is also subject to the conditions. They are similar to the soldiers of the Hong Kong Garrison by nature. The soldiers of the Hong Kong Garrison are subject to the Immigration Ordinance, so mainland officials should likewise be subject to the Immigration Ordinance. As for people of other categories, such as foreign domestic helpers and consular corps, they are also subject to such restrictions under the existing legislation. Would you say such a practice has also violated Article 24 of the Basic Law?

Secondly, while it is within the terms of reference of the Legislative Council to amend the Immigration Ordinance, it is beyond its terms of reference to amend the Basic Law. The Basic Law just states general principles and expresses purposes, and ultimately we have to enact laws in Hong Kong to implement constitutional concepts and amend legislation to clarify and implement the major intents of the constitution. Besides, the Court of Final Appeal stated that, while interpreting the provisions on the definition of permanent residents, we should consider the issue according to known objectives and context. Now, we know that one of the known objectives of the Immigration Ordinance is to impose restrictions on certain people and do not treat their stay in Hong Kong as "ordinary residence". Therefore, the Legislative Council is just exercising its legislative authority in amending the Immigration Ordinance, and that the objective of the Bill is to implement the content of Article 24, rather than amending the Basic Law.

For the above reasons, the DAB supports the passage of the Immigration (Amendment) Bill 2001. I so submit.

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

MS EMILY LAU (in Cantonese): Madam President, I rise to speak against the Immigration (Amendment) Bill 2001.

I agree to some of the arguments advanced by many Honourable colleagues. However, I still wish to add a few points. Someone said that it would be a welcome move to the people of Hong Kong to amend the legislation to prevent mainland officials from acquiring the right of abode in Hong Kong. I do not know how many Hong Kong people have been interviewed by the person who made this remark out of probably the notion that Hong Kong people are usually afraid of the admission of mainlanders to Hong Kong, fearing that they would impact on "Hong Kong people ruling Hong Kong". In fact, if you ask the people of Hong Kong, many of them will tell you that a lot of those arrivals from the Mainland are not officials, and some of them are even public security officers. Anyway, there are a large number of them. So, when the topic is raised with some of the Hong Kong people, the views they expressed may not be representative enough to reflect the views of the general public in Hong Kong. If we say that we must stop these people from coming to Hong Kong, some people may say that it is better not to let them come here at all. However, in this case, I will tell those people that, under "one country, two systems", maybe we want to have a clear distinction between the people of Hong Kong and those from the Mainland. Of course, if we have reached a consensus of view, we can act on it to the best of our abilities.

However, there is still the Basic Law. Article 24 of the Basic Law defines clearly the meaning of a permanent resident, that is "Chinese citizens who have ordinarily resided in Hong Kong for a continuous period of not less than seven years before or after the establishment of the Hong Kong Special Administrative Region". So, a mainland official must be a Chinese citizen, and if he has lived in Hong Kong for a continuous period of seven years, then on the face of it, he should acquire this status. As for the question of whether he has "ordinarily resided" here, then according to our understanding in the Bills Committee and on other occasions, "ordinarily resided" has two levels of meaning: First, the residence is voluntary; and second, of course, he intends to settle and live in Hong Kong.

It was mentioned earlier that the mainland authorities have indicated that there is no intention of sending this category of people to Hong Kong for settlement. However, Ms EU has just said that their residence cannot be decided by the policy of the authorities. Moreover, as just read out by Mr James TO, the Central People's Government has implemented with effect from 11 October 2001 a new administrative measure to clearly define that this category of people refers to holders of Chinese Travel Permit (CTP) and are public officials of the State directed to work in Hong Kong. It is thus reiterated that these people are in fact not coming to Hong Kong for settlement here.

Madam President, however, our information reveals how the SAR Government interprets the issue. In September 2001, that is one month before the implementation of this new measure by the Central Government, as revealed by the relevant statistics, 1 360 persons were granted the right of abode in Hong Kong. However, since the Central Government announced this new administrative measure to August this year, more people have been granted the right of abode, and the figure has risen from 1 360 to 1 494. When the Secretary replies later, will she tell us whether more people have been granted the right as of 6 November? Therefore, the action tells us that irrespective of the new measure adopted by the Central Government, the SAR Government still thinks that these people do possess the right, so they are granted the same. If this is not the case, I implore the Secretary to explain this to us later. This is just my personal view.

I also agree with the view presented to the Bills Committee by the Constitutional Affairs Committee of the Law Society of Hong Kong (Law Society). They say that if we do this, we are enacting local legislation to interpret the Basic Law. The Law Society thinks that this is inappropriate because it appears that this Amendment Bill is trying to amend the Basic Law in a bid to do something very bad. Madam President, what is that bad thing? That is to restrict the fundamental constitutional rights of certain people of becoming permanent residents. Therefore the Law Society is of the view that the Government should not derogate from or restrict the scope of the common law meaning of "ordinarily resident".

Therefore, Madam President, I agree with what colleagues have said, that is, if we really do not want to do such a thing, we may request the Central Government to adopt an administrative measure, such as after an official has

been directed to work in Hong Kong, he should be transferred back to the Mainland after having stayed here for six years and before the seven-year period expires. That would do. Of course, another method is even clearer, that is, to amend the Basic Law. However, we still have not established a mechanism for that. This has been discussed for three or four years and the mechanism is still not yet established. If the Government so desires, it can amend Article 24 of the Basic Law. I even hope that other articles of the Basic Law can be amended as well, so that we can implement a full direct elections as soon as possible. However, the Secretary for Security has said that democracy is not on today's agenda. So I just hope that she will not discuss democracy on behalf of other bureaux. For example, the political system is not her business.

Lastly, the Government says that the amendment is meant to protect public interest. I do not know what kind of public interest it is supposed to protect. But I think if we want to uphold the rule of law, we must make everything very clear, we must not distort the facts. This is the most significant public interest, and this is the basis of the rule of law. If the interest of someone is injured, he can apply for a judicial review. By then, the Government may have to face some major lawsuits. However, by then, someone may have already been transferred back to the Mainland and no proceedings would be instituted.

In short, I think the Government must think carefully. For the above reasons, the Frontier will oppose the resumption of the Second Reading of this Bill.

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

(No Member responded)

SECRETARY FOR JUSTICE (in Cantonese): Madam President, I would like to speak on the legal aspect of the Immigration (Amendment) Bill 2001.

Some Members have just commented that it would not be appropriate for the Legislative Council to interpret the Basic Law by means of local legislation. Other Members have expressed reservations as they think the Bill attempts to amend the Basic Law by limiting the fundamental constitutional right of become

permanent residents. They believe that the Government should not reduce or limit the scope of the term "ordinary residence" as used in the common law.

According to Article 73 para 1 of the Basic Law, the Legislative Council has the power to enact, amend or appeal laws in accordance with the Basic Law and legal procedures. As with other constitutions, the Basic Law states general principles and expresses purposes without going into details of or defining the terms used. It is in accordance with the Basic Law for the Legislative Council to exercise its lawful legislative power under Article 73 para 1 of the Basic Law to provide details on the term "ordinary residence" as used in the Immigration Ordinance.

In the *Fateh Muhammed* case, the Court of Final Appeal (CFA) held that the expression "ordinarily resident" was to be given its natural and ordinary meaning. This meaning would depend on the context in which the expression appears. The CFA also held that no single judicial proclamation or a series of judicial proclamations in regard to the meaning of the expression could be conclusive for the purposes of every context in which the expression appears. Article 24 para 2 of the Basic Law originates from Article XIV of Annex 1 to the Sino-British Joint Declaration. Both the British and Chinese Governments had accepted the concept of "ordinary residence", though neither of the two documents has defined the term "ordinary residence". It is clearly within the legislative power of the legislature of the Hong Kong Special Administrative Region (SAR) to provide details by way of amending the Immigration Ordinance for the implementation of the concept of "ordinary residence" under the Basic Law.

We have examined the development of the legal system of Hong Kong. The Hong Kong legislature, both before and after the reunification, has from time to time, modified by legislation the common law concept of "ordinary residence" to meet the needs of Hong Kong. For example, in the *Fateh Muhammed* case, the CFA held that the statutory exclusion of a period of imprisonment or detention from the period of "ordinary residence" under section 2(4)(b) of the Immigration Ordinance was in accordance with the Basic Law.

The above case and the following cases illustrate the circumstances under which certain provisions in the Basic Law can be (and constitutionally) implemented, clarified and restricted:

- (1) *NG La Ling & Others v Director of Immigration* [1999] 1 HKLRD 315 — the Administration could legislate a statutory plan to verify the claims to right of abode made under Article 24 of the Basic Law;
- (2) *CHEUNG Man Wai Florence v Director of Social Welfare* [2001] 1 HKLRD A15 — Article 145 of the Basic Law provides the constitutional basis for imposing restrictions on the rights of the staff members of subvented organizations conferred on them under Article 144 of the Basic Law;
- (3) *HKSAR v NG Kung Siu & Another* [1999] 3 HKLRD 907 — the right to freedom of expression protected under Article 19 of the International Covenant on Civil and Political Rights (ICCPR) as applied to Hong Kong by virtue of Article 39 of the Basic Law may be subject to certain restrictions under Article 19(3) of the ICCPR;
- (4) *CHAN Shu Ying v Chief Executive of the HKSAR* [2001] 1 HKLRD 405 — Articles 97 and 98 of the Basic Law as implemented through the Provision of Municipal Services (Reorganization) Ordinance and District Councils Ordinance are consistent with Article 25(a) of the ICCPR.

As we all know, the implementation of the ICCPR as applied to Hong Kong is guaranteed under Article 39 of the Basic Law.

The Secretary for Security has pointed out that the Central People's Government made it clear that there is no intention of allowing mainland officials directed by the mainland authorities to work in Hong Kong in their official capacity to enter Hong Kong for settlement under Article 22 para 4 of the Basic Law. These officials are required to return to the Mainland on completion of their assignments. We therefore consider that their period of stay in Hong Kong should not be treated as "ordinary residence". The Administration considers it necessary to enact the Bill so that people who may be affected know where they stand and how they will be affected.

On the basis of the above, I believe that it is constitutional and legal for the Legislative Council to pass this Bill.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now call upon the Secretary for Security to give her reply.

SECRETARY FOR SECURITY (in Cantonese): Madam President, the objective of the Immigration (Amendment) Bill 2001 (the Bill) is to add a new provision to section 2(4) of the Immigration Ordinance to provide that if the documents held by mainland public officials specify that the holders are directed to work in the SAR in their official capacity, they are not to be treated as ordinarily resident in Hong Kong during the period in which they remain in Hong Kong. Upon passage of the Bill, even if such public officials of the State are posted to Hong Kong for a continuous period of seven years or more, they shall not have the right of abode in the SAR according to paragraph 2(b) of Schedule 1 to the Immigration Ordinance.

In fact, since the enactment of the Immigration Ordinance in October 1971, amendments have been made to section 2(4) from time to time to exclude certain categories of persons, including consular officials and members of the Hong Kong Garrison, from being treated as ordinarily resident during the period they remain in Hong Kong. After a review, we think that mainland public officials and members of the Hong Kong Garrison are directed to work in Hong Kong in their official capacity and according to the policy of the Central People's Government, these officials must return to the Mainland upon expiry of their working assignment in Hong Kong and there is no intention that they enter Hong Kong for the purpose of settlement in accordance with Article 22 para 4 of the Basic Law. Therefore, the permanent population of Hong Kong shall not comprise these people and it is essential to incorporate them into the scope of regulation of section 2(4).

The Secretary for Justice has just clearly stated that the Bill complies fully with the provisions of the Basic Law. I urge Members to support this Bill so that the new provision can be put into effect soon.

Lastly, I would like to extend my thanks to Mr James TO, Chairman of the Bills Committee, and other members of the Bills Committee.

Thank you, Madam President.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the Immigration (Amendment) Bill 2001 be read the Second time. Will those in favour please raise their hands?

(Members raised their hands)

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

(Members raised their hands)

Miss Margaret NG rose to claim a division.

PRESIDENT (in Cantonese): Miss Margaret NG has claimed a division. The division bell will ring for three minutes.

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

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

Mr Kenneth TING, Mr James TIEN, Dr David CHU, Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Mr NG Leung-sing, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr CHAN Kam-lam, Mr Andrew WONG, Dr Philip WONG, Mr WONG Yung-kan, Mr Jasper TSANG, Mr Howard YOUNG, Mr YEUNG Yiu-chung, Mr LAU Kong-wah, Mr LAU Wong-fat, Ms Miriam LAU, Mr Ambrose LAU, Miss CHOY So-yuk, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Abraham SHEK, Mr Henry WU, Mr Tommy CHEUNG, Mr LEUNG Fu-wah, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the motion.

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Miss Margaret NG, Mr James TO, Mr CHEUNG Man-kwong, Mr LEUNG

Yiu-chung, Mr SIN Chung-kai, Dr YEUNG Sum, Mr LAU Chin-shek, Ms Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Dr LAW Chi-kwong, Mr Michael MAK, Mr Albert CHAN, Mr Frederick FUNG and Ms Audrey EU voted against the motion.

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

THE PRESIDENT announced that there were 52 Members present, 31 were in favour of the motion and 20 against it. Since the question was agreed by a majority of the Members present, she therefore declared that the motion was carried.

CLERK (in Cantonese): Immigration (Amendment) Bill 2001.

Council went into Committee.

Committee Stage

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

IMMIGRATION (AMENDMENT) BILL 2001

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

CLERK (in Cantonese): Clauses 1 and 2.

CHAIRMAN (in Cantonese): 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.

CHAIRMAN (in Cantonese): Council now resumes.

Council then resumed.

Third Reading of Bill

PRESIDENT (in Cantonese): Bill: Third Reading.

IMMIGRATION (AMENDMENT) BILL 2001

SECRETARY FOR SECURITY (in Cantonese): Madam President, the

Immigration (Amendment) Bill 2001

has passed through Committee without amendment. I move that this Bill be read the Third time and do pass.

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

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

(Members raised their hands)

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

(Members raised their hands)

Miss Margaret NG rose to claim a division.

PRESIDENT (in Cantonese): Miss Margaret NG has claimed a division. The division bell will ring for three minutes.

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

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

Mr Kenneth TING, Mr James TIEN, Dr David CHU, Dr Raymond HO, Mr Eric LI, Dr LUI Ming-wah, Mr NG Leung-sing, Mrs Selina CHOW, Mr HUI Cheung-ching, Mr CHAN Kwok-keung, Mr Bernard CHAN, Mr CHAN Kam-lam, Mr Andrew WONG, Mr WONG Yung-kan, Mr Jasper TSANG, Mr Howard YOUNG, Mr LAU Kong-wah, Mr LAU Wong-fat, Ms Miriam LAU, Mr Ambrose LAU, Miss CHOY So-yuk, Mr TAM Yiu-chung, Dr TANG Siu-tong, Mr Abraham SHEK, Mr Henry WU, Mr Tommy CHEUNG, Mr LEUNG Fu-wah, Dr LO Wing-lok, Mr IP Kwok-him and Mr LAU Ping-cheung voted for the motion.

Ms Cyd HO, Mr Albert HO, Mr LEE Cheuk-yan, Mr Martin LEE, Mr Fred LI, Miss Margaret NG, Mr James TO, Mr CHEUNG Man-kwong, Mr LEUNG Yiu-chung, Mr SIN Chung-kai, Dr YEUNG Sum, Mr LAU Chin-shek, Ms Emily LAU, Mr Andrew CHENG, Mr SZETO Wah, Dr LAW Chi-kwong, Mr Michael MAK, Mr Albert CHAN, Mr Frederick FUNG and Ms Audrey EU voted against the motion.

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

THE PRESIDENT announced that there were 51 Members present, 30 were in favour of the motion and 20 against it. Since the question was agreed by a majority of the Members present, she therefore declared that the motion was carried.

CLERK (in Cantonese): Immigration (Amendment) Bill 2001.

MEMBERS' MOTIONS

PRESIDENT (in Cantonese): Members' motions. Two motions with no legislative effect. I have accepted the recommendations of the House Committee on the time limits of the motion debate. Since Members are already very familiar with the relevant time limits, I shall make no repetition here. I only wish to remind Members that I am obliged to direct any Member speaking in excess of the specified time to discontinue.

First Motion: Developing offshore fishing industry.

DEVELOPING OFFSHORE FISHING INDUSTRY

MR WONG YUNG-KAN (in Cantonese): Madam President, I move that the motion as printed on the Agenda be passed.

Madam President, Hong Kong was already a fishing port long before its inception. By the seventies of the 20th century, the fishing industry of Hong Kong had developed into one of the biggest in Southeast Asia in terms of fleet size and production. Unfortunately, good times never last; as fisheries resources in the South China Sea continue to dwindle because of the ever-expanding mainland fishing fleet and excessive capture, the fishing industry of Hong Kong has also wilted continuously as a result. According to government statistics, the total fish capture volume of Hong Kong in 2001 was just 174 000 tonnes, with the total worth dropping drastically to \$ 1.7 billion. The number of fishing vessels venturing into the South China Sea for fish capture has thus gone down to less than 2 000, which can hardly compare with the "armadas" and huge capture volumes at the prime of the industry. An even greater concern to the industry is that following its fisheries negotiations with Southeast Asian

countries, the Central Government may divert the fishing vessels now operating in the waters of Beibu Bay and Liaodong Bay to the South China Sea. This means that as many as 100 000 fishing vessels may be diverted to the South China Sea, thus making it even more difficult for Hong Kong fishermen to earn even a modest living through inshore fish capture.

For years, many people have had the wrong idea that the fishing industry of Hong Kong is "a two-no industry", that is, an industry with "no prospects and no hope". But according to the statistics of the United Nations Food and Agriculture Organization, the global marine fish capture volume in 2000 was as high as 95 million tonnes, with a total worth of some US\$60 billion. So, the fishing industry definitely compares no less favourably to other types of industries in terms of economic benefits. Since the entry into force of the Third United Nations Convention on the Law of the Sea in 1994, whereby the 200-nautical mile exclusive economic zone is formally recognized, coastal countries or places in Asia such as China, Japan, Taiwan and South Korea have all been actively developing the offshore fishing industry as a long-term direction of fisheries development. Taiwan can be described as one of the places which has sought to develop the offshore fishing industry most actively in recent years. With government policy support, the marine fish capture volume of offshore fishing alone is now close to 800 000 tonnes a year, with a total worth of US\$12 billion and an offshore fishing workforce exceeding 40 000. The Mainland has achieved even more brilliant results than Taiwan and Japan in the development of offshore fishing, for its capture volume has now become the highest in the world. In contrast, Hong Kong has all long ignored the fishing industry, allowing it to survive or perish on its own. It has not been visionary enough to develop the high value-added offshore fishing industry, thus losing the opportunity to compete for a share in an industry that is worth billions of US dollars. The fishing industry of Hong Kong, once thriving, has continued to wilt, becoming one with negligible significance.

Madam President, thanks to repeatedly demands made by the industry, the Government finally agreed to commission a consultant to explore the feasibility of developing an offshore fishing industry in Hong Kong. The study took a total of three years to complete, at a cost of \$3 million. Although the industry accepts the report's conclusion that Hong Kong possesses the conditions to develop an offshore fishing industry, it must still point out that the recommendations of the report are largely unrealistic. According to one option for immediate development made in the report, a fisherman can modify his

vessel at a cost of \$450,000 and equip it with a low-temperature freezing unit for offshore fish capture. The point is that 98% of the 1 500 Hong Kong fishing vessels operating in the South China Sea are wooden ones with an age of eight years or above. Under international maritime laws, these vessels simply cannot be used for offshore operation. It is therefore not cost-effective at all to convert these wooden vessels.

What is most absurd is the consultant's estimation that \$450,000 will be enough to convert an old vessel for offshore operation. At present, there are some 30 steel fishing vessels in Hong Kong, and the conversion cost of these vessels will range from \$3 million to \$5 million each. For example, New Century 31 and New Century 32 fishing vessels, that is, those used by the first offshore fishermen in Hong Kong, Mr CHEUNG Yi-chung, will each cost \$1.8 million for reconstruction of hull, and another \$3 million or so will be required for the installation of necessary equipment such as generators, compressors, refrigerating units, long-lining tools, satellite navigation devices, and so on. So, the conversion alone will incur a total cost of nearly \$5 million, not to mention the fact that the construction of a new, fully-equipped vessel with ultra-low-temperature refrigerating units will require an investment of \$10 million. We really cannot see how the consultant has come up with its estimate. This shows that the recommendations of the consultant do not only lag behind the current trends of the offshore fishing industry, but also fail to reflect the industry realities.

In addition, the consultant proposes the adoption of low-temperature refrigeration (that is, the method of fresh-chilled fish) as an option for immediate development. But the sole reliance on low-temperature refrigeration is not at all conducive to the sustained operation of a fishing vessel at sea, as it must then return to the base from time to time to unload its catches; this will significantly shorten its operating periods and increase fuel consumption, thus adding to the costs. The current world trend is to employ ultra-low-temperature refrigeration, to preserve catches at the ultra-low temperature of -60 degrees, for a period as long as three years. This will significantly lengthen the sustained operation of a fishing vessel.

Besides making impracticable recommendations, the report also makes the gravest error of failing completely to discuss the role of the Government in promoting the development offshore fishing. The prosperous development of the offshore fishing industry in mainland China, Taiwan and Japan is largely

attributable to government efforts. In Taiwan, for example, in addition to negotiating actively with other countries and international fisheries organizations on various co-operation schemes to enable Taiwan fishing vessels to operate in the exclusive economic zones of other countries, the government there also station fisheries commissioners in major fisheries bases to offer assistance to fishermen and handle disputes. Moreover, in Taiwan and Japan, there are also development banks especially established for the provision of project loans to the fisheries industry. The Central Government of our country is equally enthusiastic in promoting the development of offshore fishing. Specialized training institutions for fishermen have been set up, and the governments at various levels even subsidize the interests paid by fishermen to fisheries development banks and provide interests-free loans up to 25% of the total investment. Fishing vessels unloading their catches at Chinese fisheries bases may also be exempted from the domestic sales tax and the special agricultural produce tax.

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

Madam Deputy, the industry itself has made very active efforts over the past three years, visiting the Mainland, Japan, Taiwan, Thailand, Fiji, and so on, to inspect the development of the fisheries industry in these places, and also to learn from their experience and technologies. By now, it can be said that the industry has gained some understanding about offshore fishing and is generally prepared for its development. The biggest headache, however, is the shortage of capitals. The construction of an offshore fishing vessel equipped with ultra-low-temperature refrigerating units will cost more than \$10 million. Given the loan approval criteria of commercial banks now, it is simply impossible for a fisherman to secure a loan, despite all his skills, knowledge and sincere interest in offshore fishing. Although loans for fisheries development projects may now be obtained from the Fisheries Development Loan Fund (the Fund) under the Agriculture, Fisheries and Conservation Department (AFCD), the Fund has currently a balance of only several million dollars. And in order to provide funding for the offshore fishing project, the AFCD has allocated \$20 million from the funds of the Fish Marketing Organization to meet the needs that may arise. But since more than 10 applications for loans to construct new offshore fishing vessels have been received, the Fund is simply unable to meet the needs

of large-scale development. In its submission to the Government, the industry has pointed out that with government loans for offshore fishing, fishermen can expect to see a return rate of 30% and pay up their loans in seven years' time, just half of the 14-year repayment period required by the Fund. What is more, the credit records of the industry have all along been very satisfactory, with a default ratio of less than 3%, which is lower than those of all other types of funds. The Government simply does not have to worry about too many bad debts arising. Therefore, I sincerely call upon the Government to pay heed to the aspiration of the industry and inject more capitals into the Fund, so as to assist fishermen in their restructuring.

Apart from financial assistance, we must also note the different technical requirements of inshore and offshore fishing. Inshore fishing basically adopts hand-lining, but in the case of offshore fishing, long-lining is more widely practised. Therefore, the Government must also provide appropriate assistance to fishermen, such as technical support and training, so as to help them restructure. Also, we will hear from to time to time news about Hong Kong fishermen being detained for entering inadvertently the exclusive economic zones of other countries. But we note that the assistance offered by the SAR Government in these cases is extremely inadequate, and the task of saving the fishermen concerned often falls onto Members and other organizations. Earlier this year, some fishermen managed to return to Hong Kong only after Security Bureau officials had gone to Vietnam to offer them assistance. If offshore fishing can be developed in the future, I believe that the number of such disputes may diminish.

Madam Deputy, we are already lagging far behind other countries and places in the development of offshore fishing. Quota systems are already put in place for many high seas fisheries such as the Atlantic Ocean and the North Pacific Ocean. Because we failed to get a share where there were opportunities, it is simply impossible for Hong Kong fishermen to operate in these fisheries now. If our government continues to look at offshore fishing as an internal matter of the agriculture and fisheries sector and thus refuse to give a helping hand, then when all high seas fisheries are put under regulation, we will forever lose the chance of developing offshore fishing. An industry worth billions in greenback will just slip away from us. It will be too late to regret by then.

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

Mr WONG Yung-kan moved the following motion: (Translation)

"That, as Hong Kong's inshore fishing industry has been wilting continuously in recent years as a result of dwindling marine resources in the South China Sea, the livelihood of fishermen engaging in capture fishery has been seriously affected; moreover, many coastal countries or areas in the world have been actively developing offshore fishing for more than a decade, and a consultancy study on the feasibility of offshore fishing commissioned earlier by the Government has also concluded that Hong Kong has the potential for developing offshore fishing, this Council urges the Government to expeditiously formulate a policy on developing offshore fishing, including the provision of technical support, loan arrangements, manpower training and liaison with the relevant overseas and mainland authorities, so as to ensure the restructuring of the local fishing industry towards offshore fishing, thereby keeping in tune with the direction of China's fishing policy and enhancing the international status of Hong Kong's fishing industry."

DEPUTY PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Mr WONG Yung-kan be passed. Does any Member wish to speak?

MR HUI CHEUNG-CHING (in Cantonese): Madam Deputy, in the eyes of certain government officials, the demise of the fishing industry just reflects the principle of "survival of the fittest" in the free economy, and that it is not necessary for the Government to intervene. The problem is, if fishing is really a sunset industry which is relatively backward with low added-value, why have other developed countries, such as Japan, Korea and Australia, been able to develop the fishing industry into a scientific, corporatized and specialized business? In the development history of the fishing industry, the biggest mistake made by the Hong Kong Government is its failure to treasure and make good use of the rich marine resources of the local waters, and let the industry struggle and survive on its own. When the Government finds that the fishing industry still have potentials for further development, Hong Kong has already lagged far behind others. The Hong Kong Government only started to commission a consultancy study on how to promote offshore fishing when this

type of fishing has already been developed into a mainstream fishing operation in the Mainland and such countries as Japan, Taiwan, Thailand and Malaysia. This is an obvious example.

Of course, doing it late is better than never doing it. In fact, the local inshore fishing industry has suffered from internal and external problems for a long time and its development has been hampered. Firstly, the quality of water in Hong Kong has been adversely affected by infrastructure projects, resulting in extremely poor catches which only comprise of small fishes and shrimps. In the mean time, the price of diesel oil is high. It is estimated that, even for inshore fishing, the daily fuel cost of a fishing boat amounts to over \$600, which is three times the value of its catch. Given that inshore fishing is unable to yield a living for the fishermen, they could have ventured to the South China Sea to conduct their capture fishing operations. However, the greatest problem is, there are already over 70 000 fishing vessels operating in the South China Sea. In addition, unscrupulous fishermen have employed destructive methods such as making use of electricity, poisons, explosive in the process. All these activities have seriously damaged the ecology of the South China Sea. As a result, the Central Government has to impose an annual fishing moratorium. Presently, there are only 2 000 Hong Kong fishing vessels operating in the South China Sea, representing less than one third of the corresponding figure five years ago. There is no way out on the sea. In addition, due to the economic downturn, it is extremely difficult to get a job on the land as well. If the Government continues not to formulate any specific policy to help the fishing industry find a way out, it will become history!

Therefore, I really hope that the Government can accept the suggestions put forward by the industry to promote offshore fishing and assist the fishermen to form fishing fleets so as to upgrade the family-style operation into a corporatized business. Offshore fishing is an industry with a very high growth potential. Profits from the tuna caught are several times of those brought about by the golden thread fish, and the tuna could even be exported to Japan and the Western countries. In addition, there is a shortage of manpower in the capture fishery and pisciculture of about 4 000 people. The Government can make use of the primary industry, the fishing and agriculture, to absorb the growing number of unemployed people, thus promoting the diversification of the industrial structure of Hong Kong.

It is estimated that in Hong Kong there are over 1 000 trawlers, which are mostly wooden vessels. Only 60 of them are suitable for conversion into steel fishing vessels at a cost of \$2 million per trawler. Over \$6 million is required if a new vessel is purchased instead. So money is essential to developing offshore fishing. However, the Government has to date not formulated any financial assistance scheme designed specifically for offshore fishing. Perhaps only the SME Business Installations and Equipment Loan Guarantee Scheme could be of some help to the fishing industry.

The Scheme is intended mainly for assisting the small and medium enterprises in purchasing business installations and equipment which may include machinery, transportation facilities, communication systems, computer software and hardware and fixtures, and so on. According to the rules, a fisherman should be eligible to apply for the loan if he wishes to convert his wooden vessel into a steel vessel for offshore fishing. However, the question of whether the Scheme can be extended to include the purchase of a new vessel requires clarification by the Administration. Even if the relevant Scheme covers loans for purchase of new vessels, the loan amount may still not be enough. I hope the Government can actively consider raising the loan ceiling from the existing \$1 million to \$2 million, or even higher. Moreover, to those applicants who have been granted the loan guarantee for purchasing business installations and equipment, the Government should consider whether they can be granted a loan guarantee for a corresponding operating fund, so that enterprises including the fishermen could have more capital to meet their operating expenditures. I hope the Government can step up its promotional drive and help the fishermen in applying for assistance from the Scheme so that the Government's funding scheme could achieve greater effectiveness.

Madam Deputy, I so submit.

MR TOMMY CHEUNG (in Cantonese): Madam Deputy, official statistics reveal that fisheries produce for local consumption has fallen 20% from about 76 000 tonnes in 1997 to about 59 900 tonnes in 2001. With the continuous drop in marine catches in the South China Sea, I believe the income of the fishermen will gradually decrease year after year.

Hong Kong is undergoing an economic transformation. The Government needs to rethink what kind of impetus to economic development it can capitalize on. The Liberal Party is of the view that, any kinds of industry, be they new industries or traditional ones, should merit promotion as long as they can yield returns and create wealth and job opportunities for Hong Kong.

The fishing industry may well be described as the cradle of the local economy. In the inception of Hong Kong in the 19th century, the territory started as a fishing village in Southern China. Now in the 21st century, both the government-appointed consultancy and the fishing industry itself agree that fishermen could boost their incomes and become independent by venturing into offshore fishing. This is really a miracle of Hong Kong.

The motion of Mr WONG Yung-kan urges the Government to expeditiously formulate a policy on offshore fishing, including the provision of technical support, manpower training and liaison with the relevant overseas and mainland authorities. The Liberal Party agrees to all this.

Offshore fishing has to rely on the more advanced fishing method of long-lining, and the skills of the fishermen in refrigeration, production and logistics must also be upgraded. And fishermen have to be holders of internationally recognized certificates in operation. These requirements are all related to specialized fishing knowledge. As the market promoter, the Government could in fact play an active role.

The Government can strengthen its liaison with private organizations as well as government departments in charge of fisheries in overseas countries and the Mainland in order to provide training to the fishermen that will enable them to learn the fishing techniques of the overseas countries and to handle complicated management problems of offshore fishing, and to upgrade the basic knowledge of offshore fishing for owners, licence holders and crew, and so on. Moreover, on legal and fisheries access issues, the SAR Government should take the lead to liaise with the relevant authorities in overseas countries and the Mainland to establish a basis of co-operation and to provide the industry with the most updated information.

However, the motion also contains the wordings of "loan arrangements". According to Mr WONG Yung-kan, these arrangements refer to the request

made to the Government for an injection of \$300 million into the Fisheries Development Loan Fund to enable the fishermen to purchase new vessels or convert the old vessels for offshore fishing. The Liberal Party is of the view that any policy that involves the injection of public funds should be subject to prudent consideration by the Administration.

According to our information, offshore fishing is an expensive business. Purchasing a new vessel costs \$13 million, whereas converting an old one will also cost \$5 million to \$6 million, which was not considered worthwhile by Mr WONG Yung-kan. In fact, the Government has been quite active in assisting the fishing industry. Over the past several decades, the kind of financial assistance received by the fishing industry could hardly be found in any other industries.

Although the balance of the Fund has dropped to \$10 million, the Government had actually injected \$100 million in the prosperous days of 1997. In addition, the Fish Marketing Organization Loan Fund has made an injection of \$20 million recently. So altogether a total of \$30 million could be made available to fishermen as loans. Therefore, before the industry requests the Government to make a further injection of several hundreds million dollars, should it first explore alternative financing methods or use some less expensive ways of converting the vessels, and purchase new vessels only after reaping sufficient profits?

The Liberal Party believes that industry problems should be resolved by market forces. When considering the issue of providing financial assistance, the Government should uphold the principle of fairness, and should provide financial support to various industries in a balanced manner. On such issues as whether more workers will be employed by the fishing industry, whether offshore fishing can employ the required deck hands, or even whether the catches should be taxable when exported overseas, I believe the Government should consider them carefully.

From the perspective of economic efficiency, the fishing industry could apply for loans through commercial channels. What the Government can do is to assist the fishing industry to formulate comprehensive financing, operational and sales plans and to calculate the returns to enhance their chance of success in securing loans.

Now, the Fund's interest rate is about 6%. However, if we all believe that there is a bright future for offshore fishing, the fishermen should stand a good chance of securing loans with more concessions in the commercial financing plans.

Talking about money, I have also offered my fair share of assistance. In a meeting of the Panel on Food Safety and Environmental Hygiene, I said that there was a fund established under the Vegetable Marketing Organization (VMO) of the Agriculture, Fisheries and Conservation Department (AFCD). In the early '80s, in order to reduce the side effects of chicken meat, the chicken farmers were required to give up using "chicken enhancement pills". Therefore, many chickens could not be sold, and the farmers did not have the money to buy the day-old chicks to resume their normal production. I was at that time a member of the VMO. I strongly advocated granting loans to chicken farmers. Consequently, the \$20 million Fund was exhausted to make out loans to the chicken farmers. In the end, the chicken farmers managed to survive the predicament and they had, I believe, repaid the loans in full to the Fund in the next couple of years. Therefore, the Fund did not have any bad debts.

Recently, I mentioned this to the AFCD and asked whether there would be any difficulty in lending the money of the VMO to the Fish Marketing Organization. They said that it would require an amendment to the relevant legislation. However, since we could grant the Fund for vegetable farmers as loans to chicken farmers, why cannot the loans be made available to the fishing industry? If a legislative amendment is required, then let us go ahead with it. Now that Fund has \$100 million to \$200 million. But the interest rates at the banks are also very low, and as the fishermen are willing to purchase the vessels, why can we not solve the problem together?

In addition, the fishing industry may approach the Commerce, Industry and Technology Bureau for assistance. They may obtain a loan guarantee of \$1 million for purchasing equipment through the SME Business Installations and Equipment Loan Guarantee Scheme. It would help making up the outstanding capital required.

Lastly, I would like to reiterate that the Liberal Party takes pride in the enterprising spirit of the fishing industry of Hong Kong. We agree that the Government should provide technical and management support to the industry to encourage fishermen to venture into offshore fishing and keep abreast of the

international trend. At the same time, in considering whether a capital injection is required, the Government should adhere to the market principles and must not be biased in favour of individual industries.

Madam Deputy, the Liberal Party supports the motion.

DR RAYMOND HO (in Cantonese): Madam Deputy, many Hong Kong people are fond of eating seafood. Therefore the demand for seafood is great. Now, Hong Kong has a fishing fleet of 5 100 vessels, which mainly operate in the continental shelf of the South and East China Seas. However, due to the depleting fisheries resources there in recent years, local fishermen are facing the problem that of a willing fishing industry. In fact, when I was studying in Secondary Four to Secondary Six, I had taught in a fishermen's children school in Stanley for three years. These children, having to help their families in their fishing operations in the daytime, did not have the opportunities to pursue a normal education. From them, I could see that all along fishermen in Hong Kong have to face great challenges. Recently, the consultancy commissioned by the Hong Kong Government has released a consultancy report on the feasibility of offshore fishing, which opines that Hong Kong does possess the potentials for developing offshore fishing. Therefore, I think the Government should formulate relevant policies to facilitate the development of the fishing industry in Hong Kong.

In recent years, the people of Hong Kong have become more and more meticulous about food. What they demand is not whether the food is delicious, but whether it is good for their health. Generally speaking, white meat is better than red meat in terms of its benefits to our physical health. Therefore, Hong Kong people's fondness of fish in recent years has become stronger than ever before. In addition, as the Bovine Spongiform Encephalopathy and the foot and mouth disease have played havoc in Europe in recent years, so Hong Kong people are more attracted to fish now. As the fisheries resources in local waters are limited, and the resources in the South and East China Seas are dwindling, we must explore other fisheries if we intend to satisfy the demand for fish and other seafood of Hong Kong people.

In fact, developing offshore fishing does not only serve the purpose of satisfying the demand for marine fish of Hong Kong people, it would also help to

revive the economy of Hong Kong to a certain extent. Fishermen engaged in offshore fishing, can sell their catches to food processing firms and for export to overseas countries apart from selling their catches to fish markets. For example, they can sell their tunas to food processing firms which would then pack the fish into canned food and export them to Europe. They may also sell their tunas to Japan for preparation of sashimi. These are the favourite food of the local people of the respective countries. Now, Hong Kong is facing a serious fiscal deficit. Apart from cutting back on expenses, we need to open up new sources of income. If we can develop offshore fishing, we would definitely be able to generate more revenue for the Government and help to relieve part of the fiscal deficit. I believe that offshore fishing is viable, and it can boost the economic efficiency of the fishing industry. The Joint Committee of Hong Kong Fishermen's Organization presented a submission to the Legislative Council on 16 September this year, in which it was mentioned that a Hong Kong fisherman had gone on a fishing operation to South Pacific Ocean for 44 days in June and July and managed to catch 120 tonnes of tunas which was worth over \$1.7 million, making a net profit of about \$900,000. From this, we can see that offshore fishing does have a good measure of appeal.

The fishermen of Hong Kong lack experience in offshore fishing. Therefore, if the Government intends to develop offshore fishing, it has to provide the fishermen with support, especially in the fishing skills. Besides, the Government should also provide support in financial resources. It is understood that there are only 30 to 50 steel vessels that are capable of going on long voyages. However, the costs of converting the existing fishing vessels or purchasing new appropriate vessels are very high. Therefore, if the Government does not provide the fishermen with financial support, they possibly could not venture into offshore fishing just because they do not have the right vessels. Of course, apart from support in financial resources and fishing skills, the Government should also note fishermen's other logistics needs, such as shipyards, harbour, fuel supply, sale of catches, transportation, distribution services and facilities, and so on.

As Hong Kong is not a sovereign state, so the Hong Kong Government could not execute any fisheries access agreements which may involve the sovereignty issue. However, when the fishermen of Hong Kong have to pursue offshore fishing, they must have the fisheries access to the relevant fisheries in international waters. In order to solve the problem, we may liaise with the

relevant units in the Mainland. Therefore, the role that the Hong Kong Government should play is to discuss with the mainland units on the relevant issues so as to identify the best way to solve the problems.

Since 1999, an annual fishing moratorium will be imposed in the South China Sea. Although the moratorium can help to revive the fisheries resources of the South China Sea, fishermen will suffer a loss of work and income during this period of time. If they can venture into offshore fishing in remote waters during this period, they will maintain a more stable livelihood. In view of this, I think developing offshore fishing is beneficial to the local fishermen. As the fisheries resources in the traditional fisheries of Hong Kong are dwindling, we must explore new suitable fisheries in order to maintain the supply of fish in Hong Kong. Besides, the fishing industry has a certain degree of influence on the economic development of Hong Kong. Therefore, I hope the Government can formulate relevant strategies and suitable arrangements for the fishing industry of Hong Kong.

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

MR ALBERT CHAN (in Cantonese): Madam Deputy, Hong Kong used to be a fishing port, and the fishing industry did see glorious days in the past. However, if we look at the fishing industry of Hong Kong now, especially the fishing ports in Hong Kong, we will find that it is gradually declining. Apart from Cheung Chau, which may have more fishing vessels because it is a hub for offshore fishing vessels, you may not be able to see too many fishing vessels in other traditional fishing ports such as Stanley, Tai O and Ping Chau. Even if you could see some fishing vessels, there are only a few of them.

The Hong Kong Government should bear most of the blame for such a change and the demise of the fishing industry because the Government, without recognizing its precious value, has been treating the industry as rubbish. Instead of promoting the development of the fishing industry, the Government has not provided any assistance to it even when it sees that the industry is gradually wilting.

Many of the fishermen's children in different areas cannot pursue careers in the fishing industry anymore. Some of them switch to work on barges, or engage in jobs in other shipping-related trades. In the '90s, not only the

younger people had to switch to work in other trades, even the older fishermen aged 40 to 50 were forced into finding jobs on land, such as working in construction sites as odd hands. The fishing industry of Hong Kong has been plummeting, declining gradually into extinction.

In the '90s, the reclamation projects, especially the 10 core projects, had seriously affected the inshore operation of local fishermen. During those years, over a hundred vessels had launched a series of protests. Recently, the reclamation projects of the Disney theme park have also affected the fishermen, and two marine processions participated by over a hundred vessels have been staged.

Therefore, I think the Government must learn the hard lesson on the problems of the fishing industry. It is particularly so when Hong Kong is suffering from an economic downturn, and the Government should study if there is any traditional industries it could help to promote their development. So doing can revive the industry which has once seen glorious days and enable the fishermen families to continue their operations on the one hand, and enable the local economy to ride on the development of the industry to help one more industry find room to survive on the other.

I feel that this is a very good time for Mr WONG Yung-kan to move this motion. Recently, some fishermen, without the assistance from the Government, have started to invest in offshore fishing with their own capital, and they have proved that this development is really well-founded and cost-effectiveness. However, if we wish to pursue a comprehensive development of offshore fishing, fishermen will surely sense a strong sense of helplessness given their existing financial capability. If they approach the banks for loans of millions of dollars or even tens of million dollars, the chances of success are very slim. Therefore, if the Government could help by providing loans and other forms of assistance, I believe it would help the fishing industry, especially the offshore fishing, to a certain extent.

In the meantime of developing offshore fishing, I believe the Government should formulate a comprehensive policy for the fishing industry. I think this is very important, because the fishing industry includes not just offshore fishing, but also inshore fishing and pisciculture. These trade can basically provide job opportunities for the people of Hong Kong and create economic activities. I remember I suggested to the Hong Kong Government to formulate such policies

about 10 years ago, when Mr Gordon SIU was the Secretary for Economic Services. However, 10 years have lapsed now. The Government has yet to offer any help to this industry. What is worse, just like I have said, many infrastructure developments have dealt even heavier blows to the livelihood of the fishermen. As a result, the numbers of people and vessels engaging in the fishing industry have been dwindling.

Two or three years ago, a fisherman family of seven was living on a small fishing boat moored in the typhoon shelter in Cheung Chau. At that time, other fishermen, having seen their predicament, approached me for help. I tried to persuade him, asking if he would apply for a public housing flat because there were such flats on Cheung Chau. He turned down my suggestion mainly because he thought he could not afford to pay the monthly rent of nearly a thousand dollars, and he also did not want to apply for the Comprehensive Social Security Assistance. So he went to the sea to conduct his inshore fishing operations at three to four o'clock in the early morning every day in the hope that his mediocre catch could help him to maintain a basic livelihood. From this we can see the hard life of many fishermen — they are struggling. I wish the senior officials who are present today can really appreciate the hardship of the fishermen. I also hope that the Hong Kong people would not forget their past, forgetting that Hong Kong, as a fishing port, has had a glorious past. I hope that, with all sorts of assistance, this industry can continue to develop.

In the past, I seldom have the chances to co-operate with Members of the DAB, especially in district affairs. However, I have had more chances to work with Mr WONG Yung-kan. Perhaps, due to his traditional style as a fisherman, he is more reliable in his words, and will not do what he has not preached. Today, I sincerely support the motion of Mr WONG Yung-kan, and hope that, with the support from the various parties, the Government can really provide some assistance to facilitate the development of the fishing industry of Hong Kong.

Thank you, Madam Deputy.

MR TAM YIU-CHUNG (in Cantonese): Madam Deputy, there is no need to sow dissension insofar as the development of the fishing industry is concerned. First of all, I wish to thank Mr WONG Yung-kan for giving me this "Proposal on

the Development of Fishing Industry" from which I have gained a better understanding of the current development of the fishing industry in Hong Kong.

The fishing industry has played a pivotal role in supplying fresh seafood to the community of Hong Kong. The local fishing vessels provide 174 000 tonnes of fisheries produce to the market yearly, supplying 30% of the total marine fish consumed in Hong Kong. The local fishermen have made considerable contribution to ensuring a stable, sufficient, fresh and yet inexpensive supply of marine fish in the market.

However, given environmental pollution and excessive inshore capture fishery, the fisheries resources in areas where local fishermen used to fish have now wilted and even disappeared, resulting in the ever dwindling catches by the fishermen. To promote the sustainable development of fisheries resources, the national authorities overseeing fishery policies will impose a fishing moratorium in the South China Sea every summer. As the Hong Kong economy is in the doldrums, it is very difficult for local fishermen to find a job even if they go ashore during the fishing moratorium. For these reasons, not only the income of local fisherman has dropped substantially, the supply of fresh fish in Hong Kong will also be affected in the long run. Therefore, the fishing industry must find a way out and pursue restructuring and enhancement.

In fact, Hong Kong does have potentials for developing offshore fishing. The report of the consultancy study commissioned by the Government has also confirmed this direction of development. At present, the consensus of local fisherman organizations is that Samoa in South Pacific Ocean be identified as an overseas base for catching tunas of high commercial value in the Central and Western Pacific. The tuna catch can then be sold to the sashimi market in Japan, and also to Europe and the United States for making canned and fried fish. So, there is plenty of room for market development. Besides, the catches can also be sold to canneries or raw material purchasers direct, without having to trade through intermediaries. In that case, the value of the overall fishing industry in Hong Kong can then be enhanced substantially.

The problem is that the fishing industry in Hong Kong has always been family-based, but the development of offshore fishing must take the form of a collective operation with very tall requirements in terms of capital, technology and talents. Therefore, the Government must provide support and assistance

before the objective of restructuring the fishing industry can be achieved. Moreover, government support and assistance should be provided without delay, because the world fishing organizations will, in the next year or two, implement measures to restrict the number of offshore fishing vessels in Central and Western Pacific. Should Hong Kong continue to drag its feet over the development of offshore fishing, I am afraid we would lose the opportunity to operate in those restricted areas and eventually let slip of the opportunity of restructuring the fishing industry.

To promote the restructuring of the local fishing industry, the Government must actively provide policy support and expeditiously assist the fishermen to resolve problems concerning capital, technology, talents, and so on. At present, the equipment of most of the fishing vessels in Hong Kong is backward with short range of operation and it is, therefore, impossible for them to venture into offshore fishing. Of the 5 000-odd fishing vessels in Hong Kong, only some 1 400 are equipped for fishing in the South China Sea, and there are only about 30 steel vessels worthy for venture in distant waters. For the purpose of offshore operation, fishermen must acquire new fishing vessels at a cost of \$13 million each. Even conversion of steel vessels will cost \$5 million. So, the Government must increase the amount of loans to assist fishermen to convert their vessels or acquire the necessary vessels.

In respect of technical support, the Government should organize courses or collaborate with mainland educational institutions to provide training and practical opportunities for fishermen in respect of the operation of offshore fishing vessels, fishing techniques and the operation of fishing equipment and machines, as well as technical training on the refrigerating and handling of tunas, thereby upgrading the level of skills of fishermen in order to equip them for venturing in offshore operations.

On the other hand, the Government must enhance liaison with mainland enterprises and authorities to open up more opportunities for co-operation between Hong Kong fishermen and mainland enterprises/authorities, to enable fishermen to obtain assistance in respect of access to the overseas fishing bases of mainland enterprises/authorities, technology transfer, and so on. On policy support, the Government must foster communication with mainland academic marine institutions and set up a database on offshore fishing to enable fishermen to fully grasp the information on aquatic products, development in the market,

and so on; and these initiatives will, in the long term, facilitate the effective management and utilization of marine resources by the Government.

With these remarks, I support Mr WONG Yung-kan's motion.

MR FRED LI (in Cantonese): Madam Deputy, the share of the local agriculture and fishery industries as a percentage of the Gross Domestic Product of Hong Kong has dropped from 0.8% in 1980 to 0.1% in 2000. No doubt the economic value of the agriculture and fishery industries is on the decrease.

While the Democratic Party will support Mr WONG Yung-kan's motion on "Developing offshore fishing industry", we do have many concerns, and I hope Mr WONG or Secretary YEOH Eng-kiong can respond to these concerns.

To Hong Kong, the future of offshore fishing is indeed full of uncertainties, and it is no easy task to open up opportunities for its development. Having said that, however, if the Government considers this feasible, then perhaps it can help the already diminishing fishing industry find a way out and may perhaps provide fresh impetus for the economy of Hong Kong.

The Democratic Party considers that the success or otherwise of developing an offshore fishing industry largely depends on government support for the industry. Offshore fishing in Taiwan, by its scale, ranks the sixth in the world. Their success is attributed to the Taiwanese Government being able to seize opportunities early. In the '50s and '60s, the fishing industry was already put in a position of prominence in the first phase of Taiwan's economic programme. Through co-operation with banks to provide loans, the setting up of centres to train up talents, the provision of assistance for upgrading fishing techniques, the development of infrastructure and the setting up of fishing ports, and by riding on the momentum of the take-off of offshore fisheries in the '70s, the offshore fishing industry in Taiwan has managed to secure an important position in the Asia-Pacific Region. With the advent of the 21st century, can the SAR Government borrow these measures? Can these measures be applied to Hong Kong successfully? Can Hong Kong, being a late comer in the international playing field, secure a position? To these questions, we have no answers, and we believe only the Government can provide a definite answer.

The development of offshore fishing involves not only the problems mentioned earlier, but also the increasingly stringent international laws and regulations. Over the past 20 years, the United Nations and the International Maritime Organization have formulated a total of five conventions, agreements and codes of conduct to regulate the operation and responsibilities of marine fishing. With regard to these agreements and conventions, the SAR Government must set aside substantial resources to educate the fishermen or enterprises about the relevant provisions to prevent them from breaching the rules inadvertently. Moreover, since Hong Kong is not a sovereign state, in order to gain fisheries access to waters within the Exclusive Economic Zones of foreign states and international waters, I believe local fishermen and fishing companies can do so only through joint venture with mainland fishing companies.

Apart from the above problems, the Government has stated that a prerequisite for the development of offshore fishing is that the fishing industry must move in the direction of corporatization to replace its existing family-based mode. I appreciate the Government's prudent attitude towards the development of an offshore fishing industry. The consultancy report on the feasibility study of developing an offshore fishing industry as commissioned by the Government pointed out that it is technically and financially feasible for Hong Kong to develop an offshore fishing industry. However, the report has not mentioned the role that the Government should play and there is little mention on how it can assist the fishermen or the start-up of the fishing industry, particularly as to how the fishermen can be assisted financially in the construction of vessels or acquisition of new vessels, which are crucial. Indeed, we do not see much discussion on these aspects in the report.

The Democratic Party considers that if the Government is determined to develop an offshore fishing industry, it must first define the role of the Government and formulate more detailed financing options. Finally, in order to play safe, the Government must conduct in-depth discussions with the industry and carefully gauge the prospects for the development of the industry, and then further map out plans for the future.

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

MR LEUNG FU-WAH (in Cantonese): Madam Deputy, originally I did not intend to speak, however, I would like to do so now due to two reasons. First, Mr WONG Yung-kan distributed before this meeting a letter of reply written to him by the Vice Minister of Agriculture of the State Council. Initially, I was worried that some Honourable Members would make the criticism that the Central Government is meddling with the affairs of the SAR. But having listened to the speeches made by two Honourable colleagues from the Democratic Party, I feel that my worries are rather unfounded as their speeches are very mild. Second, I received a letter from the Joint Committee of Hong Kong Fishermen's Organizations at the entrance of the Legislative Council Building and found that their arguments were well-justified. So I would like to say a few words for them.

Madam Deputy, the fishing industry is an indigenous economic activity to Hong Kong. Before the British came, Hong Kong was already a fishing port. There are quite a number of inscriptions left in various places in Hong Kong, Kowloon, the New Territories and on the outlying islands recording the activities of the fishing population in the past. Fishing indeed made some contribution to the economic development of Hong Kong.

In recent years, fishermen in Hong Kong who operate beyond the waters of Hong Kong have been finding it difficult to earn a living. The reason is that there is an excessive number of fishing vessels operating in the South China Sea. As a matter of fact, the number of fishing vessels from Hong Kong has been diminishing, while that of mainland vessels has been constantly on the rise. The entire South China Sea is a ground of fierce competition for nearly 100 000 fishing vessels, hence the rate of capture in the region is vastly greater than the rate of growth of fisheries resources. As a result, marine resources are fast depleting. In view of this, the Ministry of Agriculture of the Central Government began to impose a fishing moratorium in the South China Sea in 1999 in the hope that the aquatic resources of the South China Sea could recuperate and revive. We support this move. However, this moratorium has also made the operation of the fishing industry in Hong Kong more difficult. It is estimated that since the moratorium was first introduced in 1999 to the present, the number of fishing vessels from Hong Kong which operate beyond Hong Kong waters, that is, in the South China Sea, has dropped from 2 000 to less than 1 500, meaning that more than 25% of the fishing fleet has been forced out of the industry. If this trend continues, the prospects of our fishing industry will be bleak and fishermen are prone to become unemployed. That would exert great

pressure on the community and build up the discontent and grievances. I do not think this is a scenario we would like to see.

As Hong Kong has transformed into an international centre for finance, trade, information and shipping, our inshore fisheries resources have been exhausted due to improper sewage arrangements and pollution caused by reclamation. The traditional fishing industry has lost its importance. But that does not mean that our fishing industry is devoid of any economic value and it should be left to chart its own course. In my opinion, people who hold such views fail to appreciate the value of the fishing industry and its development potentials. In recent years, the public has become more aware of the actual situation of the fishing industry and begun to support the industry to present its demand to the Agriculture, Fisheries and Conservation Department (AFCD) to draw up a long-term fishing policy, hoping such a policy will foster the sustainable development of the fishing industry in Hong Kong. In 1999, the AFCD commissioned a consultancy to study the feasibility of developing an offshore fishing industry in Hong Kong.

Despite the near depletion of inshore fisheries resources, if we set our eyes far and wide, we will find that we are well-positioned at the doorsteps to four great oceans. We will then realize that we can develop an offshore fishing industry and that our boats can venture beyond the South China Sea into the vast expanse of the oceans. Other coastal cities such as Da Lian, Qing Dao, Keelung and countries like Japan, Thailand and Korea are all paying a lot of attention to developing their shipping and fishing industries. A lot of support is also given to the fishing industry there to enable it to venture far to the deep waters and industrialize its operations.

In the last couple of years, the Joint Committee of Hong Kong Fishermen's Organizations has sent representatives to Japan, Taiwan, Thailand and Fiji to study tuna long-lining there. The impression which the tour members got is that tuna long-lining has great potentials for development and this has boosted their confidence. The problem is that fishing activities in Hong Kong are family-based operations and fishermen in general are not well-educated. They are also short of funds. But as they have been fishermen for generations, they have acquired a lot of folk wisdom in fishing through their rich experience. So they should form the backbone of our offshore fishing industry. If only the Government would lend our fishing industry a big hand, prospects would certainly be promising for the industry.

In September 2002, the feasibility report by the consultancy was issued. The major direction and the spirit of the report are right in pointing out that the future of our fishing industry lies in developing an offshore fishing industry. However, there are problems regarding the positioning of offshore fishing and the four action plans as outlined in the report. The Health, Welfare and Food Bureau, which is the regulatory authority for the fishing industry, has not been mindful of the practical problems facing the development of an offshore fishing industry, nor has it heeded the requests for assistance made by fishermen's organizations, fishermen and Members of the Council. The reply it gives in the many consultative meetings held is a flat refusal. May I ask if this is what accountable officials are supposed to be doing? We have reasons to believe that the consultancy report is made up simply as a result of the company listening to hearsay and views expressed by some officials. Therefore, we would like to point out the following with regard to this report:

On the positioning of offshore fishing industry, the consultancy report defines the nature of offshore fishing as a commercial activity and the officials who decide on policy for the industry have intentionally elevated the consultancy report to the status of a bible and employed it a kind of protective shield. By regarding offshore fishing as a commercial activity, the Government feels justified to sit back and do nothing, paying no attention to the industry's request to inject \$300 million to fund a low-interest loan scheme for fishermen to develop offshore fishing with this, the officials can then obviate the need to bear responsibility. Just imagine, the plan to provide a low-interest loan scheme to the fishermen to develop offshore fishing is consistent with both the spirit and details of the existing Fisheries Development Loan Fund in that the target subjects are individual fishermen engaged in the industry and that the financial issues are their individual concern. The development of offshore fishing in Hong Kong will upgrade the local fishing industry and turn the fishing operations into an industry and corporate activity. This will also elevate the quality of the fishing industry and the fishing population. Even if offshore fishing manages to develop on a greater scale, it is still a primary production activity and its nature cannot be arbitrarily changed into that of a commercial activity. Any attempt to do so is only shirking responsibilities. When our development in offshore fishing is compared to that of the Mainland and Taiwan, we are really trailing far behind our neighbours.

The development of offshore fishing would entail enormous capital investment, for the consultancy report mentions that investing in a tuna capture

vessel with ultra-low-temperature refrigeration facilities would mean an investment to the tune of more than \$10 million. Fishermen in Hong Kong are simply shut off by such an immense amount of money. I so submit.

MR NG LEUNG-SING (in Cantonese): Madam Deputy, if we look back a little on the history of the preparatory work for the establishment of the Hong Kong Special Administrative Region (SAR), we will see that although at that time the agriculture and fisheries sector as a share of the Gross Domestic Product was clearly smaller than some other sectors, it was still highly regarded and a seat in the Legislative Council was allocated to this functional constituency. During the past two or three decades, with the rapid economic development of the territory, our service industries grew and acquired a competitive edge. However, conventional sectors like the manufacturing sector and agriculture have been declining. The fishing industry is similarly in a difficult situation. Its potentials for development have not been properly tapped. In recent years, inshore fisheries resources have been diminishing and, on the international front, countries are imposing more and more protective measures on their fisheries resources. Our fishing industry is currently at the crossroads, facing a very uncertain future. If assistance is given by the Government in terms of matching policies and specific measures, our traditional inshore fishing industry may stand a chance of transforming into an offshore fishing industry operating under the benefits of economies of scale. On the contrary, if it is left to chart its own course, the industry may not be spared the fate of gradual elimination.

I have maintained close contact with friends from the agriculture and fisheries sector and I am a member of the committee on the Fisheries Development Loan Fund. So I have gained an understanding of the hardships faced by Hong Kong fishermen, and I am also aware of the importance of government assistance and matching policies. As compared to the industries and agriculture, our fishing industry does enjoy some unique advantages. First of all, fishing does not require a large amount of land which is an expensive cost in the industries and agriculture. Second, our fishing industry is still largely confined to inshore operation and this implies that offshore fishing will offer greater potentials for development. Besides, the upgrading of our fishing industry will help turn Hong Kong into a modern fishing port with all its attractions that will promote the tourist industry. The prevailing problems faced by the Hong Kong fishing industry are largely due to the fact that most

operations are family-based. Such a traditional mode of production lacks in the economy of scale and the level of related technology and equipment is low. Thus, it would be difficult for local fishermen to shift to offshore fishing. Although the Fisheries Development Loan Fund has been providing some measure of assistance to fishermen, the approved liability of the Fund is only \$100 million, and only 20% of the money available for loans is left. So it would be difficult to rely on this Fund to promote offshore fishing.

Overseas experience shows that the most important factors contributing to the development of offshore fishing are modern fishing gear and efficient operation and management. That means modern corporate management should replace the traditional mode of family-based operation. In the long run, this is the only way out for our fishing industry and only by adopting such a approach that the industry can acquire the technology level and economy of scale required by offshore fishing. This would also facilitate commercial financing and enable the industry to be independent from government assistance. Once the fishing industry went on a path of modernized corporate operation, it will expand to require, apart from front-line deck hands, other people in offshore operations, logistics, marketing, finance and management. More jobs can thus be created and more better qualified people will be attracted to join the industry.

At the present juncture, what the SAR Government should do is to make matching efforts to facilitate this industrial transformation and encourage our fishing industry to develop into a modern business. The Government should work out some specific measures such as improving the existing loan fund with respect to defining a reasonable scale for the fund and its mode of operation. The level of financial assistance should be revised to enable fishermen to enhance their productivity and meet the needs arising from development of offshore fishing. Consideration should also be made to make use of the recoverable loans and other measures promoting the restructuring of the industry so as to provide the incentive to encourage fishermen to enter into partnership and move towards the goals of economy of scale and corporatization. In these respects, the Government should provide training in the technologies of offshore sailing, business management and international laws and regulations on fishing activities. In addition, there should be more co-operation with the mainland authorities on fisheries and more contacts and links should be forged with other related international organizations. These will serve to provide more effective assistance to local fishermen.

In my opinion, it is the common wish of all the people of Hong Kong to see this once-thriving fishing industry to keep abreast of the times and continue to develop through restructuring. The fishing folks should not merely be told to apply for the dole when times are rough and when they find it hard to switch to other trades.

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

MR CHAN KWOK-KEUNG (in Cantonese): Madam Deputy, now that fisheries resources in the South and East China Seas are diminishing and the fishermen are not getting a reasonable return for the hard work they put in. As Mr WONG Yung-kan has said, if the fishermen can venture into the South Pacific Ocean or the Indian Ocean, they may be able to catch the profitable tunas. Likewise, they may also go to the distant waters of Northwest Australia for the trawling of cod. And so the fishermen are convinced that offshore fishing is a profitable undertaking, but it is unfortunate that government assistance is not sufficient to make them blaze a new trail.

The consultancy study has suggested many immediate, mid-term and long-term development options for offshore fishing. As Mr WONG has discussed these in detail, I would not repeat them here. However, I would like to make some comments on the recommendation made in the study to replace traditional family-based fishing operations with commercial fishing operations.

Currently, there are about 5 000 fishing vessels in Hong Kong and most of them are operated on a family basis. The fishing fleet produces approximately 174 000 tonnes of catch and supplies about 30% of the marine fish consumed in Hong Kong. If the recommendations made in the study are accepted, then most of the Hong Kong fishermen will probably be knocked out of operation.

There must be a comprehensive business plan to develop offshore fishing, covering such like the marketing of catches, financing, and access to the fisheries of other countries. There may even be a need to enter into joint venture projects with foreign companies, and the investment and legal issues thus involved are very complicated. Though this is regarded as a long-term development option, does the Government mean that the fishing community will in the end be replaced by a gigantic fishing company or will individual fishermen

form a co-operative society to develop the fishing industry? With regard to these questions, the Government has not made any specific commitment or plans.

The consultancy study has identified 10 profitable fisheries. However, the fishing gear and vessels required would mean a huge investment, that is, in the region of millions of dollars. The Fisheries Development Loan Fund only pays out loans which are on average about half a million dollars or so. If the Government can inject \$300 million into the Fund, the loans paid out can mean a lot of help to fishermen who would like to venture into offshore fishing. It is reported that offshore fishing is very profitable. A 44-day fishing trip can bring in \$900,000 of net profit. In times of an economic downturn, experienced fishermen are prepared to work hard for a better return. All that is lacking is support from the Government.

According to the study, fishermen who wish to catch tunas in the Indian and Pacific Oceans do not have to purchase new vessels, for they only need to convert some small vessels at a cost of about \$540,000 each. But actually that will not work and the vessels may not comply with the requirements of international maritime laws. As Mr WONG Yung-kan has said, it would be better if new vessels are purchased, for that would mean greater durability. But buying a new vessel would cost at least \$3.5 million and when chilling facilities are added, the total cost may well be more than that. If the Government can offer more assistance such as by raising the loan amount, then Hong Kong fishermen may make the switch to offshore fishing for a living.

In addition, if fishermen wish to gain fisheries access, they would have to put in a lot of efforts such as through a joint venture with foreign or mainland companies. Or they may contact the relevant foreign authorities. In case a quota system is imposed on some fisheries, the problems will be much greater and there are numerous hurdles to overcome. The Government should really help the fishermen to solve these problems which often involve diplomatic or international economic co-operation. Just as the consultants have said, since most of the fishing operations in Hong Kong are family-based, the solution to these problems is beyond their ability.

In addition, as the catches are mostly sold in overseas markets, the fishermen may not have the necessary market knowledge and sales network to do so. That is why government support is required to help them sell the tunas to

Japan or canneries in foreign countries or other markets in mainland China or Southeast Asia.

I hope that the Government can offer one-stop support to fishermen as recommended in the consultancy study. For example, the study identifies tuna resources in the international waters of the East Indian Ocean near Thailand and that large long-liners equipped with ultra-low-temperature refrigeration facilities should be used for such purpose. What the Government can do is to take action to secure the fisheries access for the fishermen, or when the fishermen do not have the money to purchase or convert such kind of fishing vessels, it can make arrangements to help the fishermen hire some such vessels. Then as the fishermen make money from offshore fishing, they will have the money to buy fishing vessels. The most essential thing is for the Government to provide more loans to the fishermen and to lower the loan interest from 6% to 3% to really help the fishermen.

Lastly, I would like to mention that the study recommends the fishermen to attend some vocational training courses in the Mainland and Taiwan. I would suggest to the Education and Manpower Bureau to look into the possibility of getting institutions like the Vocational Training Council to organize such courses in Hong Kong, for that would reduce the expenses to be borne by the fishermen.

At present, places like China, Taiwan, Japan and South Korea have all become developed fishing economies in Southeast Asia and it would be difficult for the Hong Kong fishermen to compete with them for a share of the fishing resources. If the Government continues to make Hong Kong fishermen solve the problems by themselves, that would only further undermine their competitiveness and resign a local industry with growth potentials to demise.

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

DR DAVID CHU (in Cantonese): Madam Deputy, Hong Kong started as a fishing port and has developed into a modern city nowadays. Even today, fresh seafood is still one of the most important primary products of Hong Kong with an annual catch of about 174 000 tonnes, valued at more than \$1.7 billion. Besides, there are now more than 11 000 fishermen in Hong Kong. So it can be seen

that the fishing industry is making an important contribution to our economy and a lot of people depend on it for a living. However, the fishing industry has been facing tremendous challenges in recent years as a result of the decline in fisheries resources along our coast and in the South China Sea. This substantial drop in catches is making an adverse impact on the life of the fishermen.

As in other trades and industries of Hong Kong, the fishing industry is subject to pressure of restructuring and there is a need to explore value-added products and overseas markets. Developing offshore fishing in search of fisheries resources like tuna is the major direction of development for the fishing industry of Hong Kong in the future. Though our fishermen are well-experienced and offshore fishing presents great potentials, the huge manpower, material and financial resources involved in offshore fishing are beyond the reach of most people in the fishing community. Moreover, offshore fishing is a commercial operation that is vastly different from the traditional family-based operation. That is why full support from the Government is needed to develop offshore fishing.

Of our fishing fleet of about 5 000 vessels, only a few dozen have the capacity for offshore fishing. A cost of \$1 million to \$2 million is required to convert these vessels to meet the needs of catching tunas. A new vessel would cost more than \$10 million. This is definitely beyond the affordability of individual fishermen. In my opinion, as manpower needs for offshore fishing are quite substantial, a workable proposal is for fishermen who are interested in offshore fishing and have the ability for it to come together and start their offshore fishing business. They can pool in their money and purchase fishing vessels for that purpose, thereby reducing the amount of capital input and risk. The Government may play the role of a facilitator and supporter to help these fishermen set up their company and secure the financing for offshore fishing. The company thus formed will be tasked with the management of the vessels. All these are required because offshore fishing is a highly commercialized activity and there should be business plans which attend to all aspects of the operation, including the formulation of investment, marketing, operation and financing strategies. Most of the offshore fishing operations in other places are carried out by companies and fishing fleets. Therefore, the Government should provide training and support to the fishing community to help them commercialize their operations.

With respect to financing, the Government is currently lending money to fishermen through the Fisheries Development Loan Fund. The loans will help fishermen purchase new fishing vessels and upgrade their existing ones. But the problem is that the loan amount now is not sufficient in helping them restructure their fishing operations. What the Government should do is to discuss the issue with the industry and examine how best the Fund can be more effectively used to help the fishermen venture into offshore fishing. I understand that this would add to the financial burden of the Government, but the Government simply cannot let the local fishing industry chart its own course. Moreover, offshore fishing is a business, for which projections in profit and rate of return can be worked out. Thus the Government should help the fishing community find investors so as to reduce its financing problem.

Madam Deputy, offshore fishing has tremendous potentials for development. However, the Government must take proactive measures to assist the fishing community in the form of loans, manpower training and technical support before the industry can be successfully restructured. With these remarks, I support Mr WONG Yung-kan's motion.

MISS CHAN YUEN-HAN (in Cantonese): Madam Deputy, we are supportive of Mr WONG Yung-kan's motion. While the Hong Kong Government is still facing a deficit problem, the prospects of Hong Kong economy remain uncertain. Our friends from various trades and industries all feel that they must devise measures to save themselves and, at the same time, come up with solutions to save Hong Kong economy and help it restore development. It has been several years since Mr WONG Yung-kan started discussing the relevant issues in this Council. As a matter of fact, he has raised numerous questions on offshore fishing.

Surrounded by sea on all sides, Hong Kong has the necessary conditions to develop offshore fishing. As such, I feel that this motion under debate today is not a matter of concern to the industry only. What can we do at a time when Hong Kong is faced with such problems as a fiscal deficit, economic woes and dwindling economic activities? Over the past few days, various political parties were time and again consulted by the Financial Secretary and relevant financial officials on proposals of broadening sources of income and reducing expenditure. Today, Hong Kong is faced with a serious deficit problem; it is imperative for us to seek solutions to the problem. Nonetheless, it is not enough for the

Government to merely focus on ways to dig into the people's pockets. In so doing, it will only expose to us the fact that the Government is poor and it is making the people poor too. Is it acceptable if the axe is wielded at the people only? What is the next step after the people? In my opinion, it is necessary for the Government to formulate various mid- and long-term measures to complement its efforts. Now that Hong Kong economy is dwindling, as pointed out by the Financial Secretary, we must revive the economy in addition to broadening sources of income and reducing expenditure. In this respect, the Government must show us the direction.

The motion proposed by Mr WONG Yung-kan today precisely touches on how Hong Kong can capitalize on its own resources to develop its fishing industry, which has long been in existence, as well as ways to develop offshore fishing.

While it is essential for the Government to discuss with us proposals to tackle the deficit, it is also essential for various government departments to discuss with the relevant industries ways to develop the local economy. I am not prepared to talk about consumption of fish. I would like to say a few words on the general direction only. I see that a group of fishermen are sitting in the public gallery today. In my opinion, the issue under discussion today is related not merely to the survival of fishermen. I hope the SAR Government can understand why it is essential for us to consider ways to develop various trades and industries at a time when Hong Kong is in predicament. In this connection, I would like to ask the SAR Government this question: Has it any intention to promote the local community economy as well as re-engineering the local economy? If the answer is affirmative, it will be the same as acknowledging the remarks by Mr TUNG, that resolving unemployment is not only a problem for the departments responsible for financial and labour matters, but also a problem for all government departments. By the same token, if we are to rid Hong Kong's diversified economic activities of their financial woes so that fishermen will have fish to catch, businessmen have business to do, and workers have work to do, I hope all other officials can respond positively to whatever proposal comes into their knowledge. I have no intention to "challenge" the Secretary. I just recall that Mr WONG was really furious that day. He complained he was ignored by the Secretary when he tried to put forward his proposal. Should the Government be able to appreciate the efforts made by members of a certain industry in spending so much time on the issue, it ought to share the difficulties facing them today.

Mr WONG Yung-kan is a member of the DAB, but he is frequently out of town. He is not lazy. He has actually paid visits to such neighbouring countries as Thailand and various parts in the Mainland to study the practices of people elsewhere. On each past occasion when he sought to propose a motion related to fishermen, he would consider not only their situation in Hong Kong, but also make reference to other regions with respect to the ways in which the fishing industry was being promoted. In this Council, he has gained a lot of experience, moved a number of motions, and made a few proposals to the Government on behalf of the industry represented by him. Luckily he is a Member of this Council and has a chance to speak in this Chamber. What will happen if he does not have a chance to do so? The situation will turn out to be like a story told by me in a speech delivered a few weeks ago. It was about a group of furniture makers who intended to return to Hong Kong to start up businesses for they were given to know that Hong Kong desperately needed to lure furniture makers back to the territory. However, they were shut out of the doors when they approached various government departments. I do not think this is an appropriate way of handling the matter.

When members of a certain industry have spent so much time and effort devising a number of plans for consideration by the Government, they ought not be flatly rejected by Secretary YEOH, or any other Secretaries. I hope the Government can seriously conduct a detailed study, or at least discuss with members of the industry. For instance, if we are to develop offshore fishing, what problems has the Government identified after carrying out the study? What assistance should be offered to the industry in terms of policy? What government support is required? In my opinion, the Government should at least hold an open attitude in looking at different economic activities. It should also maintain the same attitude in listening to the people when they make relevant proposals. Otherwise, we will frequently encounter tremendous operational difficulties. Meanwhile, we share Mr WONG's frustration and appreciate the reasons for his reaction. In other words, if government departments fail to look at the matter from our angle when we try to help promote a policy which is supposed to be conducive to Hong Kong and may help the territory resolve its current financial hardship, the difficulty we will encounter is likely to double when we try to take it forward. It is indeed worthwhile for us to pay attention to this.

If one day the Government makes a proposal to resolve the deficit problem, I will ask this question: Is the Government prepared to implement more measures

which can benefit and revive Hong Kong economy? Then I will ask: How will the Government proceed if this is to be done? Solely relying on government officials to launch certain policies is seemingly problematic. In my opinion, we need a plan. The relevant government officials should immediately form a committee with members of the relevant industry to jointly examine, for instance, difficulties likely to be encountered in the development of deep-sea fishing and the problems that have to be addressed. The Government should not tell us there is no way to implement the plan after conducting a closed-door study by itself. This is the last thing I wish to see. Today, in Hong Kong, we must pool the wisdom of all people. All those who wish to help Hong Kong break away from its predicament must work together to give the territory new business opportunities and vitality, and to provide wage earners with more job opportunities.

With these remarks, Madam Deputy, I support the motion. Thank you.

(An applause in the public gallery)

DEPUTY PRESIDENT (in Cantonese): Quiet, please.

MR ABRAHAM SHEK: Madam Deputy, fishing is one of the oldest industries in Hong Kong. Once a flourishing trade, its economic significance has shrunk as marine resources dwindled and sea pollution increased.

Many families, descended from generations of fishermen, are now closing up their struggling ancestral business and switching to other work, but not too successfully. At present, only 11 560 fishermen are still active in the industry, operating a fishing fleet of 5 100 vessels, which supply about 30% of the fresh seafood in Hong Kong.

For them to continue, they must devise new strategies for survival, or fishing will become a sunset industry in our service-based economy. The international trend in fishery has been to venture offshore where fish stock is more abundant in the distant water. Exploring the possibility of offshore fishing could then be a cure to the problems in the fishing industry.

Does Hong Kong have the potential for developing offshore fishing? The answer is "yes", according to a Government-commissioned consultancy report on its feasibility. It concluded that it would be technically feasible and financially viable for local fishermen to pursue offshore fishing. Note that the report uses the words "feasible" and "viable". Yet, in my humble opinion, there are still many obstacles to overcome before the local industry can really start fishing in offshore waters.

Firstly, the Hong Kong Government has remained very passive in terms of securing fisheries access and fishing quota.

At present, Hong Kong does not have a local registry for offshore fishing vessels. As a result, we have not been given any official fishing quota or exclusive fishing grounds in the most recent quota-assigning exercise conducted by the United Nations. Local fishermen, therefore, have to register their vessels elsewhere or enter into partnership with the Mainland or other foreign companies in order to fish in international waters or in the exclusive fishing grounds of other coastal territories. In other words, our fishermen have to be first accepted by other countries and then work with their offshore fishing companies. Their operation and rights will then also be subjected to the monitoring of foreign jurisdictions instead of Hong Kong's legal system. According to the report, even if Hong Kong sets up its own registration system for offshore fishing vessels, it would not be able to obtain any fishing quota already assigned to other fishing areas. Besides, the setting up of a registration system would be a massive undertaking. For it to run smoothly, the Government would have to spend an enormous amount on staff and administrative costs.

Secondly, it remains unclear whether local fishermen would give up their traditional family operation and switch to the modern commercial business approach required for offshore fishing. Substantial investments will be needed for new equipment and the higher stakes of running a commercial fleet. It is doubtful whether they have the necessary know-how and expertise to attend to legal and contractual issues or to formulate business plans.

Thirdly, local fishermen generally do not have adequate training to be fully prepared to venture into the distant waters for offshore fishing.

The Government, thus far, has also invested little in training courses or support services for local fishing industry. And with a worsening deficit, it is understandably hesitant to commit extra funds in this area. Instead of waiting for government help, I am aware that many fishermen have taken the initiative themselves to attend training courses and sit for offshore fishing qualification tests organized in mainland cities such as Shanghai, Dalian and Qingdao.

The Government has made it clear that while it would encourage fishermen to pursue offshore fishing, it will not participate directly in the fishing trade. I personally believe that this is the right decision because it is still uncertain how much economic benefits this new industry may bring Hong Kong in the long run.

For one, it is doubtful whether a late starter like Hong Kong can achieve cost-efficiency comparable to the region's developing countries. Many of these developing nations have experienced substantial growth in their offshore fishing because advanced countries reduced their catch and traded their unused quotas to the developing countries. In turn, the more advanced countries simply purchased their fish at a lower cost from the developing nations.

Furthermore, economic initiatives working well in other countries may not work as well in Hong Kong because our economic structure is distinctly different. Fishing in Hong Kong is simply not as advanced as our counterparts in the region. Only 0.3% of our total workforce is active in fishery, and its contribution to the Gross Domestic Product is very limited.

However, is there anything that the Government can and should do in restructuring the fishing industry? The answer is definitely "yes". The Government should facilitate and offer support services and loans to those in the fishing community wishing to go offshore. Specifically, the Government can assist and facilitate these fishermen by engaging in talks with relevant fishery authorities in the Mainland and other countries, and help them in securing fisheries access and fishing quota.

Madam Deputy, I recognize the potential importance of offshore fishing to local fishermen. The Government and the fishing community must continue to communicate with each other and come to mutually beneficial compromises that meet the overall economic interests of Hong Kong and the specific needs of our local fishermen. With these words, I support the motion. Thank you.

MR CHAN KAM-LAM (in Cantonese): Madam Deputy, I have a passion for seafood. I support today's motion not because I love seafood, but because I think I have some insight of industries related to vessels since I have been in the shipping business for years. This explains why I have a little knowledge of the fishing industry. In my opinion, the industry has the potential for further development.

Members might still recall that in the motion picture "Forrest Gump" starred by the prestigious movie star, Tom HANKS, one of the characters started his business by taking his boat to the sea to catch shrimps and eventually became extremely rich. This story tells us that the ocean is actually a mammoth treasure-trove. There are simply no reasons to ignore it. As a matter of fact, 70% of the earth's surface is covered by oceans, where abundant marine resources can readily be found. Every coastal country or region in the world capitalize on their proximity to the seas to actively develop their fishing industry. It is indeed a pity that our Government — before and after the reunification — has all along neglected our marine resources, taking the development potential of the fishing industry lightly, and letting the industry run its own course.

Undeniably, the production and value of Hong Kong's fishing industry has dwindled rapidly over recent years, thus causing an enormous impact on the industry. Last year, the total production value of the industry stood at a mere \$1.7 billion. But the similar production value of our neighbouring regions is much higher, with some exceeding \$10 billion. Globally, the fishing industry is moving towards corporatization. Today, the development of the fishing industry in places other than Hong Kong depends, to a certain extent, on government assistance. Otherwise, it can be quite tough. In such place, not only is importance attached to inshore operations of trawlers, stern otter trawlers or pair-trawlers, vigorous efforts are also being made to expand pisciculture and leisure fishing which can generate tourism proceeds as well. We must also note that they have developed offshore fishing over a long period of time, has opening a new way out for the traditional fishing industry.

Some people may still ask this question: How much potential does offshore fishing offer? Members having read the proposal submitted to this Council by the fishing industry may have noticed one of the stories contained therein: After converting his two fishing vessels, a fisherman by the surname of CHEUNG managed to, in a matter of a couple of months, reap a profit of over \$1 million

from his catch, even after expenses on fuel and labour costs had been deducted. This is a real story. It reveals that as long as we are willing to invest in offshore fishing, we can possibly reap generous profits.

This phenomenon is actually hard to come by in Hong Kong. However, if we look at Taiwan, the Mainland or Japan, we will find that they have been actively developing their fishing industry over a considerable period of time. While fishermen may initially lack capital to expand their operation, the Government can help upgrade their operation by offering them subsidy in the form of capital. Though it is said that traditional fishery is a strenuous trade, and most young people are not willing to join it, today's fishing industry has seen further development and reached the stage of corporatization. There is high potential for fishing to be developed as an industry. With the help of technology, machines and large-scale operation, there is enormous room for the fishing industry to develop.

We can draw a simple analogy. Today, people engaging in fishery no longer work on board barefooted or in work pants. They are now relying on operators, who have a good understanding of astronomy and hydrology, in smart uniforms to manage their fleet. Huge fishing vessels of ten thousand tons with processing plants on board are now replacing ordinary, traditional vessels. Frankly speaking, had our government been able to realize two decades ago that fishery was an industry of potentials, it should have helped fishermen improve their mode of production.

The constant decline of Hong Kong's fishing industry today is closely related to the Government's attitude of not offering assistance. Nonetheless, the industry has not lost heart. They have persistently fought for their cause and appealed to the Government for assistance. To our great regret, we can see that the Government has all along considered offshore fishing a purely commercial venture. Fishermen wishing to expand their operation may only obtain loans from banks. As Members should be well aware, commercial banks in Hong Kong have a poor understanding of the fishing industry. They even harbour the thinking that fishing vessels are quite "insecure" for they keep "drifting" on the sea, and thus come to the conclusion that they cannot be reliable security. In my opinion, it is virtually impossible for fishermen to obtain credit facilities from banks. They must therefore pin their last hope on the Government. Although a loan fund is now available, it can only provide loans

totalling \$30 million or so, which is indeed a very small sum. The Government must explore every possible means to offer assistance to fishermen to enhance their chances of transformation.

Last year, the Financial Secretary presented his "fishing theory" and encouraged people to go "fishing". Actually, he was trying to appeal to the people to explore every possible means to develop various trades and industries. Now the fishing industry is precisely heading in this direction. For this reason, I hope the Government can support the industry. Thank you, Madam Deputy.

DR TANG SIU-TONG (in Cantonese): Madam Deputy, though the offshore fishing industry has massive business opportunities and potentials for development, there are still quite a few obstacles that make it hard for fishermen to go forward. Apart from such basic factors as human, financial and material resources, offshore fishing involves the rules for fishing in the exclusive waters of foreign countries or the high seas. Fishermen have to deal with complicated legal problems and comply with the relevant provisions before they can complete the registration of fishing vessels, obtain access to fisheries and formally participate in offshore fishing. The SAR Government must provide fishermen with adequate assistance in this respect. For instance, it has to clearly explain the relevant laws to them and assist in the establishment of a communication network between them and official or related organizations to facilitate the restructuring of the fishing industry.

Unlike inshore fishing, offshore fishing operates in the exclusive economic zones of other countries or international waters. Fishing in the exclusive waters of foreign countries must be approved by the governments of those countries, but it does not mean that fishermen can freely fish in the high seas because some high seas are subject to quota restrictions. In any case, fishermen must observe the laws on fisheries/the sea of the relevant countries as well as the international laws and regulations for fishing in international waters. Generally speaking, fishermen should first register their vessels or set up fishing companies and then apply for the rights to access fisheries before engaging in fishing activities. The consultancy report of the Government — Consultancy Study on the Feasibility of Developing an Offshore Fishing Industry in Hong Kong — suggests the registration of fishing vessels in the Mainland by Hong Kong fishermen so that they can operate in the capacity of Chinese fishing vessels, use the relevant

fishing quota and enjoy the rights to access. I think it involves complicated legal and administrative problems and the fisheries policies of the State, which is beyond the grasp of general fisherman bodies. Therefore, the SAR Government must communicate with the mainland departments as soon as possible, understand the views of the mainland government on the matter, and grasp information on the relevant mainland rules and regulations, policies and administrative procedures, so as to assist in the registration or establishment of companies by Hong Kong fishermen in the Mainland.

Certainly, the registration of fishing vessels is only the first step and fishermen also have to apply for the rights to access fisheries. Though marine produces are of very high economic value, marine resources are after all limited, therefore, offshore fishing often involves the material interests among countries or enterprises and it is impossible for fishermen to complete project inspection and negotiations about the conditions for access to fisheries through their own efforts. As far as I understand it, in the course of development of the offshore fishing industries in developed countries and regions, the earlier stage work of more successful projects was organized and implemented by government departments. I understand that the SAR Government has all along upheld a non-intervention policy, but if it does not assist fishermen in establishing channels of communication or finding partners for co-operation, it is very difficult for local fishermen to access offshore fisheries.

The consultancy report of the Government has also mentioned that there are three ways in which fishermen can obtain the rights to access fisheries: First, liaising with foreign or mainland fishing companies for negotiations on the conditions of joint investment; second, establishing companies in the relevant countries and obtaining the access rights; and third, applying to mainland government departments for direct authorization for fishing in the exclusive economic zones of the State or international waters on which no catch quotas have been imposed. In my opinion, regardless of how the rights to access fisheries are obtained, since most fishermen lack the relevant knowledge or experience, it is appropriate for the Government to play the role of a co-ordinator or middleman and provide fishermen with useful information and assist the fishing community in forging ties with the relevant organizations. Hence, the Government should at least help fishermen find people or organizations that can give technical support and professional advice in respect of negotiations or the establishment of companies and put them through.

Since the sales markets of the offshore fishing industry are in foreign countries and most offshore fisheries are far away from Hong Kong, the offshore fishing vessels in Hong Kong have to choose fishing ports in foreign countries as logistic bases. I suggest that the SAR Government should also help the industry collect more information on this aspect, such as the formalities and charges for the use of the relevant facilities and services and arrange for visits to foreign countries by fishermen who are interested in joining the offshore fishing industry to deepen their understanding of the whole operational process of offshore fishing. The offshore fishing industry operates very much as an enterprise and is largely different from the traditional family-base operation of Hong Kong fishermen. The Government must step up communication with the industry and offer comprehensive training courses to fishermen. Besides assisting fishermen in taking internationally recognized certificate courses, the Government has to impart knowledge of business operation to fishermen before they can be helped in this restructuring of the fishing industry.

Madam Deputy, it is stated in the consultancy report of the Government that it is technically and financially feasible for an offshore fishing industry to be developed by Hong Kong fishermen, but it appears that the consultancy report has evaded the important issues and made light of some difficulties in actual operation such as the registration of fishing vessels and negotiations with foreign countries or mainland companies about joint investment. The Government must realize that the significant restructuring of the local fishing industry towards offshore fishing can hardly succeed without the strong support of the Government. I hope that the consultancy report is only the first step and the Government will take substantive follow-up actions and will not just pay lip service.

Madam Deputy, I so submit.

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

(No Member responded)

SECRETARY FOR HEALTH, WELFARE AND FOOD (in Cantonese): Madam Deputy, I thank Mr WONG Yung-kan for moving this motion on developing offshore fishing. I have listened carefully to the views expressed by

Members this afternoon. I would like to start by stating unequivocally that it has always been the Government's policy to promote the sustainable development of Hong Kong's fisheries industry, and that the Government has programmes to assist local fishermen who wish to venture into offshore fishing to begin viable operations in that direction.

(THE PRESIDENT resumed the Chair)

We very much share Honourable Members' concern over the depletion of fisheries resources in the South and East China Seas and its adverse effect on our fishing community. With a view to assisting local fishermen in identifying opportunities beyond the coastal waters, we commissioned a consultancy study to examine the technical and financial feasibility of developing an offshore fishing industry in Hong Kong. As Members have noted, the consultancy study has confirmed the viability of this option. Recommendations on specific fishing grounds and methods have been made for the reference and consideration by fishermen interested in venturing into the offshore fishing business.

Mr WONG Yung-kan urged the Government to expeditiously formulate a policy on developing offshore fishing in moving the motion. I would like to clarify that a policy of supporting the development of offshore fishing already exists. In view of the special needs of Hong Kong fishermen and the recommendations of the consultancy study, our policy is to provide support and assistance in four areas:

- Firstly, technical knowledge;
- Secondly, manpower training;
- Thirdly, liaison with overseas and mainland authorities; and
- Fourthly, credit facilities from two loan funds.

On technical support, the Agriculture, Fisheries and Conservation Department has been providing advice to fishermen interested in pursuing offshore fishing on vessel construction and other technical matters. On the training front, as the consultancy study recommended tuna-longlining as the most

preferred option, we have, in collaboration with renowned universities and mainland authorities, arranged training courses on tuna fishing skills and seafaring for our fishermen. In June and July this year, for example, we organized training courses on tuna-longlining, at Qingdao given by the Aquatic College of Qingdao Marine University, and in Hong Kong by the Shanghai Fisheries University. Apart from training in skills, we also organized and participated in study tours to fishing bases and marketing facilities in Thailand and Fiji. This is to help local fishermen to gain a better understanding and assessment of whether and how they can make use of fishing bases and marketing facilities in these places so as to enable them to draw up business plans and strategies.

The consultancy study also recommended local fishermen to form joint ventures with fishing companies of the Mainland or foreign countries to gain access to fishing grounds within the exclusive economic zones of foreign countries or in international waters where offshore fishing quota have already been allocated. Depending on the joint venture arrangements, local fishermen may choose to register their vessels in the Mainland or in foreign countries. As local fishermen will have to communicate with mainland or foreign governmental authorities over issues related to the forming of joint ventures and registration of vessels, we have assisted them in liaising with relevant government agencies. These assistance will continue.

Turning to credit facilities, we have been providing low-interest loans from the Fisheries Development Loan Fund for local fishermen to build or upgrade fishing vessels and retrofit offshore fishing equipment. According to records, the approved loan can be as high as millions of dollars for each case. Moreover, financial assistance is also available under the Fish Marketing Organization Loan Fund which provides low-interest loans for repairing and replacing fishing vessels and gears for the purpose of enhancing fishermen's productivity. Repayments from fishermen are ploughed back into the loan funds for financing other loan applications. The principals of the two loan funds total over \$136 million. Furthermore, the Director of the Fish Marketing Organization is actively considering setting aside \$20 million from the cash reserves of the Fish Marketing Organization for injection into the Fisheries Development Loan Fund, so as to help more eligible applicants to obtain loans.

There have been suggestions that the Government provides cash injection to the Fisheries Development Loan Fund in a bid to strengthen its financial

support for the development of offshore fishing. As we have explained on other occasions, we have problem with these suggestions, not only because of the fiscal pressure faced by the Government but also policy and equity considerations.

Compared to other goods/services sectors, the Government has been offering a relatively generous package of financial and other assistance to the fishing community. Apart from the two loan funds catering specifically for the fishing industry I just mentioned, fishermen and fishing companies, who are by definition small and medium enterprises (SMEs), may also apply for financial support from SME funding schemes if they meet the respective eligibility criteria. The consultancy study has pointed out that offshore fishing operations require well-formulated plans and market strategies. Local fishermen need to adopt a commercial approach in their new ventures, such as setting up fishing companies, engaging professional services in such aspects as legal, accountancy, and so on, necessary for the smooth running of their business, and make detailed plans on their business development approach. The Government's long-standing approach to promote commercial and industrial development has been through the creation of a favourable business environment, the provision of infrastructural facilities, keeping regulation to a minimum and promoting manpower training and enhancement of skills. Injecting additional capital into the Fisheries Development Loan Fund by the Government thereby encouraging the industry to rely heavily on the Government for financial aid would be moving away from this approach which has served Hong Kong well. It would also be unfair to other sectors not provided with the same level of financial assistance from the Government.

I would like to stress that like venturing into any business, fishermen interested in developing offshore fishing need to assess carefully their financial and technical capability before making any investments. The consultancy study has recommended, among other things, options that require much less capital input, such as retrofitting vessels with chilling facilities and purchasing second-hand vessels. These options only require capital commitment in the region of half a million to a few millions. We believe this is a sound and reasonable recommendation. We hope local fishermen will not rule out these options as they decide on how best to venture into offshore fishing business. Apart from the two loan funds catering for the fishing industry and SME funding schemes, local fishermen could also consider other private or commercial capital-raising

channels for financial support, such as borrowing from banks or commercial lending institutions, or entering into partnerships with other fishing companies.

In closing, I thank Honourable Members once again for their comments and suggestions. The Government will continue to support the fishing community in developing offshore fishing through the provision of technical, training and liaison services in addition to the financial assistance already committed.

Thank you, Madam President.

PRESIDENT (in Cantonese): Mr WONG Yung-kan, you may now reply and you have three minutes 15 seconds.

MR WONG YUNG-KAN (in Cantonese): Madam President, I would like to thank the 13 Members who have spoken in support of my motion. My special thank must go to Miss CHAN Yuen-han who is attending the meeting to give her support despite feeling unwell.

I would like to show the Secretary this: I had once given him a tuna with yellow fins, and I want him to take a look at this tuna with blue fins now. Does the Secretary know the highest price at which this kind of fish is sold? Three years ago, its selling price was \$1.5 million per 300 kg. If our Secretary does not even have such knowledge, how can he be qualified to be our Secretary? I do not know how those close colleagues of the Secretary advise him. Frankly speaking, when we fishermen have to talk to our Secretary in such a way now, it is already very miserable for us because we have become almost desperate. The Secretary is in charge of our Bureau with the responsibility in affairs related to welfare, hygiene, environment and food. Besides, I said early in the debate that there are 100 000 fishing vessels operating in the South China Sea. Of these fishing vessels, only 1 500 come from Hong Kong. If 20% of our fishing vessels have to apply to the Secretary for relief three years later, what shall we do? The Secretary has never considered the situation of these people. I have talked to the Secretary many times, but he reacted as if everything was fine. Of course, this is not the sole responsibility of the Secretary. It must be someone by his side or his colleagues who might have given him some incorrect information.

Miss CHAN Yuen-han has said that I am often out of town. I was also out of town when the last meeting was held. Where was I? The Ministry of Agriculture of the Central Government, after learning that I would move the motion, invited me to go back to the Mainland and asked me why I had to propose the motion debate. Before that, officers of the Agriculture, Fisheries and Conservation Department were invited to go back to the Mainland for discussion and learnt that there would be further development. In 1999, I had also returned to the Mainland to discuss with the Ministry of Agriculture and Department of Fishery on the development in this regard. However, Vice Minister JI Jingfa wrote a personal letter to me, saying that if we had to develop offshore fishing, the first step we should do was to seek assistance from the SAR Government. This point had been made very clear. In all the countries that have developed offshore fishing, the governments would usually take the lead in the development, instead of relying on individual practitioners to make the initial exploration. I must thank Mr HUI Cheung-ching for telling me that fishermen may apply for loans under a special finance scheme for small and medium enterprises. We have asked officials in the Bureau whether it is possible for us to make applications under this scheme. However, the reply we received was that there would be enormous difficulty. If the Government does not take the lead, how can we expect the bankers to take the first step of lending money to us? This is impossible, because we do not have any "bricks" as security. Even if we have a piece of "brick" or two, we would not be able to borrow as much as \$6 million to \$10 million. How can we keep on our operation? Some colleagues just asked me whether we could get such a good treatment. But all this eventually hinges on the support of the Government.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Mr WONG Yung-kan be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

PRESIDENT (in Cantonese) : Second motion: Emissions trading.

EMISSIONS TRADING

MISS CHOY SO-YUK (in Cantonese): Madam President, I move that the motion, as printed on the Agenda, be passed.

In April this year, a report on the Study of Air Quality in the Pearl River Delta Region jointly conducted by the governments of the SAR and Guangdong Province was published. According to the findings of the report, air quality in the Pearl River Delta Region is dropping. With the industrial development and population growth of the region, air pollution is bound to intensify and worsen. As pointed out in the report, should the two places fail to take joint actions to make improvement, the emissions of sulphur dioxide, nitrogen oxides, particulates and volatile organic compounds will see a substantial rise of 25% to 50% over the levels in 1997. Further worsening of air pollution will directly endanger public health and impact adversely on Hong Kong's investment environment and tourism. We have reached such an alarming stage that immediate action must be taken to address and ameliorate the problem.

On the tackling of environmental pollution problems, the international community has accumulated a lot of practical experience. New ways of thinking have also brought forth numerous innovative solutions. "Emissions trading" is one of such proposals which warrant detailed study by the SAR Government.

Emissions trading is not a complicated concept. Under one of the frequently-discussed proposals, the Government may, in the light of the actual situation of a region, impose an upper ceiling on the volume of emissions. The total volume of emissions by enterprises must not exceed the upper ceiling. At

the same time, the total emissions output is considered the private property of individual enterprises, which can be traded freely in the market. In other words, if an enterprise manages to reduce emissions by making use of new environmental protection technologies, emissions thus reduced can be sold in the market to other needy enterprises.

On the other hand, if an enterprise needs to raise emissions because of its need to expand production, it may either improve its existing production equipment or purchase emission quotas from other enterprises. Of course, the decision hinges mainly on which option is less expensive. Insofar as the entire community is concerned, the most obvious benefit is that the total volume of emissions will stop rising and thus the environment will not deteriorate further. Therefore, emissions trading can serve three purposes at the same time.

Moreover, the emission standard of individual enterprises, be it determined by the Government in the light of individual merits or acquired by way of auction, and the total emission ceiling that should either be a constant figure or a relatively flexible range, will have to be adjusted in the light of the objective conditions. Despite the many variations, the principle remains the same. The key is to ensure the most suitable distribution of environmental resources through the market mechanism. The Government should have a role to play only in formulating standards and verifying compliance.

Some people have expressed this worry: Is such a novelty as emissions trading practicable in reality?

It must be pointed out that these ideas are not new at all. They have been implemented smoothly in various places. The emissions trading scheme implemented in the United States can be traced back to an emission compensation policy conceived in the '70s. After the passage of the Amendments to the Clean Air Act, emission permits trade, also considered a priority task for the U.S. Acid Rain Program, was formally implemented in the United States. One of the objectives of the Program was to reduce emissions of sulphur dioxide to 50% of the 1980 levels. Since its implementation in 1995, the Program has achieved remarkable results. All the participants have managed to fully meet the sulphur dioxide emission standard. Between 1995 and 1997, enterprises were able to, with less than 50% of the anticipated costs, achieve a standard lower than the prescribed emission reduction level.

In the United Kingdom, in order to meet the target of reducing greenhouse gas emissions by 12.5% in compliance with the Kyoto Protocol commitment, and follow up the objective of reducing emissions of carbon dioxide by 20%, based on the 1990 level, the government proposed to put the carbon dioxide emissions trading programme into effect in 2002. The Europe Union has also planned to draw up a carbon emissions trading scheme among its member states in compliance with the undertakings under the Kyoto Protocol.

Though China has started relatively late, it has, with the financial support of US\$700,000 made by the Asian Development Bank sometime ago, promulgated for the first time ways to manage sulphur dioxide emissions trading in Taiyuan, Shanxi, to formally put emissions trading into implementation by way of rules and regulations. In addition, officers-in-charge of environmental protection departments and relevant departments in Shandong, Shanxi, Jiangsu, Henan, Shanghai, Tianjin and Liuzhou, were summoned by the National Environmental Protection Agency to Beijing to discuss and formulate specific steps and make preparations for the implementation of pilot schemes on emission rights trading.

Madam President, although emissions trading has been proved very effective in different places, some members of the business community are worried that the system, if implemented, would increase their operating costs. Nonetheless, if we look at the matter from a positive angle, emissions trading can actually provide an additional option whereby enterprises which cannot afford expensive environmental protection equipment will be able to continue their operation by purchasing ample sufficient quotas in the market.

In the final analysis, it is most important for us to decide what sort of society we want. Can we sit back and watch air pollution continue to worsen, or let enterprises emit pollutants infinitely? Our health is already being threatened as a result. If we all agree that the present situation must be reversed, then I believe we should have a pretty good idea of who should bear the costs for ameliorating air pollution. Should they be the victims of air pollution, that is, the general public, or the polluters?

Some people have also doubted the feasibility of the scheme in Hong Kong because of its complexity. It is true that emissions trading involves numerous

technical problems. It is simply impossible for these problems to be resolved with just a few words. Such matters as setting an upper ceiling for the total emissions output, allocating emissions quotas, establishing an emission right trading platform, putting in place a supervisory and punitive mechanism, and so on, warrant our serious and in-depth consideration. Otherwise, the loss might outweigh the gain. In addition, if Hong Kong is to jointly implement the scheme with its neighbouring territories, the problems will become even more complicated for we will need to discuss how agreements can be reached between the two places with respect to the joint formulation of standards and enforcement of law.

Moreover, these technical problems aside, numerous prerequisites must be prepared properly before emissions trading can be put into actual implementation in Hong Kong. These prerequisites include, *inter alia*, strengthening the accuracy and transparency of the monitoring data of the two places, reviewing and examining the differences between China and Hong Kong in terms of air quality indices and emission standards, monitoring and referring to the mainland experience of emission rights trade and its prerequisites for control of trading rights market, and legislation. Owing to the complexity of the problems involved, even if emissions trading is given the go-ahead today, it will still take considerably time for the Government to carry out consultation and balance the interests of relevant groups. As such, I seek to, through this motion moved by me today, urge the Government to immediately embark on a feasibility study and specific pilot schemes to ascertain the feasibility of implementing this idea in Hong Kong. In case we realize there is a genuine need to do so, this can prevent us from acting too late to recover the precious time lost.

Madam President, I do not mean to propose emissions trading as the only means to tackle environmental pollution. The SAR Government should not use this as an excuse to delay its action to address the local pollution problem. As a matter of fact, emissions trading is by no means the only remedy. Even if the Government has the intention to put it into implementation, it must not be used to replace other environmental improvement measures. Such measures as raising the emission standards for enterprises, imposing higher penalties for excessive pollution, imposing environmental protection levy and perfecting transportation planning can bring some measure of improvement to the environment, and they must be put into implementation expeditiously.

Lastly, I hope to particularly mention the point that coal-fired generating facilities are the largest single source of pollution in Hong Kong. Owing to the constraints of the profit control scheme, any request made by the Executive Council or Legislative Council for the two power companies to install additional facilities to reduce exhaust gas emissions are bound to exert additional pressure for electricity tariffs to rise. The interim review of the profit control scheme governing the two power companies will be conducted next year incidentally. I think the Government should grasp this opportunity to examine the feasibility of promoting emissions trading with our neighbouring territories, and the feasibility of including the two electricity suppliers into the scheme. This is because, through emissions trading, treatment resources provided by the two power companies can be applied in the emission treatment programmes undertaken in other neighbouring territories to boost the effectiveness of the measures for improving air quality in the entire region.

Since it is absolutely impossible for emissions trading to be implemented within a short period of time, I hope colleagues can support my motion and seize this opportunity to make it clear to the Government our intention of examining the proposal of emissions trading expeditiously.

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

Miss CHOY So-yuk moved the following motion: (Translation)

"That this Council urges the Government to embark on, as soon as possible, a study on the feasibility of implementing emissions trading in Hong Kong or jointly with the neighbouring territories, and to implement as far as possible specific pilot schemes to ascertain whether conditions exist in the region for adopting emissions trading as a means to control the total volume of emissions."

PRESIDENT (in Cantonese): I now propose the question to you and that is: That the motion moved by Miss CHOY So-yuk be passed.

MS MIRIAM LAU (in Cantonese): Madam President, emissions trading may appear to be a relatively novel idea to Honourable Members. Although this idea was put into application in the United States as early as the '70s, it is still not

popular throughout the country. To the entire Asian Region, this is even a new attempt. The Liberal Party supports of environmental protection and emissions reduction. But since emissions trading is new to us, we must act with prudence. It is imperative for a feasibility study to be conducted to ensure the cost-effectiveness, benefit and feasibility of the proposal.

The idea of emissions trading appears to be very simple. The first thing the Government needs to do is to determine the overall volume of emissions and, on this basis, categorize different trades and industries. Emissions quotas are then allocated fairly to operators, who can then trade among themselves according to the amount of their respective emissions. Nevertheless, if such lines are not carefully drawn, unfairness or unnecessary disputes will arise very easily.

If emissions trading is conducted among individual trades and industries in the territory, for example, the two power companies, there is little room and incentive for them to trade as their control of emissions has already reached the international standards. As for cross-industry trading, we should bear in mind that air pollution in Hong Kong originates mainly from power plants and exhaust gas from vehicles. If the two power companies decide to trade with the entire transport sector, should the responsibility of the transport sector be assumed solely by public transport operators, or jointly with all commercial vehicles and private cars? Is it fair if the responsibility is to be solely borne by public transport operators? Is it practicable if the emission quota system is imposed on individual car owners as well? This shows that a number of technical problems remain to be resolved before the proposal can be implemented in concrete terms.

As for regional emissions trading, is it going to be feasible too? The Liberal Party holds the same view that there are a lot of issues which warrant careful consideration.

Actually, insofar as regional pollution is concerned, a sole reliance on efforts in Hong Kong cannot necessarily bring effective improvement to air quality. This is because, according to the findings of a study on the "air quality in the Pearl River Delta Region" conducted by the SAR Government in conjunction with the Environmental Monitoring Central Station of Guangdong Province, more than 80% of pollutants in the entire Pearl River Delta Region are generated by factories in the Region.

As Hong Kong has a more stringent set of emissions standards, the cost of controlling pollution in Hong Kong is comparatively higher than that in the Mainland. Therefore, if Hong Kong and Guangdong are to trade emissions, Hong Kong is very likely to be the only party which pays to provide the Mainland incentives to reduce emissions. But the problem is: Will the desirable results definitely be achieved after the payment is made?

While the judicial systems adopted in the Mainland and Hong Kong are totally different, the emissions standards and the yardstick of law enforcement in the two places also varies. How can we accurately monitor cross-region emissions to facilitate emissions trading? Can we appeal if disputes arise? Are there channels of redress? If mainland manufacturers fail to reduce emissions in accordance with the agreement reached after accepting money from the Hong Kong side, we will then suffer a double loss, given the unavailability of experience for reference in respect of cross-jurisdiction implementation of emissions trading. Even if legal proceedings are possible, they may drag on for a long time. Both our time and energy will then be wasted. Therefore, we must be extra careful when conducting the study.

As such, the Liberal Party is of the view that emissions trading is not necessarily the only feasible solution to ameliorating the regional pollution problem. The SAR Government may as well discuss frankly with the Guangdong Provincial Government in a bid to strengthen co-operation, and urge the relevant authorities to make extra efforts to ameliorate the local air pollution problem. For instance, the emissions standards and monitoring systems of the two places can be standardized so that concerted efforts can be made to achieve the same goal. In doing so, all the residents of the Pearl River Delta Region will be benefited.

Madam President, while improving air quality is important, we must, apart from implementing the concept of sustainable development and promoting environmental protection, take account of the socio-economic development. Therefore, the Liberal Party maintains that all forms of emissions trading must be conducted in a fair manner. At the same time, the financial burden should not be transferred onto the public indiscriminately. The Liberal Party also supports the relevant authorities to conduct a comprehensive feasibility study carefully. I so submit.

DR RAYMOND HO (in Cantonese): Madam President, emissions trading has recently become a topical issue in Hong Kong. Though the emission rights trading system is no novelty, to Hong Kong where the air quality is deteriorating, it certainly has some appeal and is, at least, a new concept to Hong Kong people.

Supporters of the emission rights trading system are of the opinion that under this system, financial incentive can be provided to reduce regional air pollution, and this is viable in Hong Kong and the Pearl River Delta (PRD) Region. Emissions trading mainly seeks to reduce the overall pollution level by making use of the cost differentials in pollution abatement among enterprises through trading emission quotas or providing monetary assistance. Basically, emissions trading can make polluters pay a financial price for their own behaviour and thus reduce the subsidies payable by taxpayers for their pollution acts. This is in line with the "polluter pays" principle. If this system could be implemented in Guangdong and Hong Kong, it would help solve the air quality problem of the PRD Region.

Some commentators even pointed out that if Guangdong and Hong Kong can jointly implement the emissions trading scheme, it would not only help improve our air quality but also enable Hong Kong to develop into an emissions trading centre and gain further benefits as a result of the free trading of emission rights in the market. Furthermore, the enterprises' increasing demand for pollution abatement and emission technology would be conducive to the development of the local environmental protection industry.

During recent discussions, we have also heard some positive comments about the implementation of emissions trading in the Mainland and other countries. However, we must bear in mind that the situation of Hong Kong is different from that of those countries. For example, emissions trading, when implemented on the Mainland, will involve the system and emission standards of one country only. Some commentators have also cited the successful example of the joint implementation of emissions trading by the United States and Canada. But insofar as the system and development in these two countries are concerned, is their situation similar to that of Hong Kong and the PRD Region? Therefore, in implementing emissions trading, we would encounter different problems, and in that case, could the same methods be adopted to solve the problems?

Though Hong Kong and the PRD Region belong to the same country, the systems of the two places are different; and there are also great differences in their standards of exhaust emission. Therefore, in implementing emissions trading, the two places effect a good measure of co-ordination and efforts. Moreover, we must also seek to understand clearly the mode of implementation that contributed to the success of the United States and Canada. At the meeting of the Panel on Environmental Affairs on 31 October, I also raised the same question with Dr Sarah LIAO, Secretary for the Environment, Transport and Works.

In fact, when we study the feasibility of Hong Kong jointly implementing emissions trading with the neighbouring territories, we must consider some relevant important factors. Firstly, whether the difference in the pollution level and management concepts between enterprises in Hong Kong and those in the PRD Region will result in unfairness to enterprises of either place. Secondly, the smooth implementation of emissions trading jointly by Guangdong and Hong Kong, to a certain degree, hinges on the good relations between the SAR Government and the relevant authorities of the Mainland. In this respect, there is still room for further developing closer co-operation between the two places.

Finally, as power plants are one of the sources of air pollution in Hong Kong, if our power plants intend to reduce emissions in the future by installing additional facilities or implementing emissions trading, can the power companies shift the required "investments" to electricity users by virtue of the profit control scheme? This also warrants our attention.

Madam President, the feasibility of Hong Kong jointly implementing emissions trading with the neighbouring territories certainly merits further exploration and study. Moreover, we should also adopt other effective measures as soon as possible, in particular measures that are already covered by the recommendations in the report of the study jointly conducted by the SAR Government and the Guangdong Provincial Government on the air quality of the PRD Region, so as to improve the air quality of Hong Kong.

I so submit.

MS AUDREY EU (in Cantonese): Madam President, this is the second time I speak in support of Miss CHOY So-yuk's motion in a period of two weeks.

Air pollution in Hong Kong is notorious internationally, as I recall reading in newspapers a short time ago that one of the most popular tourist guides in the world — the *Lonely Planet* used a picture of a smoggy Hong Kong as its cover in introducing Hong Kong and Macao. The author also advises people with respiratory troubles not to visit Hong Kong in summer. From this, it seems that air pollution has not only posed health hazards to Hong Kong people, but also tarnished Hong Kong's international image.

As the Secretary for the Environment, Transport and Works pointed out sometime ago, the air pollution problem in the PRD Region actually originates from the Mainland. Therefore, to ameliorate air pollution, it will not be enough to rely solely on efforts in Hong Kong, such as using less diesel-driven vehicles or more renewable energy resources for generating electricity. The Government should consider this issue from a cross-boundary perspective and work in collaboration with the Guangdong provincial authorities in solving the air pollution problem. The implementation of emissions trading rightly provides enterprises in China and Hong Kong with an opportunity to reduce pollution in a cost-effective way.

Madam President, some supporters of environmental protection, including my daughter, oppose the concept of emissions trading in principle. They think that it is the social responsibility of enterprises to reduce pollution and such reduction should not be traded as commodities. In my opinion, the viability of emissions trading largely depends on its cost-effectiveness. If emissions trading can improve the situation of air pollution and contain the enterprises' emissions cost, then that would be a win-win direction. After all, unilateral efforts by Hong Kong to reduce air pollution would increase the business costs. The two power companies, for example, would have to invest more resources to reduce pollution, and this might lead to an increase in electricity tariffs and thus adversely affect people's livelihood.

In August this year, China endorsed the Kyoto Protocol at the World Summit on Sustainable Development in South Africa and undertook to reduce greenhouse gas emissions. The Secretary for the Environment, Transport and Works said earlier that Hong Kong would follow China in the ratification of the Kyoto Protocol to fulfill its international obligations. At present, the two power companies are the major dischargers of greenhouse gases. Though they have injected a lot of resources into reducing pollution, they still have a long way to

go before meeting the target in the Kyoto Protocol. I understand that the power companies have reservations about the implementation of emissions trading. But as the major polluters, they are duty-bound to reduce pollution. The Government should negotiate with the power companies, with a view to formulating a plan that is mutually acceptable and does not impact too significantly on electricity tariffs.

The Government has already started negotiations on emissions trading with the Guangdong provincial authorities, and I am optimistic about the outcome. However, the Hong Kong Government must fight for reasonable terms for Hong Kong enterprises. I believe no one will forget our bitter experience in buying Dongjiang water because according to the terms of the contract, Hong Kong has to continue importing excessive water despite sufficient reservoir storage, thus resulting in more than 300 million cu m of water draining into the sea!

Some local enterprises are worried that the implementation of emissions trading will turn out to be a subsidization of mainland enterprises in disguise. At present, mainland enterprises have indeed created more pollution than their counterparts in Hong Kong. Coupled with the lack of transparency in the monitoring system of the Mainland, it is actually not easy to ensure that mainland enterprises will use the money paid by Hong Kong for emissions purposes. So, this concern is not totally unfounded. In negotiating with the Mainland, the Hong Kong Government should also have due regard for such issues, so as to ensure that a sound enforcement mechanism will be put in place.

The implementation of emissions trading involves many complex issues. Members who spoke before me have made many suggestions on, for example, synchronizing the different rules of China and Hong Kong, setting emission standards and formulating monitoring and penalty mechanisms. Since these tasks could not be completed within a short time, I agree that the Government should conduct a study as soon as possible and carefully implement pilot schemes.

Madam President, I have known the Secretary for the Environment, Transport and Works for years and I understand that she has always hoped to put emissions trading into practice. But I believe it had never occurred to her back then that she would take office as the Secretary for the Environment, Transport

and Works. Since she has got this opportunity today, I hope that for the benefit of the future of Hong Kong, her ideal of implementing emissions trading can be realized soon.

Thank you, Madam President.

MR IP KWOK-HIM (in Cantonese): Madam President, repeated debates have been held in this Chamber on the air quality problem. The discussions we have had so far are focused on demanding the Government to take administrative or legislative measures to lay down emission requirements for imported vehicles, impose penalties on smoke emissions, and so on. To improve air quality, the Government has even introduced liquefied petroleum gas powered vehicles and clean fuels through subsidy schemes. Although these measures have managed to effectively control emissions, they are relatively rigid and lacking in flexibility. In addition, from the angle of those causing the emissions, they are worried that their interests will be seriously undermined because of the constraints of the rigid regulations. As a result, we have to go through prolonged discussions and bargaining before legislation can be enacted. Yet what we got is not necessarily the most satisfactory outcome in terms of efficiency and results. Places all over the world have now gradually accepted the emissions trading policy, which offers greater flexibility and stronger financial incentives, as a means to ameliorate environmental pollution.

The most outstanding feature of emissions trading is that emission right is turned into a commodity that can be traded. In other words, the emission policy, originally managed by the Government, has now become a market-oriented mechanism. The greatest advantage is that there will be less bureaucratic control on the environment. As a result, participants can enjoy greater flexibility in pursuing the most cost-effective solutions to achieve the goal of reducing the overall volume of emissions. At the same time, emission management will become a lucrative business that can greatly enhance the incentives for participants to take their own initiatives to explore new technology to eliminate pollution, to the benefit of environmental improvement and technological development in general. In theory, emissions trading defies boundaries for it can be conducted among regions and states. The most notable U.S. Acid Rain Program is a successful example of regional emissions trading. The European Union has even planned to set up a country-to-country carbon emissions trading programme by 2005.

Madam President, it has been suggested that small-scale emissions trading pilot schemes can be launched in Hong Kong. The Democratic Alliance for Betterment of Hong Kong (DAB) has no objections to this proposal. However, as Members are aware, the air pollution problem facing Hong Kong is closely related to the entire PRD Region. Only through introducing regional relief measures can the air pollution problem be tackled at root. The recently completed "Study of Air Quality in the Pearl River Delta Region" has affirmed the common goal of the SAR Government and the Guangdong Provincial Government in resolving the regional air quality problem. Nevertheless, we will still face a lot of problems in the actual promotion of emissions trading throughout the PRD Region. First, different emission standards of the two governments pose numerous problems to the determination of the total volume of emissions. Second, owing to the different legal systems of the two places, prolonged consultation will be required before a common set of rules and regulations, and manners of enforcement can be established. Most importantly, we have to sort out who is going to be responsible for allocating the emission quotas. These matters must be dealt with before emissions trading in the PRD Region can be implemented.

In addition to the difficulties confronting the two governments in co-operation, we have to handle the profit control problem related to the two power companies in Hong Kong as well. This is because, once emissions trading is implemented, the two companies will definitely be the key participants. The Government must therefore carefully examine and deal with the possibility of electricity tariff increases as a result of emissions trading. The interim review of the profit control scheme for the two power companies will incidentally be conducted next year. The DAB urges the Government to examine in the review the implications of emissions trading on the operation and tariffs of the two power companies, so that a comprehensive plan on the feasibility of implementing emissions trading can be made.

It is foreseeable that numerous technical problems have to be tackled in implementing emissions trading. To reduce resistance to this policy and enhance effectiveness, we suggest the Government to borrow foreign experience, including experience on the Mainland. Actually, the Mainland has the experience of implementing emissions trading. Miss CHOY So-yuk mentioned earlier in the debate that Taiyuan Municipality has formally put emissions trading of sulphur dioxide into implementation. The SAR Government should indeed carry out site inspections to tap the experience of Taiyuan and other mainland

cities in launching their pilot schemes, and expedite its negotiations with the Guangdong Provincial Government on jointly promoting a pilot scheme on regional emissions trading to make it a success for the well-being of Hong Kong.

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

MR HUI CHEUNG-CHING (in Cantonese): Madam President, the Secretary for the Environment, Transport and Works put forward sometime ago the concept of emissions trading, targeting the air pollution problem in the PRD Region. Under this concept, the right of emission is regarded as a commodity that can be traded freely. If an enterprise manages to control its emission within or even below the limit specified by the Government, it can then offer the unused quota for sale on the market. In this connection, the Administration hopes to launch a pilot scheme in co-operation with Guangdong Province and Macao within three years, and to develop emissions trading into a financial product in the long run. This system is certainly not the elixir to ameliorating environmental pollution, but it should be helpful to providing an incentive in the market, enhancing the environmental awareness of companies, and encouraging the use of environmentally-friendly technology.

I think the greatest merit of emissions trading is ability to not only induce companies to reduce pollution, but also provide business opportunities. Under the emission trading system, companies failing to meet the required emission standard will have to pay to the Government a penalty that will certainly be higher than the price of emission quota offered in the market. Companies that manage to meet the emission standard will hope to reduce their pollution further so as to make more profit from selling the unused quota. On the other hand, to obviate the need of buying a large emission quota at exorbitant prices in the market, companies failing to meet the standard will try to reduce their emission. This approach will provides incentives for environmentally-friendly companies on the one hand, and reduce the amount of taxpayers' money used by the Government to subsidize polluters on the other. After all, to control pollution by introducing market incentives will be more effective than merely imposing penalties through mandatory legislation.

However, the implementation of emissions trading is largely easier said than done. It will not be easy to implement a pilot scheme in collaboration with Guangdong Province and Macao in three years' time for three reasons:

First, emissions trading involves the complicated problem of ownership, which may be beyond the comprehension of the public, or even the subject officers of these three places. The proposal will inevitably be questioned during deliberation and upon implementation, and thus become a major hindrance to the promotion of emissions trading.

Second, the Chief Executive announced three years ago in his policy address the setting up of the Hong Kong/Guangdong Co-operation Joint Conference and the Joint Working Group on Sustainable Development and Environmental Protection. It was stated in the address that co-operation would be enhanced in six areas, which includes the commencement of a joint study on air pollution and prevention; the feasibility study of adopting common standards for diesel fuels in both Guangdong and Hong Kong and the formulation of a management plan on water management in the PRD Region. However, discrepancies in environmental management systems between the two places remain significant. Owing to the difference between the two places in respect of judicial system, enforcement agents, regulations, quality and environmental protection awareness of enforcement personnel, as well as the transparency of the monitoring systems, a feasible proposal may turn out to be another thing on implementation.

Third, Hong Kong, Guangdong Province and Macao are divided only by a stretch of sea. When the winds blow from the east, polluted air in Hong Kong will be blown to the PRD Region. When the winds blow from the north, all pollutants from the PRD Region will be brought to Hong Kong. Therefore, irrespective of the issue of shirking of responsibilities, the difficulty with determining fair and reasonable emission quotas acceptable to the trade is in no way smaller than that with the implementation of emissions trading.

Pollution knows no boundaries. If emissions trading is implemented merely on efforts of the Hong Kong Government or a certain trade in Hong Kong, it will never succeed. I support the implementation of a pilot scheme targeting at major polluters, such as power plants, in Guangdong, Hong Kong and Macao. Emission quotas should be set on sulphur dioxide and nitrogen oxides to oblige power plants to reduce emissions. Moreover, the governments in these three places may also arrange regular exchange activities for their officials to facilitate their understanding of the details and difficulties encountered in the implementation of emissions trading. The Hong Kong Government may also appoint environmental protection experts and officials to conduct joint studies

with the mainland authorities to promote emissions trading to other heavy polluters in the PRD Region, such as factories engaging in electroplating, metal and hardware, plastic bags and leather production, as well as farms and livestock farms with large quantities of discharge. More practical experience in emissions trading will thus be gained, which is not only conducive to co-operation among Hong Kong, Guangdong Province and Macao, but also helpful to introducing emissions trading into Hong Kong gradually.

Madam President, I so submit.

MS CYD HO (in Cantonese): Madam President, I very much agree with the view of Ms Audrey EU's daughter, that this is a question of environmental protection and choice of lifestyle, rather than the transfer of pollutants or emission from one area to another through trading. For this reason, Madam President, I have to sing a different time.

Emissions trading is certainly a good approach for developed countries or regions to reduce pollution within their own boundaries. Take Hong Kong as an example, when pollution reduction by the two power companies has almost been optimized, putting in extra resources will not achieve a proportionate outcome and the cost-effectiveness will thus diminish. On the contrary, if the same resources are placed in areas where pollution reduction is not done satisfactorily, notable achievements will be attained. After all, environmental protection should be achieved through a simple lifestyle, but not just dumping one's rubbish at others' doorsteps.

If currently we are a developed area where pollution reduction has met the international standard, but our air quality remains poor, what does it mean? It means that we are leading an extravagant life, wasting too much resources. In fact, whether or not our neighbouring places agree to conduct emissions trading, we should reduce pollution. If pollution reduction is to be implemented only after a trading agreement has been reached, there will be two possible outcomes. First, we may be plundering the resources of our neighbouring places, thus impeding their pace of economic development. Second, I worry that our neighbouring places may boost up the base of their pollutant emission before the launch of emissions trading, so that they may have unused quota for sale and trade. This is not necessarily good to achieving the goal of clean environment.

Madam President, the emergence of the aforesaid situation depends on how the terms of the agreement and the base are set. Should the line be drawn according to the level of economic development, or should it be set according to per capita emission? Therefore, when we examine the issue, serious study should be conducted in this respect. However, I have to point out one thing, that is, no matter how well the base or standards are set, or how well emissions trading is implemented, this can only be regarded as a transient product. After all, the success of local pollution reduction efforts depend mainly on our lifestyle, that is, leading a life with minimal wastage of resources.

Madam President, I agree that a study should be conducted. Conducting a study on the subject will do no harm. I hope that this study will help to enhance the communication with Guangdong Province on environmental protection issues, and both parties can jointly formulate environmental protection measures of a more stringent standard. But I think a more basic and simple measure is saving on electricity. For example, lights should be switched off if nobody is there; building designs employing natural lighting and facilitating good ventilation should be adopted; and where no natural lighting can be used, sensors controlling the on and off of lights may be installed. Can we save energy by these means? I think these are easier and simpler ways.

Madam President, finally, instead of just asking ourselves what sort of city we want, we should also consider what we like the earth to be. Hong Kong is in a peculiar position; it is something between a developed area and a third world territory, sometimes it takes this side, but sometimes it takes the other. Precisely because of this very unusual situation of ours, I hope we can be more sympathetic to the sufferings of the third world when we discuss environmental protection issues. We should not just aim at putting "green" labels, thinking that we have done our fair share, and feel good about it all.

Thank you, Madam President.

MR ABRAHAM SHEK: Madam President, in recent years, the Government has introduced a package of policies to improve our air quality. The most recent is a proposal by the Secretary for the Environment, Transport and Works, Dr Sarah LIAO, to implement an emissions trading programme with Guangdong. From the perspective of maintaining sustainable development and improving the

general air quality in the entire Pearl River Delta Region, emissions trading is a win-win solution as it can provide maximum environmental benefits at minimum cost. With this view, I would like to express my support for Dr LIAO's proposal.

Emissions trading between Hong Kong and Guangdong has significant potential as a cost-effective way to control greenhouse gases. It is an economic incentive-based alternative to command-and-control regulation. In an emissions trading programme, permits are issued to businesses in which the processes of operation produce pollutants. The holder of the permit will be allowed to release a specified quantity of the pollutants annually. A government or trade agency in the industry will issue only a limited number of permits to be consistent with environmental emissions standards. The permit owner may then keep the permit for his business and be allowed to emit a certain amount of pollutants each year, or sell the permit if his emissions output is reduced. The permit will then have its intrinsic value for trade or sale, giving the owner further incentive to reduce his level of pollution.

From the experience of some Western countries, a smooth implementation of emissions trading will depend on key elements such as monitoring and verification, certification, reporting, compliance and enforcement, and other systems of accountability. The Government should then plan carefully prior to initiating the proposed emissions trading system. There are several trading models that could emerge in the international context. For Hong Kong, the most effective and obvious emissions trading partner should be with the Pearl River Delta Region, in addition to implementing some internal or domestic systems on greenhouse gases such as carbon dioxide.

In my view, the Government can start the emissions trading programme with Guangdong. Besides, we should set even more stringent emissions targets than other Western countries, and persuade the Guangdong Provincial Government to likewise tighten its target. To reach these new greener standards, companies here and in Guangdong would have incentive to become more efficient or improve their excessively polluting machinery, and in turn gain environmental credits.

Madam President, I believe that the Central Government will also support our proposed emissions trading programme with Guangdong. Currently, they

are stepping up efforts to conduct a pilot domestic scheme for trading in sulphur dioxide emissions permits. The scheme will involve Shanghai, Liuzhou, Tianjin, Henan, Jiangsu, Shandong, Shanxi and a state-owned power company. Our Secretary for the Environment, Transport and Works, Dr LIAO, said that the Central Government had also agreed to include Hong Kong, Macao and Guangdong in this pilot scheme. Talks among Hong Kong, the Central Government and other provinces will soon begin for determining whether a national quota is needed and how it can be achieved.

With regard to our internal emissions, the Government should design a territory-wide trading scheme so as to reduce the emissions here. For instance, the Government can issue emissions permits on sulphur dioxide and nitrogen dioxide to the three franchised bus companies. If one company expands its fleet, it should reduce emissions by retrofitting more fuel-efficient engines or be forced to buy permits from another bus company with lower emissions level. Also, the emissions trading concept can be applied to energy consumption. For example, the Government can issue permits for electricity usage to government departments and public organizations. They can sell the permits to each other, but they will be fined if their consumption exceeds the permitted level. Moreover, the emissions trading idea can be used for controlling sewage and garbage generated by restaurants and agricultural farms. The result is a system that brings enormous environmental benefits to our air quality, energy saving and sewage reduction.

Hong Kong's strategic position as Asia's world city, and as a major Chinese city, demands that we forge some effective initiatives in sustainable development. Emissions trading is one of the most feasible programmes available. And by controlling the total volume of pollution emitted, we can also enhance our quality living environment which will attract more investments, more talents and more tourists to come here. Furthermore, emissions trading can become an economic tool to encourage investment in environmentally-friendly equipment and technology. At the same time, we should curb the increase in government expenditure on environmental protection while reducing the total amount of emissions. In my opinion, the sooner Hong Kong starts an emissions trading programme with Guangdong, the earlier it reaps the benefits.

Madam President, with these words, I support the Honourable CHOY So-yuk's motion.

MR LAU PING-CHEUNG (in Cantonese): Madam President, emissions trading is a relatively new concept in Hong Kong. Emissions trading, if it is ever implemented, must be implemented in an environment with high transparency, so that buyers, sellers and the general public as users, will all know with certainty that pollution has indeed been contained after the buyers have paid for the trading and the sellers have received the money. Only in this way will the payments for emissions trading be considered value for money.

The public have to understand and accept the concept of "global village" before they can accept "emissions trading". In fact, with the economic restructuring and the relocation of Hong Kong's manufacturing industries to the north, we can no longer see black smoke spewing from the chimneys of traditional industrial districts such as Kwun Tong and Kwai Chung. Instead, we have particulates coming from the PRD Region with the wind. To solve the problem, the right remedy must be prescribed.

The Government has always emphasized the "user pays" principle. It is based on this principle that the sewage charge is factored into our water charges. Under the Government's present arrangements on discharge of effluents, no matter through what ways the charges for the trading will be collected, it will invariably leave people with two impressions of extremes: either that of "you pollute and I pay" or that of "those with money can discharge pollution". Therefore, the Government must make the public understand that pollution is a cross-boundary issue that must be tackled jointly by the PRD Region and Hong Kong.

Since about 60% of the air pollutants in Hong Kong comes from the two power plants and the remaining 40% originates from vehicle emissions, the course of action would naturally be to impose a surcharge on electricity tariffs and fuels and use it to trade for a reduction in the amount of emissions on the Mainland.

Madam President, apart from the power plants and vehicles, other sources of pollution on the Mainland include various types of factories and the pollutants produced by them are different from those in Hong Kong. Therefore, it is necessary to establish a trading platform and quantify the pollutants produced by polluters as commodities to be traded. On this matter, the participation of various local governments is necessary in order to establish the maximum amount of pollution so that the quantified pollutants can be traded on this platform just like other commodities. The success of emissions trading hinges

on the participation of the local governments in the PRD Region, since the imposition of punishment on violating organizations by the monitoring and enforcement authorities is essential to ensure fair trading.

In addition, since the residents of the PRD Region are the users of a clean environment, we have the right to ascertain whether the various parties to the trading have all fulfilled their respective responsibilities and contained their emissions within the permitted levels. For this reason, non-governmental organizations and voluntary agencies must be allowed to play a monitoring role on this trading platform so as to enhance the transparency and to let quota buyers and the public know clearly that the trading is fair.

Next I will discuss certain details of emissions trading. In terms of the overall amount of pollution, emissions trading only serves to set an upper limit to the total amount of pollution in a region, that is, the total amount of pollutants discharged by all polluters is determined and by means of trading, it is ensured that the amount of pollution will not exceed the upper limit. However, this will not help reduce the amount of pollution, nor will it promote the development of non-polluting energy resources. Therefore, I suggest that emissions trading should not be limited to the purchase and sale of quotas, and that additional conditions should be imposed, for example, to require that sellers, that is, the polluters must provide a certain proportion of non-polluting or renewable energy resources.

We all know that many types of renewable energy can be cost-effective. However, since their development requires large amounts of capital, which may even be higher than conventional ways of power generation, renewable energy resources are invariably denied due opportunities of development. In fact, this is precisely the case with wind-energy power generation in some areas of Guangdong Province. If Hong Kong, as the buyer, can require the sellers to produce a certain proportion of non-polluting energy before they could take part in trading, renewable energy resources will have brighter prospects.

With these remarks, I support the motion on conducting a study on emissions trading.

MR NG LEUNG-SING (in Cantonese): Madam President, "emissions quota trading" is a new term in environmental economics, and I believe it is relatively

little known to most people. In fact, emissions trading has been implemented in the United States, Canada, Australia and New Zealand for many years and these countries have already accumulated some experience in this. China also implemented for the first time the "emission trading system for sulphur dioxide" in Shanxi last year and other provinces are also beginning to launch pilot schemes. The so-called "emissions trading" is intended to contain the total emissions within specific limits according to the Government's environmental standards and restrictions. If enterprises manage to reduce the amount of emissions to a level below the specified limit by cleaning up pollution, the unused quota can be traded in the market in exchange for financial benefits. As regards enterprises with excessive emissions, they have to buy pollution quotas in the market, probably at rather high prices, so that they have to pay a price for the pollution as well as being penalized in another form.

This theory of environmental economics is premised on promoting the participation of enterprises in environmental protection by means of a market mechanism, so as to solve the problem of environmental pollution. However, some people have reservations about this and consider that the problem of pollution cannot be solved at root by merely paying money. However, it cannot be denied that this new concept can indeed serve to some extent as a new means for the Government to clean up air and water pollution. For the time being, Hong Kong as a society may keep an open and inquisitive attitude towards this concept and examine whether it is possible for Hong Kong to co-operate with the PRD Region in discussing and working out a practicable proposal specific to the realistic circumstances of Hong Kong.

This mechanism, with its emphasis on encouraging enterprises to reduce the emission of pollutants through trading in the market, will also enable the Government to detach itself from the leading role and only assume the responsibility of determining standards and effecting supervision, so as to avoid using public funds to foot the bill for ever increasing expenses on environmental protection. On the other hand, this will also substantially increase the incentive for enterprises to choose methods which are more favourable for their development to voluntarily reduce emissions, so that the overall total amount of emissions will not increase. Under this mechanism, enterprises, motivated by financial benefits, will be more active in examining technologies to control emissions, in order to reap financial returns while practising environmental protection.

However, the successful implementation of emissions trading hinges mainly on a fair system in the trading market and on effective implementation and supervision by the Government. In addition, if Guangdong Province and Hong Kong should take forward a pilot scheme, the greatest difficulty will lie in the co-ordination of the different environmental management systems in both places, and the probable concern that enterprises of one place may have to subsidize those of the other in order to achieve a higher standard of environmental protection. Furthermore, emissions trading is essentially a "polluter pays" scheme, so if the emission quotas for enterprises are set too high, there will be little point in doing so, whereas if they are set too low, corresponding charges will have to be made to the existing modes of operation of enterprises, thus increasing the pressure on the operation costs. Therefore, the Government has to further consider such questions as how an appropriate level of total amount of emissions can be determined, whether emission quotas for enterprises in the two places will be determined in an across-the-board manner, the overall pressure brought about by the proposal on the costs of enterprises operating under the present circumstances, then conduct a reasonable assessment and arrive at the greatest degree of consensus possible with the relevant industries before the proposals can be implemented smoothly.

Madam President, I so submit.

MR CHAN KWOK-KEUNG (in Cantonese): Madam President, the essence of "emissions trading" is to allow an enterprise to convert its emission rights into a commodity. Mainland newspapers have compared this to the free trading of "green vegetables and radish". In the end, financial considerations will lead an enterprise to impose rigid pollution control and minimize its emissions and effluent discharge.

This is nothing new at all. In the early 1980s, the United States Congress proposed to lower the sulphur dioxide emission cap by a further 50%. However, due to the excessively high technical costs, this received only lukewarm responses from enterprises. Environmental experts of the country then proposed an emissions trading scheme for sulphur dioxide: Provided that an enterprise could reduce the volume of its emissions by over 50%, it would be allowed to sell the remainder of the cap. Following a trial in 12 States, the scheme was proved to be very effective.

Environmental pollution has become increasingly acute in recent years, and the problem of air pollution in Hong Kong and Guangdong has become a major social concern. Emissions come partly from means of transport and partly from power plants which burn coal and produce sulphur dioxide. There is now a need to set down a new mode of environmental management, for it is already out-dated to rely solely on administrative directives. We need to employ an incentive mechanism whereby financial means can be used to raise the initiative of enterprises.

I agree with Miss CHOY So-yuk that the Government should seize the occasion of the conduct of an interim review of the two power companies to introduce the concept of emissions trading, or even to launch a pilot scheme, so as to ascertain whether a trading mechanism is feasible and whether Hong Kong possesses the necessary conditions for emissions trading. The two power companies are good touchstones. If they can reach an agreement with the neighbouring PRD, the quality of air in both places will certainly improve.

In May this year, the State Environmental Protection Administration convened a meeting with the personnel in charge of the environmental protection departments of seven provinces and municipalities, including Shandong, Shanxi, Jiangsu, Henan and Shanghai. A seminar was held in Beijing, and specific experimental procedures and schemes were mapped out for emissions trading. Besides, it was also decided that these seven provinces and municipalities should launch a project entitled "Sulphur Dioxide Emissions Cap and Emissions Trading Experiments". Hong Kong may make reference to this and work out the contents of its own pilot scheme.

In the case of Shandong, for example, its annual sulphur dioxide emission volume is the highest in the country. The implementation of emissions trading in Shandong involves some 190 electricity enterprises and others equipped with their own generation units. The experiment concerned will enable Shandong to reduce its sulphur dioxide emission volume by 15% in five years. With respect to the experiment, the Environmental Protection Bureau of the province drew up a trading mechanism for sulphur dioxide emission permits, and implemented it throughout the whole province in August.

The specific details of emissions trading will vary from place to place, but according to Article 17 of the Kyoto Protocol, the emissions cap should be

"quantified". The same should also apply to other pollutants such as effluent, solid waste, and so on.

Shanghai has implemented industrial effluent trading and achieved success. In Shanghai, some 40 enterprises have participated in the trading of emission rights. As a result, some highly polluting enterprises with low economic efficiency have gradually moved out of zones of protected water resources. Meanwhile, some less polluting ones with high economic efficiency have gradually taken root in the protected zones. This has brought forward the co-ordinated development of the economy and pollution abatement.

The examples quoted can show us how emissions trading can enable economic efficiency and environmental protection to go hand in hand. Emissions caps can in fact be sold in the market as a valuable resource. They can be traded, even with cash as the means of transaction.

The practical experience of the United States and Canada shows that emissions trading as a market instrument can stimulate the incentive of an enterprise, inducing it to select a mode of emission reduction best suited to it. More importantly, the trading of emission rights can greatly reduce society's expenditure on pollution abatement. The reduction of emissions as a means of making profits is gradually emerging as a brand new mode of environmental management in the Mainland. Hong Kong is the only one that has yet to make the first step to date. I therefore support Miss CHOY So-yuk's motion regarding a pilot scheme on emissions trading.

Madam President, I so submit.

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

DR LAW CHI-KWONG (in Cantonese): Madam President, I speak in support of the motion on behalf of the Democratic Party.

I believe a great majority of Members will agree that we can more effectively reduce emissions at lower costs through emissions trading, so there is no reason why they will not support this motion. Many colleagues have earlier

cited quite a number of relevant examples and experience, but I do not quite understand why Ms Cyd HO has reservations about the motion and I really do not understand the motives behind her reservations, so I must consult her on that later. As far as I understand it, emissions trading is a win-win proposal, especially from the perspectives of Hong Kong and the Mainland. I definitely think that the Mainland will benefit more from emissions trading than Hong Kong but not the other way round. Therefore, I must consult Ms HO on that and get to understand the rationale behind her reservations.

Madam President, I originally included in the speech that I have drafted some concepts behind emissions trading but I have decided not to talk about them after consideration, because to do so I will be repeating many remarks already made by colleagues. I originally put down some concepts related to the economy of scale and marginal rate of return, that is, how to make use of these elements of economic operation through emissions trading to increase the cost-effectiveness of emission reduction. However, I later decided to leave out these points because I thought that it would sound as though I were teaching. But I wish to say that we must have several conditions if we really wish to successfully implement emissions trading, and I particularly agree with the point stated in the motion, that is, the Government should embark on a feasibility study as soon as possible.

The first condition is that the community should be willing to pay a price for emission reduction. If people think that they do not have to work for they can have free lunch and fold their arms without doing anything, thinking that putting in more investment or paying more will suffice, then emission reduction is not at all possible. It will only be easier to increase cost-effectiveness under this premise. We have to be prepared to pay a price for emission reduction and be willing to pay more to reduce the cost under this premise to achieve the same or better results. How can we make the Hong Kong community willing to pay more or invest more for emission reduction? As a member of the community, I am willing to do so but the failure by all Hong Kong people in reaching such a consensus will be the biggest obstacle to emissions trading.

A lot of colleagues have already mentioned the second condition and I will briefly say that the relevant laws for emission monitoring in the three places, that is, Guangdong Province, Macao and Hong Kong must be sound and synchronized. If the monitoring system is not sound, we can hardly tell

whether such trading will achieve the desired results and whether the emission measuring system and the relevant matters are sound. Many Members have referred to worries in respect of emission monitoring in the Mainland, so I am not going to repeat their points. Nevertheless, I believe it is not just a matter of trust and Hong Kong has to consider its monitoring system and the three places must work in collaboration with one another. If they adopt different standards, emissions trading can basically not be conducted and the matter will become more complicated if there is also an additional element of foreign exchange conversion. As it will be easier to handle trading if the same exchange rate can be adopted, the relevant authorities should take some time to work out common targets that are mutually recognized before emissions trading can be conducted.

The third condition is related to the review on the profit control schemes and proposals for the future development of the two power companies mentioned in the motion debate at an earlier meeting. If the profits control scheme or other matters such as interconnection cannot dovetail with the development of emissions trading, obstacles to emissions trading will be created. Of course, it does not mean that emissions trading cannot be implemented but there will obviously be fewer tools for the more effective development of emissions trading.

The fourth condition is the development of technologies for the application of renewable energy resources discussed in the motion debate last week. I believe it is very hard for Hong Kong to conduct relevant basic research now, but Hong Kong has favourable conditions for more efforts to be made in applied science and technology research. Given full development in this respect, it will be easier for us to use the strengths of different polluters in the market in trading. Renewable energy resources are evidently tools that can be used by different regions or polluters, therefore, the development of technologies for the application of renewable energy resources is also a very important condition.

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

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

(No Member responded)

SECRETARY FOR THE ENVIRONMENT, TRANSPORT AND WORKS

(in Cantonese): Madam President, I am very grateful that so many Members have spoken, and they have extensively discussed emissions trading and expressed invaluable views. I have prepared a lot of documents but I find that Members have a clear understanding of the topic, with the exception of some particulars. I share the feelings of Dr LAW Chi-kwong, that is, I also do not understand why some Members would analyse the topic that way. In any case, let me briefly explain emissions trading.

Emission is a liability and emission reduction is a resource in terms of the capacity of the environment, that is, if emission reduction is achieved, we will have some resources. We are trading the right to use the resource, it is not emissions trading but the use of the assets from emission reduction. Under such circumstances, we can allow polluters to trade emission rights, just like commodities, in the market. With such a trading system, enterprises will be driven to reduce emission because the more emission is reduced, the more commodities for trading there are. Therefore, in the emission system, many companies will take the initiative to implement measures of emission reduction over the specified volume and sell the emission rights in exchange for profits, so this becomes a business. Of course, we must have certain conditions to make trading successful, as several Members have also mentioned. If I were as young as Ms Audrey EU's daughter, I might agree with her. But in reality, environmental protection is a philosophy, an orientation of life. However, it may take very long before we can achieve the objective if there are not financial conditions or trading systems to help its implementation. Therefore, financial considerations are essential under the premise of sustainable development. Under what circumstances will emissions trading be successful? Dr LAW Chi-kwong has just said that there must be differences in treatment costs margins between sources of pollution, so emissions trading will benefit both parties to the trading. If enterprises with lower treatment costs further reduce emissions, they can sell the unused emission rights to enterprises with higher treatment costs, and enterprises with higher treatment costs can reduce the costs of emission reduction by buying emission rights. Emission rights flow from polluters with lower treatment costs to polluters with higher treatment costs through trading in the market. Consequently, emission reduction is accomplished in society at the lowest cost. The basic concept is the highly efficient deployment of resources in terms of the capacity of the environment.

What is the practice in Hong Kong and Guangdong Province? The report on the result of the research conducted from 1999 to the beginning of this year on the air quality of the Pearl River Delta (PRD) shows that we need to do a lot in respect of air quality. One of the most important points in the report is to quantify the major sources of air pollution within the region and analyse the distribution of the sources of air pollution as well as its relationship with meteorological phenomena, photosynthesis and the natural environment, thereby looking for long-term measures to improve air quality in the region.

The report on the research result indicates that the overall air quality of the PRD Region has continuously deteriorated in the past decade, and I do not need to elaborate this for Members should be clear about that. The conclusion is that it is necessary to designate the PRD as one single air area. If it is not designated as one single air area, the emission reduction in the region may not have any direct relation with us. We have employed a very complicated computer simulation to show us how pollutants are blown from one side to the other. As Guangdong and Hong Kong are under the same sky, both place must take positive emission reduction measures at the same time.

We also note from the report that there has been continuous growth in the economy, population, power consumption and traffic flow in the two places. We know that growth in four aspects, that is, the economy, population, power consumption and traffic flow, will respectively be 150%, 20%, 130% and 190% by 2010. Although Guangdong and Hong Kong have continuously implemented and promoted measures to prevent air pollution, they can only partially ameliorate their respective air pollution problems. The research also points out that the air quality in the region will continue to deteriorate if the governments of both places do not implement additional measures. Therefore, the report has made clear recommendations on how the two governments can implement additional improvement measures to reduce the total volume of pollutant emissions in keeping with the overall economic development and improve the air quality in the region.

I have also briefed the Legislative Council on how the Governments of Guangdong and Hong Kong reached a consensus. We are going to reduce four main air pollutants, namely sulphur dioxide, nitrogen oxide compounds, respirable suspended particulates and volatile organic compounds, from the

standards in the base year of 1997 by 40%, 20%, 55% and 55% respectively by 2010. Our air quality will only hit the target when both parties have attained the overall volume of emission reduction. It is not at all easy to do so and I have emphasized all along that the two places should look squarely at the problem. First, we have to realize that a pollution problem does exist; second, we have to know the distribution of pollution. Many people think that the problem has become rather politically sensitive, but I do not think so because the population and industries in the PRD Region of Guangdong are more than those in Hong Kong. There are more than 90 thermal power plants in the PRD Region and each of them has a generating capacity of more than 50 MW. There are also many cement factories and various industries. There are two major power plants in Hong Kong and their generating capacities are 4 000 MW and 2 600 MW respectively. To sum up, the ratio of theirs to ours is 4:1. Although there is a 4:1 ratio, unilateral emission reduction is not enough. As both parties must perform their respective responsibilities under the agreement, we must achieve relative emission reduction so as to reach the above-mentioned standards of 40%, 20%, 55% and 55%.

Certainly, both parties have to do a lot in order to achieve the objective and the industries affected by emission reduction may have to make enormous investment. Taking the power plants as an example, the industry mainly produces pollutants in Hong Kong and the costs will directly affect our electricity tariffs. To achieve the objective of emission reduction, the costs will be very high, especially when the power stations in Castle Peak still burn coal, and if they were to switch to gas-fired power generation, the costs would be very high. Can our society bear such financial consequences? We must consider this very carefully. While promoting emission reduction to ameliorate air pollution, I think that it is very important for it to be cost-effective, otherwise, we may never be able to achieve the objective. Therefore, I have begun to advocate emissions trading as one of the more feasible options from the economic angle. I have just explained that trading is meaningful since there are differences between the two places in terms of marginal efficiency and the actual economic situation. Though the concept of emissions trading is new to Hong Kong, there are many successful examples overseas as some Members have cited earlier. I wish to cite the example of the United States. The total quantity of sulphur dioxide emitted by power plants in the United States has reduced by 36% as compared with that in 1980. US\$2.5 billion is saved each year and its Acid Rain Program on its east coast will hit the target sooner.

The United States has a sound legal system and it is easier to conduct trading within the same judicial region. Of course, it is easier to conduct trading on whatever commodities within a country. However, if trading is conducted with another country, then an understanding of the legislation and administrative measures of this other country is essential. However, there are some successful examples in the United States and besides conducting trading between the United States and Canada, trading is also conducted between Southern California and Mexico. There are greater economic differences between Southern California and Mexico, but if Southern California does not conduct emissions trading with Mexico, it is impossible to solve its air pollution problem, especially the smog problem. Many Members have said that there was a successful trial scheme of emissions trading in the Mainland in the past and the National Environment Protection Agency has further promulgated the trial implementation of emissions trading in seven provinces and cities and, policy-wise, the Agency supports the participation by Hong Kong in the simulated trading and it hopes that the mode of "seven plus three" will be adopted. The word "Three" refers to the three places under one country, two systems, that is, the emissions trading between Macao, Hong Kong and Guangdong Province.

I wish to discuss the possibility of the implementation of emissions trading in Hong Kong. Several Members have mentioned the control of the total volume of emissions, the differences in legislation and control in both places. I admit that all these have to be studied in detail and we have to carefully consider them during operation. What can be done in Hong Kong? At present, the biggest source of pollution is certainly the power plants. The Air Pollution Control Ordinance specifies that a licence is required for a specified process and it includes the standards of emissions. However, I have to emphasize that the standards of emissions are not international standards as what we have imagined because international standards of emissions can hardly be determined and the standards of emissions are determined on the basis of the conditions of each region. If there are many sources of pollution in a region, the volume of emissions may have to be reduced. Similarly, before our air quality reaches the target the emission standards have to be continuously reduced until our air quality hits the target. In respect of the mechanism for improving our air quality, the SAR Government has adopted a very reasonable manner of control. In respect of technological management, we ask polluters to reduce emissions by the best practicable means every year. The power plants have adopted low sulphur coal and low nitrogen oxide compound burners, smoke desulphurization

devices and natural gas generation to reduce pollutant emission, yet, there is still ample room for emission reduction. The PRD has also made considerable efforts to implement some clean projects. The power plants in the PRD employ high-tech desulphurization technology and the power plant in Mawan is already installed with the facility and it is the first power plant that implements a trial scheme for the use of seawater for desulphurization. However, there is considerable differences between the wages and land costs of the two places and the costs of further emission reduction by the power plants in Hong Kong will be much higher than those of the power plants in the PRD. If the power plants in Hong Kong can start conducting emissions trading with power plants in the PRD, I believe the objective of emissions reduction can similarly be achieved and the costs of pollution prevention of the power plants in Hong Kong will also be reduced, ultimately reducing the economic prices to be paid by the people for air quality improvement. Prices will have to be paid, but I am just working hard to make the prices reasonable.

Drawing on the experience of foreign countries and the Mainland, I hope that a new trial scheme will be implemented in the PRD, Hong Kong and Macao and efficient experiments will be conducted in respect of procedures, legislation and monitoring. We can hardly become a comprehensive emissions trading exchange at the outset.

The Governments of Guangdong and Hong Kong have agreed to jointly conduct feasibility studies on some power plants in Hong Kong and the PRD Region. A task force under the mechanism of the Guangdong-Hong Kong Joint Working Group on Sustainable Development and Environmental Protection will follow up the matter. The task force is composed of officials of the two places and some experts, who conduct studies and make reference to the mainland and overseas experience, consider the conditions required for emissions trading, conduct education in this respect and make various preparations. Technology requirements are very important and indispensable to the relevant studies. I must stress that monitoring by the Government is critical to the successful implementation of emissions trading. Therefore, besides taking forward the schemes for air pollution reduction agreed upon by the two places, the task force also plays a very important monitoring role. We will install on-line monitoring instruments in all organizations participating in emissions trading for 24-hour computer monitoring of emission concentration, and the data will then be transmitted by means of a computer programme to the two places to facilitate

simultaneous monitoring in both places. I hope that the relevant requirements can be met and the objective of emission reduction achieved. We will definitely be able to spot any errors in the process.

Madam President, I am very grateful to Members for expressing their views and to Miss CHOY So-yuk for moving this motion. I have also discussed the topic with many non-governmental green groups and academics and we will continue to report to Members the progress of the relevant trial. I know that the measures for improving the air quality have vital effects on every person. The Government should not unilaterally make a decision on the topic and it requires a consensus in the community. Dr LAW Chi-kwong has mentioned the prices that must be paid. Through this discussion, we wish to let the community better understand this topic and facilitate the fruition of a consensus by the community as a whole.

There is an emissions trading exchange in the United States and various advanced countries in the world are very interested in the enormous Chinese market for emissions trading. The United States and Canada will hold an international seminar on emissions trading in Beijing in mid-November. This is a very good business opportunity and I think Hong Kong has an edge, given our international positioning. At present, there is no national policy in support of carbon dioxide trading and we are seeking to conduct only sulphur dioxide and nitrogen oxide compound trading. Nevertheless, it is a very good opportunity for the development of the international trading market in the long run. We hope that Hong Kong can grasp this opportunity to improve the environment and accomplish sustainable development in the economic, social and environmental protection contexts.

Thank you, Madam President.

PRESIDENT (in Cantonese): Miss CHOY So-yuk, you may now reply and you still have three minutes 57 seconds.

MISS CHOY SO-YUK (in Cantonese): Madam President, not many Honourable Members have spoken on motions concerning environmental protection of late, so I really feel flattered when 11 Honourable colleagues have spoken today on this motion. I would like to thank Honourable Members for their valuable suggestions.

As the Secretary has said earlier, she agrees to most of the views expressed by Honourable Members, and so do I. As Dr LAW Chi-kwong has pointed out, the speech made by Ms Cyd HO is baffling. I do not exactly understand her views on this. I think the Secretary shares my impression as well, for she made the same point just now. Some Honourable colleagues are worried that if the emissions trading scheme is implemented, it would make Hong Kong subsidize the neighbouring places. But Ms HO pointed out that if Hong Kong implemented such a scheme, then we would not be sympathetic to the sufferings of the Third World and we would deprive the Third World countries of their economic development and suppress it. I really do not understand her points.

I would like to mention in particular that Ms HO says that our emission standards are higher than those of our neighbours and that our air is fresher and so we are being rather spendthrift as we have spent too much money on environmental protection. This I beg to differ. It is because environmental protection efforts and the raising of emission standards are efforts that must be made by every place. I hope that these standards can be raised even higher and better efforts put into environmental protection. I do not agree to the view that Hong Kong has spent too much money on this.

Madam President, I would like to talk about the proposal raised by Mr LAU Ping-cheung in particular, for I very much agree with his proposal. I hope that the Government will pay special attention to what Mr LAU has said with respect to the selling party. I think that the Government may require both the buying party and the selling party to use a certain proportion of renewable energy resources. That is a very good suggestion indeed.

Madam President, my motion is neutral in nature. I am just hoping that the Government should embark on a feasibility study and implement pilot schemes. I am very happy to hear the response made by the Secretary. Her tone is more affirmative than the wording used in my motion. I believe the Government would embark on such a feasibility study on emissions trading and to implement pilot schemes for such purpose. As the Secretary has said, the purpose of my motion is to arouse more discussions on emissions trading in all sectors of society and among Honourable Members, in the hope that more common grounds can be reached. I hope Honourable colleagues can lend their support to this motion. Thank you.

PRESIDENT (in Cantonese): Ms Cyd HO, are you requesting a clarification of the part of your speech which has been misunderstood?

MS CYD HO (in Cantonese): Madam President, I am very grateful to Members for listening carefully to my speech and they have therefore asked questions about my speech.

First of all, I wish to elucidate that in using the word "extravagant" a while ago, I do not mean to say that we have put too much money into environmental protection. What I mean is that we have reduced pollution very well but there is still serious air pollution in Hong Kong because we have actually utilized too many resources in our daily life. Madam President, I wish to say that our lifestyle is extravagant and wasteful.

PRESIDENT (in Cantonese): I now put the question to you and that is: That the motion moved by Miss CHOY So-yuk be passed. Will those in favour please raise their hands?

(Members raised their hands)

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

(No hands raised)

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

NEXT MEETING

PRESIDENT (in Cantonese): I now adjourn the Council until 2.30 pm on Wednesday, 13 November 2002.

Adjourned accordingly at twenty-four minutes to Nine o'clock.

Appendix I**WRITTEN ANSWER****Written answer by the Secretary for the Environment, Transport and Works to Mr Henry WU's supplementary question to Question 3**

As Secretary for the Environment, Transport and Works pointed out at the meeting, as at 6 November 2002, the Lands Department had received 139 compensation claims and 49 applications to reserve their right to submit claims. Since then, in 36 out of the 139 claims, the parties concerned have requested the Lands Department to treat them as reserved cases so that they could submit their claims and supporting documents later. Moreover, 9 out of the 49 reserved cases have subsequently submitted claims and five new claims have been received. To sum up, as at 2 December 2002, the Lands Department has received 117 claims and 76 applications to reserve their rights to claim compensation. The total claimed amount of these 117 claims is approximately \$1,797 million.

The Lands Department is at present processing the claims and will liaise with the claimants as appropriate. There are sufficient resources for compensation which would be made available for claimants once an agreement is reached on the claims between the Lands Department and the claimants.

Appendix II**WRITTEN ANSWER****Written answer by the Secretary for the Environment, Transport and Works to Ms Emily LAU's supplementary question to Question 5**

The Highways Department has advised that about 1 740 existing and planned dwellings will benefit from the provision of the noise barriers.